**AMERICAN LIBRARY ASSOCIATION**

**VIRTUAL JOINT BUDGET ANALYSIS & REVIEW COMMITTEE/FINANCE & AUDIT COMMITTEE FALL MEETING**

 **OCTOBER 19, 2020**

**JOINT ALA-APA BUDGET ANALYSIS & REVIEW COMMITTEE (BARC) and FINANCE & AUDIT (F&A) COMMITTEE FALL MEETING**

The Joint ALA-APA BARC/F&A FALL MEETING was called to order at 10:00 am CT by ALA-APA BARC Chair Peter Hepburn and ALA-APA Treasurer Maggie Farrell, who led the group in introductions.

**ALA-APA Associate Executive Director’s Report**, *ALA APABD #12.1.*

Lorelle Swader, Associate Executive Director for the Allied Professionals Association, provided the following updates:

* ALA-APA is a separate 501c6 companion organization to ALA and was established to promote the mutual professional interests of librarians and library workers. Its two areas of focus are certification of professionals and direct support of comparable work/pay equity initiatives, as well as other activities related to the support of library workers and librarians.
* Certified Public Library Administrator Program: 325 enrollees and 107 graduates. People continue their certification through virtual experience.
* Library Support Staff Certification: 670 enrollees and 226 graduates. This is a program designed for those who are in supportive roles in libraries, covering mostly public and academic libraries, with some school and specialist libraries.
* Both programs have and oversight committee that meet and report out quarterly.
* ALA-APA’s 20th anniversary is in 2021. Council approved creation in 2001, but later in January 2002, with the approval of the preliminary bylaws, the scope was expanded and brought in to include the advocacy for mutual interests of librarians and other library workers. ALA-APA will be celebrating in two-parts in 2021 and 2022 accordingly.
* There are no upcoming major initiatives, but APA also is looking for volunteers to serve on committees. Volunteer opportunities will close on January the 15th, and President-Elect Wong will make the appointments.
* National Library Workers Day is on Tuesday, April 6, 2021, part of National Library Week.
* APA is very active in social media, with as Twitter feed and Facebook page. APA also has a wellness site and wellness Twitter feed.
* APA has no full-time employees, but there are a number of people who work either on a contract basis or part time, and it has a shared staffing arrangement with the Office for Human Resource Development and Recruitment. Kimberly Redd, Beatrice Calvin and Adriane Alicea are in the office and work for APA as well. APA also has contractual support, as well as departmental support, such as Accounting and IT.

ALA-APA Treasurer Maggie Farrell noted that APA, particularly in the area of continuing education and certification, will be an important part of the 5-year pivot plan, which will be discussed later.

Ms. Swader noted that APA has been quite successful in working with state libraries in our library support staff certification programs. Ms. Swader also noted that APA has been working with President Jefferson to look into a creating a certification program related to Equity, Diversity and inclusion.

**FY 2020 Year-to-Date Financial Results,** *APABD #/ALA-APA BARC #3.1.*

Interim CFO Denise Moritz referred the group to the document but highlighted the following:

* Revenue is falling short by $15,000 but that is timing due to reporting delay. APA expects to close that gap in March.
* Professional Services for Consulting and IT fees are showing greater than budget by $26,600.
* There is a current total overage of $10,966 for the year, but APA is expected to hit close to their budget for the year when the remaining months are closed.

Ms. Swader acknowledged the support of Ms. Moritz and her team, particularly Keith Brown. She also noted that COVID has had a significant impact on APA. APA planned to kick off a new salary survey as a member benefit, which is what the consultant fees reflect. The survey was conducted in Fall 2019. However, once COVID hit, the benefit was paused.

**FY2021 Final Budget**, *APABD #/ALA-APA BARC #3.2*

Ms. Moritz emphasized that there are special procedures to carefully engage with APA and ensure that ALA, as a 501c3, is separate. She provided the following updates:

* The current budget schedule does not reflect significant changes since it was last presented.
* FY19 Revenue was $140,000; FY20 was $167,000; FY21 was $170,000
* Expenses grew each year: FY19 was $102,000, for FY20, $137,000 and for FY21, $160,000
* APA continues to prepare and perform with a positive net revenue
* APA paid off its loan from ALA in FY19

Mr. Hepburn moved that BARC approves the Final Fiscal Year Preliminary FY2021 budget of $265,760, as presented in ALAPA BD #3.2

**APPROVED** Final Fiscal Year Preliminary FY2021 budget of $265,760, as presented in ALAPA BD #3.2

Ms. Farrell moved that ALA-APA Finance and Audit Committee concurs with ALA-APA BARC and recommends to the ALA-APA Executive Board approval of the Final FY Budget proposed annual estimates of income of $265,760 as presented in ALAAPA BD #3.2

**APPROVED** ALA-APA Finance and Audit Committee concurs with ALA-APA BARC and recommends to the ALA-APA Executive Board approval of the Final FY Budget proposed annual estimates of income of $265,760 as presented in ALAAPA BD #3.2

The ALA-APA BARC/F&A Meeting was adjourned.

