

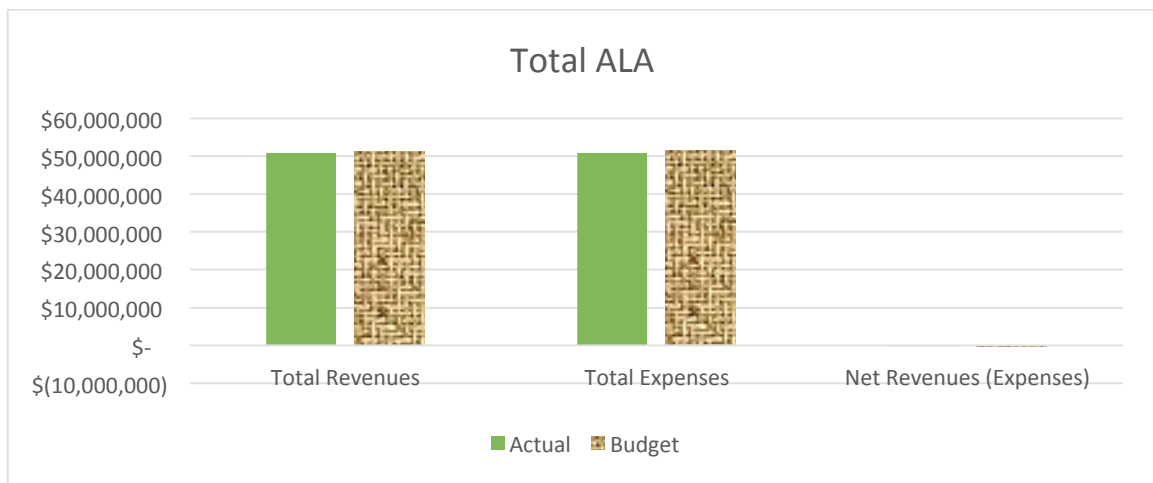
**American Library Association
Budget Analysis and Review Committee Report
to the ALA Executive Board
January 24, 2017**

Members of the Budget Analysis and Review Committee (BARC) and the Finance and Audit committee (F&A) held a joint meeting on Friday, January 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:

- FY16 Final Executive Summary - BARC #4.5 (EBD #14.4)
- FY 2017 1st Quarter Financial Report - BARC #5.0 (EBD #14.5)
- Updated Five Year Plan
- Proposed Presidential Initiative Budget - BARC #15.0 (EBD #14.3)
– ACTION ITEM
- FY 2018 Budget Instructions/Process Guidelines and Objective - BARC Info #8 (EBD Info #1)
- Indirect Cost Study Assumptions - BARC Info #7 (EBD #4.6)
- Publishing Update - BARC #23.1
- Membership Update - BARC #26.1
- Endowment Trustees Report - BARC Info #9 (EBD #13.2)
- Planning and Budget Assembly
- BARC/Division Leadership Meeting

FY16 Final Executive Summary - BARC #4.5 (EBD #14.4)

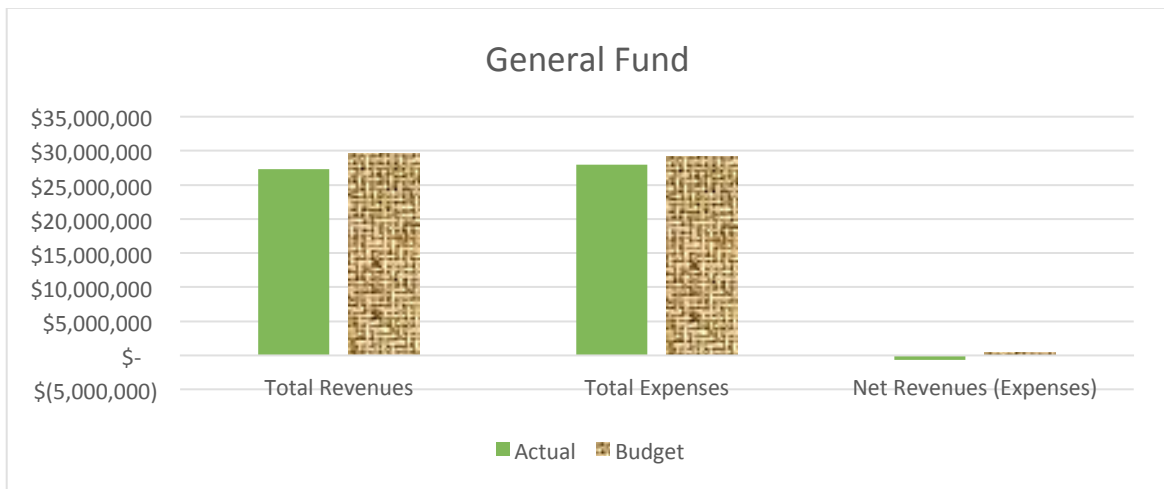
Mark Leon led the committee in a discussion of the twelve month FY 2016 year-end final close results. Taking a broad overview the results reflected the following:



