

**TO:** ALA Executive Board

**DATE:** October 27, 2021

**RE:** Joint Meeting report for the Budget, Analysis, and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) to the Executive Board

**ACTION REQUESTED/INFORMATION/REPORT:**

- Approval of ALA FY2022 Budget
- Acceptance of the Retirement Plan audit as issued by PKF Mueller

**ACTION REQUESTED BY:**

BARC and F&A

**CONTACT PERSON:**

Rodney Lippard, BARC Chair, [RodneyL@usca.edu](mailto:RodneyL@usca.edu), 803.641.3460

Maggie Farrell, ALA Treasurer and F&A Chair, [maggie.farrell@unlv.edu](mailto:maggie.farrell@unlv.edu), 702.895.2286

**DRAFT OF MOTIONS:**

1. That the ALA Executive Board approve the final FY2022 Budget, as presented in EBD #3.1
2. That the ALA Executive Board accept the 2020 Retirement Plan Audit as issued by PKF Mueller, as presented in EBD #3.5

**BACKGROUND:**

Members of the ALA Budget Analysis and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) held joint meetings on Monday, October 25, and Tuesday, October 26, 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:

- FY 2021 Year-to-Date Financial Results *EBD #3.2-2a*
- FY 2022 Final Budget Approval *EBD#3.1-1a*
- Executive Director Update *EBD #12.3*
- BARC Liaison Assignments *BARC #3.7*
- 5-Year Financial Plan *EBD#3.3*
- Conferences Services Report *EBD #12.5*
- Publishing and Media Report *EBD #12.6*
- Membership Report *EBD #12.4*
- Endowment Trustees' Report *EBD #13.0*
- Controller Report *EBD #3.4*
- Director of Financial Reporting and Compliance Report *EBD #3.5*
- 2020 Retirement Plan Audit *EBD #3.5-5a*
- Operating Agreement Work Group Update *EBD #10.2*
- Other items included:
  - Continuing Education strategies
  - Preparation for LibLearnX meetings
  - FY 2023 Budget Considerations and Timeline

## **Detailed Informational Items:**

### **FY 2021 3<sup>rd</sup> Quarter Financials, EBD #3.2-2a**

#### *Revenue*

Through the 3rd quarter, total revenue for ALA exceeded Budget by \$985k. Revenue through the 3rd quarter of FY 2021 was \$29.9M, lower than FY 2020 revenues by \$2.4M and lower than FY 2019 revenues, the most recent two-conference fiscal year, by \$2.0M. Within Total ALA revenues, the General Fund, Round Tables, and the Endowment Fund exceeded Budget by 15%, 12%, and 75%, respectively; the Divisions and Grants and Awards missed Budget by 4% and 36%, respectively, for the 3rd quarter of FY 2021.

#### *Expenses*

ALA expenses through the 3rd quarter were \$30.5M, less than 1% over Budget. Expenses for FY 2021 are lower than FY 2020 by \$8.0M and lower than FY 2019 by \$7.4M due to close monitoring and cost containment. In comparison to FY 2020 expenses, the General Fund, Divisions, Round Tables, and Grants and Awards saw expenses lower than FY 2020. Endowment expenses were higher than FY 2020 by \$63k due to an increase in scholarship and award disbursements.

#### *Net Revenue and Expenses from Operations*

Overall, ALA is reporting net expense of \$589k through the 3rd quarter of 2021, representing a positive budget variance of \$985k.

It should be noted that the first Paycheck Protection Program loan for over \$4.2M was authorized for complete forgiveness by the Small Business Administration on July 2, 2021, and therefore, not included in the 3rd quarter financials. It will be reflected in the end-of-year totals and is expected to offset the budget deficit for Total ALA. BARC and F&A recognize the tremendous amount of time and effort along with the due diligence extended by ED Hall, Interim CFO Moritz, and all of the ALA financial staff in securing the loan forgiveness.

### **FY 2022 Final Budget Approval EBD #3.1-1a**

BARC and F&A considered final adjustments to the FY 2022 Budget since the Annual Conference meeting. On September 15, 2021, The American Library Association's Executive Board announced that LibLearnX: The Library Learning Experience, scheduled for January 21–24, 2022, in San Antonio, Texas, will take place virtually. The FY 2022 Final Budget schedules reflect this decision. LLX is now budgeted to net \$160,000, whereas the in-person event had been budgeted at break-even.

ALA Unit Managers, in conjunction with Finance Office staff, continued to review their FY 2022 budgets and have made revenue and expense adjustments reflecting their most current information and decisions. The operating and capital budget schedules can be found in BARC #3.1/EBD #3.1. In aggregate, for all funds that comprise Total ALA, the FY 2022 Budget contingency is \$263,000. All Unit Managers and Associate Executive Directors' expense savings have now been incorporated. Please note that the contingency realized in the FY 2022 budget is due to cost containment, the 2nd round of Paycheck Protection Program (PPP) funding of \$1.0 million being applied, as well as a \$1.5 million Endowment Fund Transfer with Terms, the latter two being unusual circumstances. Therefore, it is imperative for ALA to continue to increase revenue while maintaining expenses; BARC and F&A believe that ALA can accomplish this through the strategies employed by the Pivot and 5-year plans. FY 2022 Final Budget Schedules for Total ALA, General Fund departments, Divisions, and Round Tables as well as Capital Requests can be found in "FY22 Final Budget Schedules" (BARC #3.1/EBD # 3.1). The Annual Estimates of Income, reflecting all revenue changes made since Annual, now totals \$72 million.

