

MEMORANDUM

DATE: December 31, 2015

TO: K. Fiels, Executive Director
M. Leon, Chief Financial Officer
Department Heads

FROM: K. Brown, Senior Financial Analyst

RE: FY 2015 Indirect Cost Study Assumptions and Schedule

The FY 2015 Indirect Cost Study will be conducted using the same methodology as the FY 2014 study. As such, the basic assumptions and the schedule that was used for the FY 2014 study will be the same. The final FY 2015 rate as determined by this study will be applied to certain FY 2018 revenues. As part of our efforts to better and equitably allocate costs, we will continue to review the possibility of proposing a new method for allocating legal fees, subscriptions, ITTS and PIO expenses.

The budget calendar and the operating agreement require the completion of the FY 2015 study by the Spring BARC and Executive Board meetings. The final overhead rate will be available to divisions for preparations of their FY 2018 budget, which will begin in January 2017. Work on the Indirect Cost Study will begin after the completion and acceptance of the audit immediately following this Midwinter Meeting.

The following four areas factor into the 2015 study.

I. Types of Direct/Indirect Costs:

- A. Distribution Center (net chargebacks)
- B. Building Operations (includes plant fund)
- C. Human Resources
- D. HQ Library
- E. Production Services (net chargebacks)
- F. Reprographics (net chargebacks)
- G. Member and Customer Services (MAC)
- H. Operating Supplies (net chargebacks)
- I. Repairs and Maintenance/Lease
- J. Telephone Expense (net chargebacks)
- K. Public Information Office
- L. Information Technology & Telecommunication Services (net chargebacks)
- M. Financial Services
- N. Audit and Bank Fees
- O. Member Programs and Services
- P. General and Administrative (Council/Administration, Executive Board, Executive Office, Communications AED, Office Services, and Business Expense)

II. Allocation Methodology:

<u>STATISTICS</u>	<u>HOW CALCULATED</u>	<u>TYPES OF EXPENSE ALLOCATED</u>
F.T.E.'s	08/15 Table of Authorized Positions	Operating Supplies, Human Resources
Square Footage	2015 Space Analysis	Building Operations, Huron Plaza, HQ Building and Washington Office
# of Lines	2015 Count	Telephone Expense, Repairs and Maintenance and Leases
Inter-Unit Transfers	FY 2015 Expenses	Distribution Center, Reprographics Center and Production Services
# of Members	FY 2015 Statistics	Member and Customer Services/Handbook of Organization
Unit Revenue	FY 2015 Audit Statements	Audit and Bank Fees
# of Transactions	Actual	Financial Services
Library Usage	Actual	Library
# of PC's or Time Allocation	Actual	ITTS
Time Allocation	FY 2015 Estimate (%) of Usage	PIO

III. Formula for the composite rate for Divisions and revenue generating units:

The sum of indirect costs for ALA Publishing and ALA Conferences will be divided by the sum of corresponding revenues.

INDIRECT COSTS: $\frac{\text{ALA Publishing} + \text{ALA Conferences}}{\text{ALA Publishing} + \text{ALA Conferences}}$ = Composite Rate
REVENUES:

APPLICATION OF 2015 RATE FOR DIVISIONS TO BE USED IN DEVELOPING THE FY 2018 BUDGET

50% (Publishing Related) of the Composite Rate
100% (Conference Related) of the Composite Rate

IV. ALA Program Units

A basic assumption in the indirect cost study is that the support units exist to provide services to the programmatic activities of the organization. The General Program Offices are supported by general dues and are treated as a single programmatic entity in the indirect cost study. Accordingly, the Offices are allocated a portion of ALA indirect costs.

The ALA units and related interest group included in the indirect cost study are:

GENERAL PROGRAM:	Standing Committees (other than Council, Executive Board, BARC), HRDR, OLOS, OIF, OA, ORS, OGR, OLA, OGR, IR, Development Office, Washington Office and OITP
PUBLISHING:	ALA Editions/TechSource, Booklist, ALA Graphics, ALA Digital Reference and American Libraries
CONFERENCES:	Midwinter Meeting and Annual Conference
DIVISIONS:	PLA, ACRL, CHOICE, AASL, ASCLA, ALCTS, LLAMA, RUSA, UFL, LITA, ALSC and YALSA
ROUND TABLES:	LHRT, ERT, FAFLRT, GODORT, IFRT, IRRT, NMRT, LRRT, MAGERT, SRRT, SORT, LIRT, EMIERT, CLENERT, SRT, GGRT, VRT, SSIRT, GLBTRT and RMRT
RELATED INTEREST GROUPS:	ALA-APA, Coalition for Literacy, American Indian Library Association, AACR2, Freedom to Read Foundation

The FY 2015 audit Report and General Ledger Performance Reports (final close) will be the source documents used to derive the cost data used in the 2015 study.

Indirect Cost Study Schedule

December, 2015	Review and Present 2015 assumptions and Methodology
February, 2016	Request Data used for Allocation
March, 2016	Compile Data
April, 2016	Completion and Review by Department Heads
April - May, 2016	Review by the BARC and F&A committees