- Total ALA revenues were \$50.8 million compared to the budget of \$51.2 million

- Revenues were lower primarily in the General Fund (\$2.2 million) related to Publishing and was offset by higher revenue from Grants & Awards (\$1.5 million)
- Also contributing was higher than budgeted revenue from the Divisions at \$15.8 million
- Total ALA expenses were \$50.9 million compared to the budget of \$51.5 million
- Expenses were lower than budget in the Divisions (\$1.4 million) and the General Fund (\$1.2 million). This was offset by higher expenses in Grants & Awards (\$1.5 million)
- The result was net operating expenses of (\$40,159), which compares to the budgeted net operating expense of (\$285,745)

The committee was then referred to the General Fund which reflected the following:



- General Fund revenues were \$27.3 million compared to the budget of \$29.5 million
- Lower revenue from Publishing Services related to fewer titles, personnel and production issues in ALA Editions
- Publishing produced net revenue of \$840,926 and contributed overhead of \$3.0 million
- Conferences produced net revenue of \$45,871 and contributed overhead of \$2.2 million
- General Fund expenses were \$28.0 million compared to the budget of \$29.2 million, primarily in Publishing (\$602,000) and the annual conference (\$500,000)
- The result was net operating expenses of (\$667,230) compared to the budgeted net revenue of \$368,856

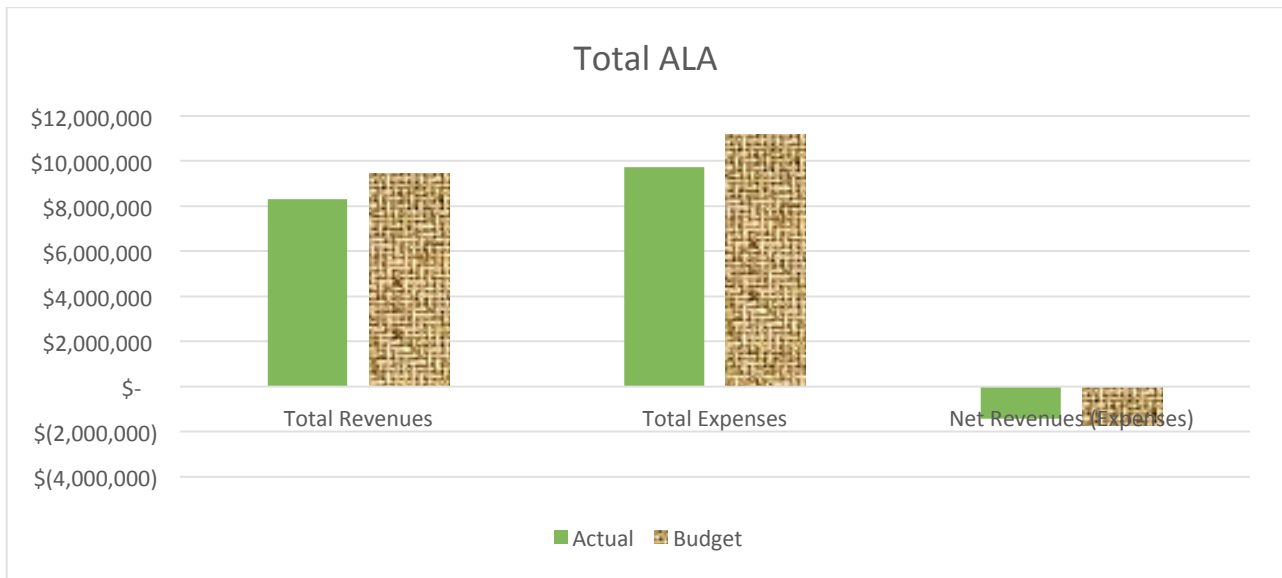
The Divisions and Roundtables reported positive results for the year. The Divisions generated net revenue of \$716,707 compared to their budget of net expenses of (\$842,310) as a result of a strong PLA conference and seal sales in ALSC. The Roundtables reported net revenue of \$205,016 compared to their budget of \$47,257 as expenses were well controlled during the year.

