

**Budget Analysis and Review Committee
Report to the Executive Board
2014 Fall Meeting
Chicago, IL
October 23 & 25, 2014**

The information below represents the report of the Budget Analysis and Review Committee (BARC) on its activities since the Annual Conference in Las Vegas, NV and at its Fall Meeting in Chicago. The Committee discussed a wide range of topics, which included:

- New BARC Member Orientation
- FY 2014 Year-End Third Close Budget Review– BARC #4
Action Item
- FY 2015 Final Budget – BARC #5
 - Changes since Annual Conference
 - Approval of Budgetary Ceilings**Action Item**
- Operating Agreement & Subsidies for Small Divisions – BARC #7
- Development of a Handbook of Financial Policies and Procedures
- Resolution to Allow Programs at MW – BARC #9, #9.1 and #9.2
Action Item
- Publishing Report – BARC #8
- Member Categories for United for Libraries
- Webinar on Budget Planning for Pre-Conferences
- Planning Budget Assembly and BARC/Division Leaders Meetings
- New Business Development

BARC Member Orientation

The newest member to the committee – Julius Jefferson Jr. - was welcomed. The committee then reviewed a detailed synopsis of its purpose, how it fits within the organization, how it operates, important relationships (Council, Executive Board, Divisions, etc.), each member's responsibilities and some of the best practices used for liaison success. The session was very interactive with excellent input from the returning members of the committee. Prior to the meeting all the committee

members were asked to review the BARC webinars that were developed to educate the membership and member leaders on important aspects of the committee's work. Also, as part of the orientation members, were asked to set up and attend private meetings with their assigned liaisons in order to get a better understanding how each unit works and the issues they face on a day to day basis. Later in the meeting, BARC members reported out to the full committee on their staff visits.

FY 2014 Budget Review: 3rd Close Results – BARC #4

Joanne Lee provided the committee with a review of the FY2014 financial results based on the twelve months ending August 31, 2014.

ALA Operations: Total ALA revenues for the period were \$50.0 million, which is (-1.2%) or \$595,280 less than the budget of \$50.6 million. This compares to \$50.0 million in FY2013. The shortfall was primarily a result of lower revenues in the General Fund, which was under budget by \$487,812 (-1.7%) at \$28.3 million. Also contributing was lower interest income from the long-term investment fund, which was less than the budget of \$745,360 by \$296,581 (-28.5%). These reductions in revenue were slightly offset by Grants & Awards which were over its budget of \$4.9 million by \$163,733 (3.4%).

Total ALA expenses for the period were \$47.6 million, which is (-6.5%) or \$3.3 million less than the budget of \$50.9 million. This compares to \$49.9 million in fiscal 2013. Significant cost savings were realized in the Divisions (\$1.9 million) and the General Fund (\$1.4 million) primarily related to payroll & related and production related publishing expenses.

On an overall basis the net result was excess revenues over expenses for a gain of \$2.4 million compared to a budgeted net loss of (\$290,535). This compares to net revenue of \$116,501 in FY2013 for a difference of \$2.3 million between the two fiscal years.

General Fund Revenues – General Fund revenues for the period were less than budget by \$487,813 (-1.7%), totaling \$28.3 million. Most of the shortfall was related to Dues, Publishing Services and Meetings & Conferences. Dues revenue was less than budget by \$267,192 (-4.6%) at \$5.3 million. Publishing Services was less than budget by \$407,261 (-3.0%) at \$13.3 million. Analyzing Publishing Services reveals that ALA Editions/TechSource accounted for most of the shortfall with revenues of \$5.0 million, which was less than budget by \$453,103 (-8.3%). This was due primarily to lower than expected book sales for professional development and text books in Neal Schuman. Also contributing was ALA

Graphics with revenues of \$1.1 million, which is less than budget by \$148,267 or (-12.5%). The lower revenue was offset by Booklist with revenues of \$5.2 million on a budget of \$5.1 million and was over budget by \$100,622 (2.0%). American Libraries, reported revenue of \$878,479 or \$106,759 (13.8%) more than the budget of \$878,479 due to strong advertising in all categories. Also offsetting lower revenue were positive results in Meetings & Conferences where Annual Conference exceeded its budget of \$5.1 million by \$558,761 as a result of higher registration fees.

