

TO: ALA Executive Board

DATE: October 26, 2019

RE: Joint Meeting report for the Budget, Analysis, and Review Committee and the Finance and Audit Committee to the Executive Board

ACTION REQUESTED/INFORMATION/REPORT:

- Approval of ALA FY2020 Budget
- Acceptance of the 403(b) audit as issued by Mueller & Co., LLP

ACTION REQUESTED BY:

BARC and F&A

CONTACT PERSON:

Peter Hepburn, BARC Chair, peter.hepburn@canyons.edu, 661.362.3758

Maggie Farrell, ALA Treasurer and F&A Chair, maggie.farrell@unlv.edu, 702.895.2286

DRAFT OF MOTIONS:

1. That the ALA Executive Board approve the final FY2020 Budget, as presented in EBD #3.4.
2. That the ALA Executive Board accept the 403(b) audit as issued by Mueller & Co., LLP., as presented in EBD #3.0.

BACKGROUND:

Members of the ALA Budget Analysis and Review Committee (BARC) and the Finance and Audit committee (F&A) held a joint meeting on Sunday, October 20th, to discuss and review a number of financial issues and are pleased to report to the Executive Board on our activities. Below is a list of the primary topics discussed:

- 5–Year Plan FY2020–FY2024 *EBD #3.2*
- 3–Year Investment Plan –
 - Advocacy *EBD #3.8*
 - Development *EBD #3.9*
 - IT *EBD #3.10*
 - Publishing *EBD #3.11*
- YTD 2019 Preliminary Year–End 8-31-19 Financial Results *EBD #3.3*
- FY 2020 Final Budget Approval *EBD#3.4*
- Controller Report *EBD #3.5*
- Director of Compliance Report *EBD #3.6*
- Endowment Trustees’ Report *EBD #13.0*
- Other items included:
 - ✦ ROI measures for the strategic investment budgets
 - ✦ BARC goals for FY2020
 - ✦ Preparation for Midwinter Conference meetings
 - ✦ BARC liaison assignments
 - ✦ Planning for the coming year

Detailed Informational Items:

ALA Financial Review

For the twelve-month period ending August 31st, ALA realized Total Revenues of \$48.8M, exceeding budget by 3%. Although compared to the same period last year (FY18), Total Revenues were \$4.4M lower (-8.2%), compared to the most recent one-Division conference year (FY17), FY19 revenues were flat. Within Total ALA, the General Fund missed FY19 revenue budget by -4.1%, Divisions as a whole met projections, and higher than projected revenue in the Roundtables, Grants, and offset the revenue variances elsewhere. Last year, revenues for Total ALA were 2.6% better than budget and the General Fund and Divisions were right on budget.

ALA expenses for the twelve-month period were \$54M as of second close, which was an unfavorable variance from budget of -3.4%. For the same period in FY2018, total ALA expenses were right on budget. While the Divisions saw expenses lower than budget (6.7% favorable), the General Fund (-2.6% unfavorable), Roundtables (-19% unfavorable) and the Endowment (-15% unfavorable) were higher than budget. As discussed in the General Fund section and in the Department Commentary, the unfavorable expense variance was primarily due to audio/visual cost overruns from the Midwinter Meeting in Seattle, as well as higher consulting and legal expenses than budgeted.

Overall, ALA realized a net expense (or excess of expenses over revenues) of -\$5.2M in FY 2019. This represented a larger net expense than the budgeted \$4.8M net expense by \$349K (7% worse than budget) for the period.

Below is a summary table of General Fund Investment Budget changes since Annual Conference.

Based on year to date performance, BARC and F&A recommend a FY2020 Annual Estimates of Income of \$89,466,241 and the final ALA FY2020 Budget as presented in EBD #3.4.

Table 1: Summary of General Fund Investment Budget changes since Annual Conference, in (\$,000)

ALA's General Fund: FY 2020 Final Budget, (\$,000)	
Annual Conference Budget = \$(2,859)	
Additional Revenue, net	
Annual Conference (CHI)	202
Interest Income	(150)
Midwinter (PHL)	24
Membership Services	12
International Relations Office	(5)
Office for Intellectual Freedom	(6)
Total	77
Expense Reductions, net	
IT	(166)
Publishing	(71)
General Administration	69
Executive Office	61
Midwinter (PHL)	59
Annual Conference (CHI)	35
Membership Services	35
Distribution Center	28
<i>All other nonmaterial changes, net</i>	<i>(20)</i>
Total	30
Final FY20 Budget (as detailed in EBD/BARC #3.4a) = \$(2,812)	

Reports and Discussions

BARC and F&A discussed the Controller Report *EBD #3.5*, Director of Compliance Report *EBD #3.6*, and the Endowment Trustees Report *EBD #13.0*. BARC discussed the return on investment (ROI) for the strategic investment activities and will recommend to the Board a set of metrics to assess as to the effectiveness of the strategic investments *EBD #3.12*. BARC reviewed its goals for 2019-2020, BARC Liaison responsibilities, and began preparation for the ALA Midwinter meetings.

Future Actions

Following the fall 2019 meeting, BARC and F&A will plan a Midwinter Conference joint discussion with PBA and Division leaders on the overhead rate calculation, will prepare the Board ROI recommendation, and will consider possible budget implications based on the Board's decision regarding real estate. BARC and F&A hope to advance the strategic goals of ALA through transparency, clarity, communication, and collaboration across the association.

Acknowledgement

BARC and F&A extends its sincere thanks to the many ALA staff for their report preparation and meeting with the committees on a Sunday. In addition, the ALA finance staff contributed to a successful meeting: Mark Leon, Denise Moritz, Joanne Lee, Brad Geene, and Ligia Barac. The chairs also extend their best wishes to Mark Leon in his new position, appreciating his contributions and leadership to ALA.

Respectfully submitted:

BARC Peter Hepburn, Chair
Steven Potter
Carl Harvey
Brett Bonfield
Lessa Kanani'opua Pelayo-Lozada
Trevor Dawes
John Lehner
Rodney Lippard

F&A Maggie Farrell, Chair
Patricia Wong
Maria McCauley
Ed Garcia