Finally, reviewing the Statement of Financial Position it was revealed that total assets decreased during the year by \$1.8 million to \$75.8 million, while total liabilities declined by \$690,150 to

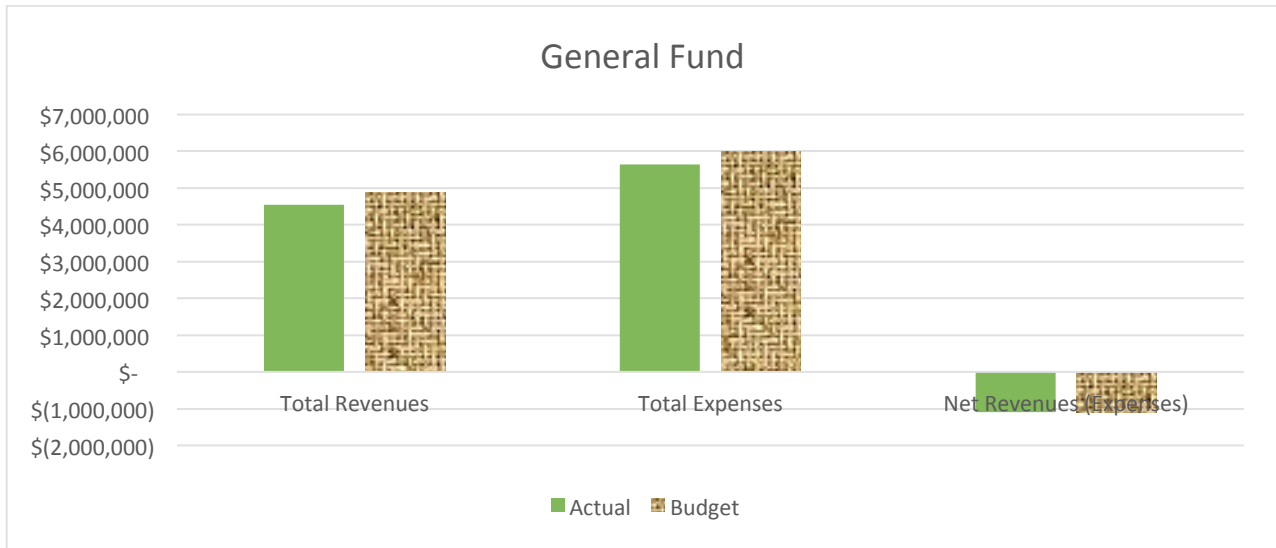
\$45.3 million resulting in a net asset balance of \$30.5 million. The Association still maintains a very healthy financial position.

FY 2017 1st Quarter Financial Report - BARC #5.0 (EBD #14.5)

Mark Leon led the committee in a discussion on the 1st quarter results ending 11-30-16. Taking a broad overview the results reflected the Association is trending in a positive direction.