General Fund Operating Expenses - General Fund operating expenses for the period were \$28.2 million, which was less than the budget of \$29.6 million by \$1.4 million (-4.8%). Most of the reductions were realized in Operating expenses (\$851,626), Salary & Related (\$583,220) and Publication Related (\$250,645). For example, when publishing revenues did not materialize during the year, particularly in ALA Graphics, certain production expenses were not incurred resulting in expense savings.

General Fund Net Results - The result was an excess of revenues over expenses for a gain of \$884,123. Management highlighted some other contingencies that could further reduce net revenue by an additional \$350,000 leaving a balance of \$600,000. As a result the following action was taken:

Based on the FY2014 year-end financial performance, BARC recommends to the Finance & Audit Committee and the Executive Board that ALA Staff receive a one- time fiscal 2014 Organizational Incentive payment of 2%. This is in recognition of the hard work and dedication of ALA staff.

Divisions – Division revenues for the year were higher than the budget of \$15.5 million by \$62,144 at \$15.6 million (0.4%). This result was helped by seal sales in ALSC (\$464,000). Division expenses for the year were lower than the budget of \$16.0 million by \$1.9 million (-11.8%) due to lower payroll, publication and operating expenses. The result was net revenue of \$1.4 million which compares to a budgeted loss of (\$502,511).

Roundtables – Roundtables revenues for the year were less than the budget of \$395,020 by \$36,764 at \$358,256 (-9.3%). Total expenses for the year were less than the budget of \$334,753 by \$118,343 at \$216,410 (-35.4%). The result was net revenue of \$141,486, which was higher than the budget of \$60,267 by \$81,579 (134.8%).

Statement of Financial Position: Total assets for the period were \$78.8 million which is an increase of \$3.3 million (4.4%) over FY2013. Most of the increase was the result of market gains in Long-Term investments of \$4.3 million. Also contributing was higher Short-Term investments of \$1.9 million. These gains were slightly offset by reductions in Cash (\$1.0 million), Prepaid Expenses (\$887,185) related to a lower prepaid balance due to amortization of intangible assets.

Total Liabilities for the period were \$41.6 million which is a reduction from fiscal 2013 by \$3.1 million (-7.0%). The most significant reductions during the year were in Accounts Payable (\$1.2 million), Long-Term Debt (\$751,405). The combined changes in the assets and liabilities resulted in an increase the ALA's Net Asset Balance of \$6.4 million (20.8%) to \$37.2 million.

Finally, the committee wanted to acknowledge the hard work and effort provided by the entire ALA staff for managing expenses throughout the year and particularly the accounting/finance staff in processing/examining/analyzing the financial transactions in preparation for this meeting and the year-end audit, which will begin November 3rd. The information provided in the reports has been timely and essential in helping the committee make decisions and conduct its business.

FY 2015 Budget Update – BARC #5

Denise Mortiz highlighted for the committee changes to the FY 2015 budget since the Annual Conference. Management made several modest adjustments to the budget since the Annual Conference. Some of the changes include:

- General Fund revisions based on the most up to date information
- Incorporated approved grants received after the Annual Conference
- Incorporated modest changes in several Divisions based on recommendations by their respective Boards

After a discussion of the budget changes the following actions were taken:

BARC recommends to the Finance & Audit Committee approval of the final FY 2015 General Fund Budgetary Ceiling of \$29,468,008, including a \$1,486,222 net asset transfer to offset the Plant Fund operating expenses and up to a \$250,000 transfer from ALA investment earnings.

BARC recommends to the Finance & Audit Committee approval of the final FY 2015 Divisions Budgetary Ceiling of \$26,677,469.

BARC recommends to the Finance & Audit Committee approval of the final \$83,658 transfer from the Division Fund to offset the Plant Fund operating expenses.

BARC recommends to the Finance & Audit Committee approval of the final FY 2015 Round Tables Budgetary Ceiling of \$1,803,501.

BARC recommends to the Finance & Audit Committee approval of the final FY 2015 Grants and Awards (Restricted Fund) Budgetary Ceiling of \$5,159,868.

BARC recommends to the Finance & Audit Committee approval of the final FY 2015 Long-term Investment Fund (Endowment Fund) Budgetary Ceiling of \$1,110,363, including a \$236,638 capital gain to be allocated for funding the ALA Spectrum Initiative and a transfer of \$533,568 interest and dividends from the Endowment Fund to the General Fund in accordance with Policy 8.5.1.

