It is my pleasure to report to the Executive Board on the activities of the Budget Analysis and Review Committee (BARC) at this Midwinter Meeting. Below are some topics BARC discussed:

- Proposed Presidential Initiatives Budget – BARC #19 (EBD #14.6)
- FY 2011 1st Quarter Budget Update – BARC #5.6 (EBD #14.7)
- FY 2012 Budget Guidelines – BARC Info #4
- ALA Finance Best Practices
- Indirect Cost Study Assumptions – BARC Info #5
- Human Resources Activity – BARC #16.1
- Capital Expenditures – BARC #18.1
- Contingency Reserve – BARC #17.1
- FY 2012 Small Division Support – BARC #26.1
- Planning and Budget Assembly
- Division Leaders/BARC Joint Meeting

On Friday morning, January 7th, BARC and the Finance and Audit Committee of the Executive Board met jointly. BARC also met on Saturday afternoon, January 8th. The following matters were covered at these meetings.

**Proposed Presidential Initiatives Budget – BARC #19 (EBD #14.6)**

BARC and F&A reviewed the presidential initiatives proposed by President-Elect Molly Raphael. In addition to building on the work of previous Presidential office holders, this budget will be focused in three areas:

1. **Advocacy - “Why Libraries Matter: Empowering Community Voices”** A continuation of previous advocacy efforts with this effort designed to help all types of libraries mobilize their communities to speak out for their libraries, based on the values those libraries contribute to their communities - $60,000
2. **Diversity - “Building Diverse Leadership Through ALA”** Going the next step beyond Spectrum i.e. building leadership skills in a more diverse workforce – $12,000
3. President’s Programs at MW and AC: Utilizing the energy and exuberance of young people to advocate for libraries via a contest - $20,000

She noted that she will maintain a contingency reserve of $8,000 for likely unexpected expenses that may arise. Additionally, she indicated that she is well aware of the financial challenges facing ALA and is more than willing to turn back any unspent dollars or adjust her budget as needed along with ALA. The total request was $100,000.

BARC supports the presidential initiatives.

Action:
BARC recommends to the Finance and Audit Committee approval of the President-Elect’s 2012 budget in the amount of $100,000.

FY 2011 1st Quarter Financial Report – BARC #5.6 (EBD #14.7)

BARC and F&A reviewed the first quarter FY 2011 budget report, and noted the following highlights:

Total ALA (all combined funds) revenue of $8.7 million is $337,004 (-4.2%) less than budget. It was also noted that this was $2.4 million (-21.7%) less that the same time last year, primarily due to a division national conference. Grants of $822,351 were also down compared to last year at $1.9 million due to timing and fewer grants in general. The General Fund revenue of $4.8 million was less than budget by $149,500 (-3.0%) and flat compared to last year. The biggest concern is in communications where dues were flat compared to last year at $1.4 million but less than budget by 126,310 (-8.1%) as Organizational dues are lower than expected. Dues are expected to be less by $175,000. It was noted that there was a dues increase built in this year’s budget. On the plus side Publishing was right on target with revenue of $3.0 million. Division revenues of $2.8 million are less than budget by $174,700 (-5.9%) and less than last year by $1.3 million due to a division national conference. Investment interest and dividends at $167,477 are more than budget by $46,883 (38.9%), but down compared to last year at $195,953 as rates have fallen.

Total ALA expenses of $10.3 million are $700,385 (-6.4%) less than budget and $1.1 million less than last year. The General Fund expenses of $6.4 million are $120,594 (1.9%) more than budget. Division expenses are $659,166 (-18.2%) less than budget at $3.0 million. Grants and Awards are $822,351 (-9.0%) less than budget due primarily to timing.

Referring to the balance sheet a few highlights were made. Total assets for the period are $69.1 million and are $448,575 (6.5%) more than the same time last year as a result of increases in cash and short-term investments, property, plant & equipment. Cash at $18.6 million was higher than last year by $149,814. Interest income was $175,335 but lower than last year despite a higher average investment balance of $15.7 million. The Long-Term Investments totaled $30.9 million as compared to the $29.0 million balance at November 2009. Total liabilities were $38.9
million, which is lower than last year by $2.7 million. The reduction was directly related to lower deferred revenue related to grants and awards, dues, and meetings & conferences. As a result, net assets of the Association were $30.2 million, which is higher than last year by $2.7 million.

**FY 2012 Budget Guidelines – BARC Info #4**

BARC reviewed the budget planning strategies for FY 2012 and the guidelines provided to ALA unit managers. The FY2012 budget will provide financial support to the following:

- Support for the Key Action Areas
- Support for ALA 2015 Goals
- Support for unit and divisional programmatic and member service goals
- Support for the ALA organizational goals

Some of the key assumptions in the budget’s development include:

- Budgets will be prepared with a zero percent increase over FY 2011
- A 2% compensation adjustment

**ALA Finance Best Practices**

BARC hosted the ALA Finance Best Practices session, providing an orientation to budget policies and procedures, and addressing questions raised by division and round tables representatives. It was viewed as a very successful session, although greater attendance was desired with approximately 20-25 attendees. This year’s session was much more interactive with enthusiastic involvement by those who did attend. It was felt that much more knowledge was gained by the participants as the presenters provided real life experience with respect to defining how they work and do things, along with some of the hurdles they’ve encountered and overcome.