- Total ALA revenues of \$8.3 million compared to budget of \$9.4 million
- Total ALA expenses of \$9.7 million compared to budget of \$11.2 million
- Net operating expenses were (\$1.4 million) compared to budget of (\$1.7 million)
- Typical results for this time of year, partly due to timing issues in the General Fund and the Divisions



- General Fund revenues were \$4.5 million compared to the budget of \$4.9 million
- General Fund expenses were \$5.6 million compared to the budget of \$6.0 million
- General Fund net expenses were (\$1.1 million) compared to the budget of (\$1.1 million)
- Overall, the General Fund is on budget with revenues expected to pick up in Jan/Feb and rest of the year in Publishing and should meet budget
- While Neal Schuman is still addressing some hurdles, ALA Editions is showing signs of solid improvement with a robust frontlist, an improved production cycle and critical personnel in place

Five Year Strategic Plan

Mark Leon shared the most recent update of ALA’s five-year planning document. He and Keith Fiels reiterated that the document is updated twice a year (December and March/April). Mark noted that the five year plan will have a significant influence on the development of the upcoming FY18 budget. Significant enhancements to the model since the fall meeting were highlighted:

- Updated with FY16 actuals
- Revised the FY17 budget – lower by \$500,000
- Added FY2021
- Add additional General Expense line detail – Strategic IT projects, Staff salary increases, Healthcare expense and any prior year net asset carryover

FY 2018 Budget Instructions/Process Guidelines and Objective (BARC Info #8 & EBD Info #1)

Mark Leon updated the committee on 2018 budget instructions. He referred the committee to the document highlighting the preliminary assumptions, which included items such as a salary

increase of 2%, an overhead rate of 26.4%, and endowment spending rate of 5%. It was noted that the Budget Director (Brad Gene), has already conducted a number of one-on-one and group training sessions with staff to begin the process. While some staff have started the budget process, most will begin immediately after this Midwinter meeting.

Proposed Presidential Initiative Budget (BARC #15 & EBD #14.3)

President-Elect Jim Neal presented his Presidential year budget. The proposed Presidential initiative will focus on sustaining and building upon Libraries Transform. As a result the tag line for the year will be “Libraries Transform: Libraries Lead.” There will be five key components:

- Equity, Diversity and Inclusion - \$15,000
- Leadership Development Programs - \$10,000
- Advocacy - \$15,000
- Partnerships and Working Relationships – \$10,000
- School Libraries and Knowledge Literacy - \$10,000

Other expenses will include Conference Speakers (\$10,000) and Travel Support for Library Visits (\$5,000) for a total budget of \$75,000.

The program is being developed in close conjunction with the proposed 4th Strategic Direction – “Diversity, Inclusion and Equity.” Recruitment will be a high priority with the intent of reaching for both high school and college students i.e. a talent pipeline development effort. There is every expectation that initiative will draw upon expertise both inside and outside the library profession.

The following action was taken:

Motion: BARC recommends and F&A concurs to recommend to the Executive Board approval of the proposed 2017-18 Presidential Initiative budget of President-Elect Jim Neal in the amount of \$75,000.

Indirect Cost Study Assumptions (BARC Info #7 & EBD #4.8)

Keith Brown led a discussion on the assumptions to be used in the development of the FY2016 Indirect Cost study. He noted that the rate that will be generated from the study will be applied to the development of the FY 2019 budget. In his summary included the following information:

- The individual cost centers whose costs will be allocated (18)
- The methodology/statistics that will be used to allocate the costs
- The formula that will be used to determine the actual rate
- The programmatic units that will be included in the study

He noted that information gathering has already started with the completion of the ALA audited financial statements, which will be accepted by the Executive Board at this Midwinter meeting. The general timeline for completion of the study is April with a presentation to BARC and the Finance and Audit committee at their Annual Conference meetings in June.

Publishing Update (BARC #23.1)

Don Chatham – Retired AED, Bill Ott – Interim AED and Chris Murphy – Editor ALA Editions provided an update on the 1st quarter operating results in the Publishing department as outlined below:

- Total Revenue Budget shortfall of \$234,332 at \$2.8 million.
- Total expenses were less than budget by \$271,112 at \$2.6 million.
- Net revenue for the period is \$183,437, which is better than budget by \$36,780.