BARC recommends to the Finance & Audit Committee approval of depreciation expense of \$341,068 in the Technology Reserve Fund.

BARC recommends to the Finance & Audit Committee approval of the final FY 2015 total ALA Capital Budget of \$2,159,865.

BARC recommends to the Finance & Audit Committee approval of the final FY 2015 total ALA Budgetary Ceiling as follows:

BARC recommends to the Finance & Audit Committee approval of Long-term investment transfers recommended by the Divisions in the FY 2015 budget are: ACRL - \$150,000; ALSC - \$50,000 and LITA - \$50,000

BARC recommends to the Finance & Audit Committee approval of Long-term investment transfers recommended by the Roundtables in the FY 2015 budget are: LIRT - \$10,000 and ERT - \$10,000

BARC recommends to the Finance & Audit Committee approval of the Total ALA budgetary ceiling as follows:

General Fund	\$ 29,468,008
Division Fund	26,677,469
Round Tables	1,803,501
Grants & Awards	5,159,868
Long-Term Investment	1,110,363
Total ALA Budgetary Ceiling	<u>\$ 64,219,209</u>

Operating Agreement: Subsidies for Small Divisions – BARC #7

Keith Fiels addressed the committee on the subject of small division support. Members were referred to specific ALA policy (*A.4.3.4 Divisions and A.4.3.4.6 Financial*) related to small division support. As ALA Council has assigned specific responsibilities to the divisions and in order to accomplish such responsibilities, each division must have staff and be able to provide a certain level of basic services to its members as defined in section III. Divisions must generate from their dues and other revenue excluded from overhead, at least 50% of the funding required to meet their members' basic services. After reviewing the FY2014 results and the FY2015 budgets it will be recommended that small division support for ASCLA continue at the current level of \$41,000 for FY2016. Management will also be bringing a proposal to BARC and the Executive Board at the 2015 Midwinter Meeting to phase out the small division subsidy for United for Libraries over a three year period from 2016 – 2018.

Handbook of Financial Policies

John Moorman led a discussion on the progress of the proposed handbook of financial policies. The goal is to make the handbook as interactive, clear and informative as possible. This will be accomplished via text, links and illustrations. The expectation is that the document will be maintained on the Treasurer's page. Committee members were strongly encouraged to examine the document for any additional corrections. As a result, certain sections will be added and or expanded, while others will be reduced and or eliminated. Work will continue with input from both committee members and staff with the expectation of another draft at the Midwinter Meeting.

Resolution to Allow Programs at MW – BARC #9, #9.1 & #9.2

The resolution to allow programming at the ALA Midwinter meeting was reviewed and discussed with Walter Betts – Chair of the ALA Conference Committee, who participated via teleconference. Since current policy provides some flexibility in making the Midwinter Meeting distinctly different from the Annual Conference, it was felt that meeting this particular member need was possible. Based on a financial assessment of Council Document CD#38 (Midwinter 2014) *Resolution to allow programs at ALA Midwinter Meetings* and considering the ALA Conference Committee recommendations (2014-2015 BARC #9.0), the following action was taken:

BARC recommends to Finance & Audit Committee and to the Executive Board the following:

- **Maintain the existing footprint of Midwinter Meetings**
- **Accept the recommendations presented by the ALA Conference Committee regarding a series of half-day, intensive professional sessions at the ALA Midwinter Meeting beginning as early as 2016**
- **Offer the sessions on a cost-recovery and pilot basis ending Midwinter 2019**
- **Monitor all associated costs and assess the financial impact at the end of the pilot**

Publishing Report – BARC #8

Don Chatham reported to the committee on the current status of the Publishing department's activities. He noted that total revenues would be approximately \$500,000 less than the budget of \$13.7 million. This is a significant improvement over the 2nd quarter projections with revenues being \$800,000 less than budget. Most of the shortfall is in the Neal Schuman operation. Also contributing to the shortfall was ALA Graphics where revenues were less than budget by \$148,267 due to lower sale of materials. The business plan for the product side of the business – “ALA Publishing” – as opposed to the periodical side is to grow net revenue by consolidating expense/cost functions. Despite the reduction in revenues compared to budget, Publishing will meet its net revenue budget of \$940,174.

Future Outlook – Looking forward, Publishing looks at the domestic and international markets as growth areas, particularly internationally. On the domestic side the expectation is to research and work this market harder, better and faster. Text books are viewed as a growth area, as well as, serial digital downloads and course management materials.