There was also some discussion as to whether or not the session was meeting its directive i.e. teaching and providing knowledge and if the session was reaching the appropriate audience. The sessions have also highlighted the fact that there are some distinct levels of knowledge between the participants. As such, some will find the information very valuable while some may view it as old news. Taking all this into account, BARC will continue to rethink the session and try to find ways to make it better.

**Indirect Cost Study Assumptions – BARC Info #5**

K. Brown reviewed with the committee the indirect cost study assumptions to be used in the 2010 study. The study will be conducted in the same manner as the 2009 study. It was noted that there would be no changes in the general methodology used in conducting this year’s study. The sources of the information used in the study i.e. 2010 audit report and internal performance
reports etc., the allocation methods to be used and timeline. The results of the study will be summarized and presented for review at the spring meeting. One discussion point of note was the allocation method used for allocation ITTS costs. Staff and the committee suggested that there may be better options than the current method i.e. number of PC’s.

**Human Resources Activity – BARC #16.1**

G. Calloway reported to the committee on the activities in Human Resources. Currently there have been seven new hires - full time (1), interns (3), and temporaries (3). There were also two promotions. There are a total of nineteen open positions with eighteen active searches. There are also thirty one (31) funded and twelve (12) unfunded open positions.

**Capital Expenditure - BARC #18.1**

Through 12-22-10 ALA has expended $369,601 on a budget of $2.3 million. Most of the expenditures have been for major information technology ($104,654), headquarters maintenance ($74,879) and Publishing related development of online products ($104,540). It was noted that most of the expected investment in the new financial system will take place in this fiscal year.

**Contingency Reserve - BARC #17.1**

On a budget of $100,000 approximately $20,294 has been authorized with only $10,294 expended.

**FY 2012 Small Division Support – BARC #26.1**

Budgetary support for small divisions, specifically ASCLA and ALTAFF, was discussed. The preliminary estimate of the total small division subsidy is $107,834. This is $27,647 or 34.5% more than FY11. The support for ASCLA and ALTAFF is $40,746 and $67,088, respectively. It was noted that this particular request is far above the guidelines highlighted in the FY12 budget guidelines.

Sally Reed, ALTAFF Executive Director, joined the committee and discussed the status of ALTAFF. She noted that ALTAFF still wants to be the voice of America’s libraries on the ground level. A membership drive is currently being developed and will soon be implemented. The focus will be former FOLUSA members and trustee groups. A number of membership options were offered by the committee to capture those trustees who are ALA members but not in ALTAFF. ALTAFF is also negotiating with a major vendor to provide support of its newsletter, which is viewed as an important benefit. The trustee academy in underway but traction has been slow. She will be continuing her efforts to contact state librarians. She also noted that the “Authors for Libraries” is another initiative she’d like to capitalize on, as authors are realizing the symbiotic connection they have with libraries.
In closing it was also expressed that ALTAFF, at some point in the near future, wants to move away from the subsidy received from ALA.

The committee wants to be as supportive as possible with respect to the subsidy. In that respect it was felt that it was important to use the same model as YALSA and consider developing business plans for both divisions.

**Planning and Budget Assembly**

Over 36 individuals with budgetary responsibilities and interests from across the Association attended and participated in discussions related to:

- Presidential Initiatives for FY 2012
- FY 2010 Year –End Results
- FY 2011 Budget Update
- Strategic Plan Update - 2015

Led by M. Raphael the session provided the participants with an excellent opportunity to see how the President’s initiatives support the aspects of the strategic plan. Additionally, to provide feedback on the current status of the budget and how it supports the strategic direction of the Association and the content of the strategic plan itself.

**Division Leaders/BARC Joint Meeting**

Per ALA policy, BARC met with division leaders to discuss items of common interest and concern. In an effort to get a broad perspective on issues and concerns across the Association, participants were broken into small groups and discussed issues openly. The result was a number of good ideas designed to improve the content and delivery of information during the ALA Finance Best Practices session. Another topic, as directed from the Annual Conference Division Leadership/BARC session, was a discussion related to the driving force behind the rate increase in the 2009 Indirect cost study. The rate increased from 24.0% to 26.1%. Attendees were provided a general information sheet detailing what makes up the indirect cost and the general methodology used to calculate the rate. It was noted that the rate in the 2009 study was impacted more by a reduction in the revenue components i.e. Conferences and Publishing, of the formula than any particular expense category. There was also a general question and answer session regarding all aspects of overhead and indirect costs.

**Acknowledgements**

We continue to be very well served by Greg Calloway, Keith Brown, Sandra Lee, Russ Swedowski and Elaine Klimek of the ALA financial staff. They have been very dependable,
reliable and thorough in assisting in our financial oversight responsibilities. BARC carries out effectively its role because of the outstanding support provided by ALA staff.

Respectfully submitted:
Mario Gonzalez, Chair
Clara Bohrer
Patricia Hogan - Absent
Winston Tabb - Absent
Norman Eriksen - Absent
Joan Giesecke
James Neal, Treasurer
Alexander Villagran
Courtney Young