Other highlighted areas included the following:

- Neal Schuman generated revenue of \$324,000, which more than this time last year at \$252,000
- Neal Schuman will be releasing more titles than budgeted in the 2nd – 4th quarters
- Advertising of \$941,300
- Royalties of \$160,445
- Book sales of \$798,324
- Subscriptions of \$723,316

Looking Forward

- Technology improvements in the new online store is targeted for the spring of 2017.
- New staff additions – Sales & Customer Service Manager focused on sales growth/customer service (11/16), an Acquisitions Editor focusing on frontline titles (1/17) and Administrative staff (3/17) – are expected to significantly contribute to positive results.
- A change in the fulfillment center was made in December from Brightkey to PBD, which should result in better tracking of results and inventory.
- Developing relationships between Publishing and other ALA units. (Collaborations are being developed with AASL, the Center for the Future of Libraries, United for Libraries and PAO.)

Challenges and focus Areas

These include:

- Building a bigger frontlist
- Establishing a 2 year publishing timeline – start to finish
- Stabilizing the financial recording process

Membership Update (BARC #26.1)

Cathleen Bourdon provided the committees with a brief update of the first quarter membership, plans for recruitment/engagement/ retention for FY17 and scenarios for a possible dues adjustment for FY19.

The total ALA membership roster was 56,993 at the end of the first quarter. This compares to 58,952 (-3.3%) last year. While student membership was down 5.5%, nearly 1,000 regular members dropped in November. Staff is reviewing. As a result Dues revenue was under budget by \$65,642, primarily in personal members (\$20,000) and organizational members (\$24,000).

Recruitment, engagement and retention is a high priority for FY17. The activities involve a significant amount of work with the Divisions, Roundtables and ALA via various initiatives, programs and campaigns.

In 2013 ALA members voted to establish a 5-year personal dues adjustment tied to the Consumer Price Index (CPI). The membership committee is considering four possible dues adjustment scenarios for FY19 and beyond. Each scenario maintains some element of the CPI as a component.

Endowment Trustees Report (BARC Info #9 & EBD #13.2)

This was just an information item.

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On Sunday, January 22nd BARC participated in the following activities:

Planning and Budget Assembly

Planning and Budget Assembly – The following represents highlights of the discussion:

- President Initiatives – Jim Neal, *President-Elect*
- Summary Observation of FY16 Results – Susan Hildreth, *Treasurer*
- Summary Observations FY17 Results (1st Qtr.) – Ann Martin, *BARC Chair*
- Five Year Plan and FY18 Budget Assumptions – Keith Fiels, *Executive Director*
Mark Leon, *ALA CFO*
- Annual Conference Redesign – Clara Bohrer, *Chair Conference Committee*
Mary Ghikas, *ALA Senior AED*
- Membership Update/Trends & Projections– Ron Jankowski, *ALA Director of Membership*

Division Leadership/BARC Meeting –

Division Leadership/BARC Meeting – The following represents highlights of the discussion:

- Update on new ALA Annual Fund strategy – Sheila O’Donnell, *Development Director*
Information about grant opportunities.
Current initiatives, projects, and their priority.
- Annual Conference Remodel – Clara Bohrer, *Chair Conference Committee* and Mary Ghikas, *ALA Senior AED*
- Plans for ALA Publishing going forward – Don Chatham, *Retired AED*
- ALA Connect timeline - Mary Ghikas, *ALA Senior AED*
- Comments on the financial state of ALA – Mark Leon, *ALA CFO*

Acknowledgement

BARC extends its sincere thanks to the ALA finance staff: Mark Leon, Joanne Lee, Keith Brown, and Latasha Bryant for their work throughout the year and support in preparing for the committee meetings and discussions. The chair would also like to thank Keith Michael Fiels and Mary Ghikas for their insightful and helpful input and participation.

Respectfully submitted:

Ann Martin, Chair
Maggie Farrell
Lori Goetsch
Susan Hildreth, Treasurer
Julius Jefferson, Jr.
Dr. Rhea Brown Lawson
Mike Marlin
Gina Persichini
Steven Potter