

TO: ALA Executive Board

DATE: October 27, 2018

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 Estimates of Income
- Approval of ALA FY2019 Budget
- Acceptance of the 403(b) audit as issued by Mueller & Co., LLP

ACTION REQUESTED BY:

BARC and F&A

CONTACT PERSON:

Maggie Farrell, BARC Chair, maggie.farrell@unlv.edu, 702.895.2286
Susan Hildreth, ALA Treasurer and F&A Chair, shildreth@comcast.net, 206.221.2335

DRAFT OF MOTIONS:

1. That the ALA Executive Board approve the final FY19 Annual Estimates of Income of \$85,053,471 as highlighted in document EBD #3.2.
2. That the ALA Executive Board approve the ALA FY2019 Budget as presented in EBD #3.2.
3. That the ALA Executive Board accept the 403(b) audit as issued by Mueller & Co., LLP.

BACKGROUND:

Members of the Budget Analysis and Review Committee (BARC) and the Finance and Audit committee (F&A) held a joint meeting on Thursday, October 25th 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 FY2019-FY2023 (EBD #4.3)
- 3 Year Investment Plan (EBD #4.4)
- YTD 2018 Preliminary Year-End 8-31-17 Financial Results (EBD #14.0)
- FY 2019 Final Budget Approval and Annual Estimate of Income (EBD #3.2)
- Controller's Report (EBD #4.1)
- Director of Compliance Report (EBD #4.2)
- Endowment Trustees' Report (EBD #13.0)
- Other Items included BARC goals for FY19, preparation for Midwinter Conference meetings, BARC liaison assignments, fall BARC tasks, and updates on the New Business Development Group and Conference Committee.

Detailed Informational Items:

ALA Financial Review

ALA realized revenues for FY2018 of \$53.1M, beating projections by 2.6%. Revenues for all funds exceeded budget with the exception of the General Fund, which missed budget by just under 1%. The difference between General Fund budget and actual continued to improve relative to prior years (-6.8% in FY 2017 and -7.6% in FY2016.) Total Division revenues beat budget by 1%, but performance was mixed by Division, with 5 divisions exceeding budget (ACRL/CHOICE, ALCTS, ALSC, LITA and LLAMA) and 6 divisions missing operating revenue projections (AASL, ASCLA, PLA, RUSA, UFL, and YALSA.) Endowment revenues exceeded budget by 56%.

ALA expenses as of year-end were \$53.4M, which were on budget. This favorable variance was due both to careful expense management as well as differences in timing of expenditures from the original budget. With the exception of the General Fund, actual expenses were lower than budget for Divisions (9%), Roundtables (8.4%), and the Endowment (23%).

Overall, ALA realized a net expense (or excess of expenses over revenues) of \$287k for FY 2018. This represented a substantially lower net expense than the budgeted \$1.9M net expense by \$1.6M. By comparison, in FY 2017 ALA realized a net expense that was 22% worse than budget. (EBD #14.0) 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 FY2019 Annual Estimates of Income of \$85,053,471 and the final ALA FY2019 Budget as presented in EBD #3.2.

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

Annual Conference	(\$1,888)	Source of change
Revenue reductions	(\$62)	Midwinter Seattle (\$50), OIF (\$9)
Overhead reductions	(\$64)	Choice, LITA, Midwinter, Booklist
Expense changes	\$240	Organizational consultants
	\$200	“change streams” implementation
	\$174	staff salary increase (January 1, 2019)
	\$135	Chief of Staff - proposed
	\$20	HR/Accounting staff increases, net
	(\$6)	Delayed hiring of AmLib Editor role
	(\$78)	ITTS Staffing changes, decreased depreciation
	(\$20)	Neal Schuman amortization
	(\$198)	Revised benefits expense rate of growth
	(\$71)	Other multiple net expense changes
Fall Meetings	(\$2,410)	

Future Planning

Mary Ghikas, Executive Director discussed the current initiatives and studies to examine the “change streams” for the association and internal operations. These activities are aligning operations to the grand challenges facing libraries as well as building a foundation for long term sustainability for ALA. Mark Leon, CFO, followed the discussion with an overview on the 5 Year Plan, FY2019-2023 (EBD #4.3) and the 3 Year Investment Plan (EBD #4.4). By examining the operational direction of ALA and assumptions regarding budget planning and strategic investments, BARC and F&A were able to review the FY2018 Preliminary Year End Financial

Results (EBD #14.0). Based on those discussions and results, BARC and F&A are recommending the FY2019 Estimates of Income and Final Budget (EBD #3.2)

Reports and Discussions

BARC and F&A discussed the Controller's Report (EBD #4.1), Director of Compliance Report (EBD #4.2), and the Endowment Trustees Report (EBD #13.0). An update on the New Business Development Group activities was presented as an informational item. BARC reviewed its goals for 2018-2019, BARC Liaison responsibilities, and began preparation for ALA Midwinter meetings.

Future Actions

Following the fall 2018 meeting, BARC will hold a discussion on the overhead rate calculation, discuss the formation of a subgroup to develop metrics for the investment strategy, communicate with liaison contacts, and finalize ALA Midwinter meeting agendas. BARC and F&A hope to advance the strategic goals of ALA through budget transparency, clarity in terminology and processes, effective communication, and a focus on long term financial objectives.

Acknowledgement

BARC and F&A extends its sincere thanks to the ALA finance staff: Mark Leon, Joanne Lee, Keith Brown, Brad Geene, Denise Moritz and Ligia Barac for their work and support in preparing for the committee's meeting and discussions. The chairs would also like to thank Mary Ghikas and Lorelle Swader for their participation and active engagement.

Respectfully submitted:

BARC Maggie Farrell
Steven Potter
Carl Harvey
Peter Hepburn
Karen Downing
Trevor Dawes
Rhea Lawson (absent)
Brett Bonfield (absent)

F & A Susan Hildreth
Andrew Pace
Ed Garcia
Maria McCauley