*Revised Annual Estimates of Income*

Per Article IX, Finances, Section 1 of ALA's Bylaws: Annual Estimates of Income shall be based upon the unexpended balance remaining from the previous year plus anticipated revenues for the next budget year. BARC is charged with reviewing and approving the Annual Estimates of Income.

		<b>TOTAL ALA</b> (\$,000)
ALA Net Assets (projected at end of FY 2021)		<b>\$27,231</b>
<b>FY 2022 Budgeted Revenues</b>		
General Fund		27,239
Divisions		13,559
Roundtables		502
Grants & Awards		4,310
Endowment		(794)
<b>TOTAL</b>		<b>44,816</b>
FY 2022 Annual Estimates of Income		<b>\$72,047</b>
<b>Memo Only</b>		
Estimates of Income by Fund	<u>Divisions</u>	<u>Round Tables</u>
Available Net Asset Balance (projected at end of FY 2021)	<b>\$13,810</b>	<b>\$2,305</b>
FY 2022 Budgeted Revenues	<b>13,559</b>	<b>502</b>
FY 2022 Annual Estimates of Income	<b>\$27,369</b>	<b>\$2,807</b>

*Action – Draft Motion:*

The Executive Board approves the Final FY2022 Budget and Annual Estimates of Income of \$72,047,000 as highlighted in EBD #3.1.

**Controller's Report EBD #3.4**

Ms. Joanne Lee provided a thorough report on the current cash situation, assets, liabilities, and liquidity ratio. It is evident that ALA has a stronger cash balance and liquidity than two years ago. The balance sheet has been much improved with a cash to debt ratio of 4.89 as of May 2021. The following is a general overview of ALA's financial position:

<b>Total ALA Statement of Financial Position</b>				
TOTAL ALA	May 2021	May 2020	Change	Change %
Total Assets	\$97,168,613	\$84,174,806	\$12,993,807	15.4%
Total Liabilities	\$32,126,092	\$45,094,127	(\$12,968,035)	-28.8%
Net Assets	\$65,042,521	\$39,080,679	\$25,961,842	66.4%

In addition, ALA's working capital (current assets minus current liabilities) shows strong improvement and is in the positive after four years of being in the negative. Working capital measures whether ALA's current assets that can be used in operations is adequate to meet current liabilities within one operating cycle. Following is a brief summary:

	<b>May 2021</b>	<b>May 2020</b>
Current Assets	15,960,174	13,535,182
Current Liabilities	10,493,229	28,770,992
<b>Working Capital:</b>	<b>5,466,945</b>	<b>(15,235,810)</b>

BARC and F&A commended the Finance Office for their diligence in managing cash flow and other financial factors that strengthen the overall financial status for ALA. At the same time, BARC and F&A recognize that there is much work before all of us to strengthen membership, provide quality conference and professional development opportunities, and expand revenue streams in order to sustain ALA well into the future. The hard work of all ALA employees is evident by a stronger financial situation.

### **Financial Reporting & Compliance Report EBD #3.5-5a**

Interim CFO Moritz reported on audit timeframe that will be conducted late fall and considered by F&A in February 2022. She also discussed the recent changes in the health and retirement plans that have not reduced any employee benefits but did result in lower costs to ALA. CFO Moritz presented the 2020 Retirement Audit conducted by PKF Mueller and associated highlights from the audit.

#### *Action – Draft Motion:*

The Executive Board accepts the 2020 ALA Retirement Plan Audit as issued by PKF Mueller as highlighted in EBD #3.5a.

### **Reports and Discussions**

BARC and F&A members had an excellent discussion regarding the Strategic Pivot and the 5-Year Financial Plans. The two plans work hand in hand in expanding existing revenue streams and adding additional revenue contributors. In addition, the Operating Agreement Work Group report provided time to discuss the role of the overhead contributed by Divisions and if it should be removed/replaced, the potential impact and opportunities for ALA and Divisions. BARC and F&A brought forward a number of issues that the OAWG should consider as it continues its work.

F&A met in closed session with Dr. Karen Schneider, Executive Board Liaison to PAG, on October 26 to discuss appointments to the Philanthropic Advisory Group (PAG). No actions were taken during the meeting but F&A virtually met to finalize their recommendation to the Executive Board for two appointments to PAG. The Executive Board will consider the appointment recommendation during a closed session on October 30, 2021.

### **Acknowledgments**

BARC and F&A extend their sincere thanks to the many ALA staff for their report preparation and meeting with the committees. In addition, the ALA Finance staff contributed to a successful meeting: Denise Moritz, Holly Robison, Joanne Lee, Brad Geene, and Keith Brown. The improved ALA financial situation is due to the dedication and service of all ALA employees who focus on mission and members.

### **Respectfully submitted:**

**BARC:** Rodney Lippard, Chair; Tamika Barnes; Maggie Farrell; Susan Hildreth; John Lehner; Karen Schneider  
**F&A:** Maggie Farrell, Chair; Libré Booker; Rodney Lippard; Larry Neal; Lessa Kanani'opua Pelayo-Lozada