

Finance and Audit (F&A) Committee Report – 2017 Annual Conference
Hyatt Regency McCormick, Hyde Park, CC-11AB
Friday, June 23, 2017

The Finance and Audit Committee had a successful joint meeting with the Budget Analysis and Review (BARC) Committee on June 23, 2017.

Endowment Candidate Review (CBD #19.0)

F&A met from 11:30 am – 12 pm in Executive Session to review and discuss the applications for two upcoming openings on the ALA Endowment Trustees committee. F&A will report out during the discussion with the full Executive Board.

The joint meeting of F&A and BARC convened at noon.

YTD 2017 Financial Results (EBD #4.16)

These results represent eight months of activity (period ending April 30, 2017).

ALA revenues for this period were \$28.6M, lagging projections by 6.4%. There were lower actual revenues than projected from the General Fund (-9%), Divisions (-4%) and Grants (-1%). The difference between budget and actual was less than in previous years, demonstrating more accurate projections.

ALA expenses were \$31.6M, a favorable variance of 3.3%. Actual expenses were lower than budget for Divisions (6.6%), General Fund (3.1%) and Grants (1%).

Net ALA expense for the period was \$2.96M, 33% larger than budgeted for the period. No revenues or expenses for the annual conference were included in these figures.

General Fund revenues were \$14.7M, 9.5% less than budgeted. Publishing earned \$7.3M, 12.3% short of projections. At the same time, Publishing contributed \$2M to the General Fund. Meetings and conferences earned \$2.9M, 11% less than projections. Meetings contributed \$700,000 to the General Fund. Advocacy and Member Relations earned \$3.6M, 4% less than projections. Membership at April 30, 2017 was 56,923, in contrast to 59,625 as of April 30, 2016.

General Fund expenses were \$17.2M, 3% better than projections.

Operating next expense from the General Fund was \$2.5M, higher than budgeted net expense by \$993,000. ALA management revised its FY17 revenue projections and adjusted General Fund expenses to work toward achieving break-even for the General Fund by FY17 year-end.

Both divisions and roundtables are fairly stable and close to budget projections.

Detailed department commentary is included in this document and provides great detail and explanation for above results.

FY18 Budget Presentation and Approval (EBD #14.6.1)

The FY18 preliminary budget was approved by the Executive Board at its Spring meeting. Minor adjustments have been made to the FY18 preliminary budget. There is a \$150,000 increase in the General Fund primarily due to addition of gift funds to support new initiatives. There was a \$241,273 revenue decrease in divisions which resulted in a modified budgetary ceiling of \$66,674,990, a small decrease from the original ceiling of \$66,766,324. More significant budget changes are anticipated based on the year-end closing numbers and will be presented to the Executive Board for consideration at its October 2017 meeting.

BARC approved the changes to the FY18 preliminary budget from the Spring meeting. F&A concurred with the BARC action and is forwarding this recommended action to the Executive Board for approval. Detailed budget information is attached to this document.

Controller's Report (EBD #4.18)

Total assets (\$28.3M) are \$1.1M less than in April 2016 (\$30.1M), primarily due to less cash, less grants receivable, less prepaid expense.

Total liabilities (\$48M) are \$780,000 higher than in April 2016 (\$47.2M), primarily due to an increase in deferred revenue.

Total ALA net asset balance is \$28.3M, \$1.88M less than April 2016 (\$30.2M). Working capital (difference between current assets and current liabilities) is (\$1.35M) in contrast to April 2016, when it was \$2.8M. Reduction in the ALA net asset balance and/or continued decrease in working capital would become a concern if this continues as a recurring pattern.

ALA's liquidity ratio (cash to debt ratio) continues to be very strong. The required ratio is a minimum of 1.1 to 1.0, with ALA's liquidity ratio being 6.57 to 1.0. ALA is in a solid financial situation currently but must be careful to develop strategies and actions to maintain that financial solidarity on an annual basis and begin to plan to do so in the next 1-2 years.

Overhead Cost Overview (EBD #4.17)

This document is a memo that was sent on May 16, 2017 by ED Keith Fiels to ALA division directors regarding overhead cost calculations to be utilized in FY19. Every year an analysis of the rate is completed based on prior year fiscal data. The FY16 data was used to develop the FY19 rate. In order to maintain a rate as close to the current one (26.4% for FY17 and FY18) as possible and to avoid increases and fluctuations, the post retirement obligation cost factor is being eliminated in this analysis. This action yields a rate of 26.5% for FY19 and should mitigate extreme fluctuation in future years. This rate is developed by the ED in consultation with the Division EDs and being presented to the Executive Board as a first step in the FY19 budget process. The Executive Board does not approve this rate; it is provided for your information.

Acknowledgement

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 these meetings and discussions. The chair would also like to thank Mary Ghikas and extend a special thanks to Keith Michael Fiels for his insightful and helpful input and participation for this meeting and throughout the year.

Respectfully submitted:

Susan Hildreth, Treasurer and Chair
Loida Garcia-Febo
Peter Hepburn
Andrew Pace
Ann Martin, BARC Chair