Member Categories for United for Libraries

Keith Fiels reported on his discussion with Sally Reed concerning organizational memberships in United for Libraries. She is working with stakeholders toward developing procedures that meet the needs of all concerned.

Webinar on Budget Planning for a Preconference

Lori Goetsch led a discussion on the first draft of a webcast with a working title of “How to Budget for a Preconference.” It is the latest effort to provide additional education materials to the membership to help them better understand ALA’s finances. Round Table member leaders and their staff liaisons have indicated to the committee their desire for more information on “Budget Planning for Preconference.” The primary focus of the discussion was to provide additional information to strengthen webinar programming. The webinar will cover agreements, contracts, catering, various state laws, ADA compliance, evaluation forms, venue/site costs, AV/IT needs, financial etc. It is expected that this particular webinar will be finished, with the help of staff, by the 2015 spring meeting.

The committee wanted to emphasized the need for clear language covering the point that member leaders or staff working on preconference’s cannot commit the Association to a contract of any nature without prior approval of ALA management, particularly one that would take the preconference outside of the hotel and convention center block.

Planning and Budget Assembly (PBA) & BARC/Division Leaders Meetings

Patricia Wand led a discussion on the current status of the Planning and Budget Assembly (PBA) and Division/BARC meetings. It was noted that PBA is traditionally convened by the President-Elect with a review of their proposed Presidential year initiatives as a component of the agenda. That will continue in Chicago. The committee emphasized the need to encourage as much discussion and interaction at PBA as possible, particularly on any identified topic solicited

from PBA members. It was felt that PBA should review strategic issues facing the Association and discuss how best to use and allocate resources.

For this Midwinter Meeting BARC recommends the PBA session be convened by the Treasurer and the President-Elect and be scheduled for 90 minutes. The initial agenda will be as follows:

- Presidential Initiatives of the President-Elect
- Emphasize that PBA members attend the Information Session of Council, Executive Board, Members on Saturday where the only financial reports will be made to PBA
- Small Group Discussions
- Q & A on any topic, including the FY2014 results and current FY2015 budget
- Seek suggestions about how the Assembly can be more effective in meeting its charge

The BARC/Division Leadership meeting is mandated by the ALA Operating Agreement and generally covers specific topics generated by the Divisions and or BARC. It was noted that many of the sessions in the past centered on indirect costs and the annual indirect cost study. There was recognition that the Divisions want and need to play a positive role in shaping the future success of the ALA in conjunction with the General Fund. An agenda will be solicited from the Division leaders in a mail request and at the upcoming Division Leadership meeting in Chicago on October 23rd.

BARC confirmed the continuation of a 90-minute meeting followed by a one-hour meeting for BARC and Division Leaders, as was scheduled during the ALA Annual Conference in Las Vegas. The shorter meetings schedule in Midwinter 2014 did not provide enough time.

New Business Development

Mary MacKay and Keith Fiels addressed the committee on the status of new business development. The development of international opportunities and Continuing Education (University) continue to be the primary areas of focus. On the international side the emphasis will be on training and education, which will eventually be folded into ALA's "Professional Development" plan. Negotiations are currently underway with representatives of His Highness Dr. Sheikh Sultan bin Mohamed Al-Qasimi, the UAE Supreme Council Member and Ruler of Sharjah.

At this year's Sharjah International Book Fair (SIBF) ALA will be conducting the 3 day conference within a conference concept with fifteen scheduled sessions and three keynote speakers. SIBFs a ten-day event held annually in the United Arab Emirates.

On the Continuing Education front the relationship with San Jose State University continues to grow with the development of a pilot program i.e. cataloging for Non-Catalogers, which is the first step what is hoped will be mutually beneficial series of course. The registration threshold for the initial class has been met.

Acknowledgement

The BARC committee would like to thank the Finance staff of Greg Calloway, Joanne Lee, Keith Brown, Brad Geene (New Budget Director), Denise Mortiz and Suzanne Pucilowski for their outstanding efforts and support in preparing this committee for the work that it addressed during these meetings.

Respectfully submitted,

Patricia Wand, Chair
Mario Gonzalez, ALA Treasurer
Lori Goetsch
Anne Martin
John Moorman
Jim Neal
Jo Ann Pinder
Julius Jefferson, Jr.
Janice Welburn