**JOINT ALA BUDGET ANALYSIS & REVIEW COMMITTEE (BARC) and FINANCE & AUDIT (F&A) COMMITTEE FALL MEETING**

The BARC/F&A Fall Meeting was called to order by ALA-APA BARC Chair Peter Hepburn and ALA-APA Treasurer Maggie Farrell, who led the group in introductions.

By **CONSENT**, Agenda, BARC/EBD #3.4, was approved

Ms. Farrell noted that there are updates for the FY20 budget, but no action will be taken. A final approval of FY21 budget, as well as a revised annual estimates of income, will be action items.

ALA Staff will have a budget retreat in November to plan the finances behind the 5-year pivot plan.

By **CONSENT**, APPROVED BARC/F&A minutes from the 2020 September Meeting *BARC #3.5, with changes*

**Executive Director Update** *EBD #12.2*

ALA Executive Director Tracie Hall noted the following highlights from the report:

* It is important to focus on short and long-term stabilization of the organization, both in terms of fiscal management, but also our ability to recruit and retain members and new stakeholder non-members as well.
* Financial stabilization will require transitioning from an older business model to one more reflective of contemporary Association practice.
* ALA furloughs come at a time when there is also widescale furloughs and reduction in in staffing at many institutions ALA supports. What happens at ALA indicates that we are connected symbiotically to the field.
* Fiscal management rests largely on two axis points of spending: staffing and program expenses. Cuts to staff and programs is possible, but that is being considered strategically. We hope to avoid staff cuts and generate revenue instead, with strong measures that will be discussed more during the pivot plan presentation. ALA needs to earn its way out of crisis.
* ALA is focused on regaining ground lost with the outsourcing of our accounting, which was particularly exacerbated by the pandemic.
* Need robust budget projection tools and shift in budget management.
* Membership growth: Ms. Hall encouraged attendees to review the membership section in her report, noting there will be more details during the pivot strategy discussion:
	+ Ultimately 5% growth in the next four to five years, which reflects 60,000 members added. We are just at 15% of saturation of the market.
	+ Over the next 10 years, increase membership to 120,000.
	+ Need to focus on the transitioning of students, which comprise 15% of our membership to long term membership status.
	+ For some members, APA offerings are the primary membership driver.
	+ A small group of staff are examining the way that other associations have expanded their public member category, including a focus on advocacy, but also focusing on deeper engagement in the issues, like digital broadband among many others.
	+ Throughout the pandemic, focused on flexibility to retain members who may be suffering hardships like furloughs and unemployment.
	+ Continuing to add membership benefits, such as ALA Connect Live, which routinely have ~1,000 attendees and a 90% response ranking the program as either very good or excellent.
* Contributed revenue strategy will also be discussed in more detail in the pivot plan, but there is focus on a three-year stabilization plan that would generate support for general operating support, with a $6 to $15 million plan for three years.

Ms. McCauley asked if ALA is considering hiring consultants, as many organizations do, for fundraising campaigns this large. Ms. Hall noted that she is discussing finding pro bono help with the Philanthropy Advisory Group (PAG).

**FY 2020 Year-to-Date Financial Results and FY 2020 and Projections,** *EBD #/BARC #3.6*

Interim CFO Denise Moritz provided the following updates:

* Results through February of 2020 are available, with March reports out on October 23
* When the FY20 budget was built, ALA was still working with an investment budget and planned deficit of $4 million. The deficit has increased to $11 million projected loss.
* The budget reflects our continued dependency on three revenue streams, dues conference services and publishing, which we plan to increase to six revenue streams with the 5-year pivot plan.
* Small uptick to in deficit to $11.4 since the September meeting.
* Projections were made through discussion with the major business unit managers and using information that was collected as part of the CARES Act application process.
* Major factors contributing to the deficit:
* Cancellation of Annual Conference that resulted in the loss of revenue of $7.7 million
* Decline in publishing revenue is projected to miss budget by $1.4 million. However, expenses are also expected to decrease by about $1 million, leaving a budgeted projected net loss of $500,000
* Decrease in dues revenue of $450,000. It should be noted that the cancellation of Annual had an impact on membership levels.
* Move expenses overbudget by $1.5 million. The original move was scheduled for December, but a late sell pushed it to April. The date was then pushed again due to the pandemic, which also caused additional expenses to the process. IT, though, planned $687,000 on the move, and only $428,000 was spent - a significant savings of $260,000.
* Divisions:
* PLA Is $235,000 higher than budget because of conference in February just before the pandemic.
* AASL also did better than expected as their conference was held in November 2019, but still projecting a $100,000 shortfall in revenue for the year.
* ACRL has a non-conference year and is expected to miss the revenue budget by $800,000. Expenses are also expected to come in less than budget by $700,000, leaving an $80,000 deficit.

Ms. Schneider asked if the original $4 million deficit included both strategic investment and overspend in other areas. Ms. Moritz noted that FY18 & FY19 saw significant overspend in IT that impacted subsequent years.

Mr. Garcia requested that if financial reports from March are coming out on October 23, membership reports be provided at the same time. Many groups are asking for those.

Mr. Garcia also asked for confirmation that the remaining balance from IT on the move is not being spent. Ms. Moritz noted that the FY20 move budget was ‘use it or lose it’ and will not be rolled over.

Mr. Garcia also asked if there was any information given from the Division Executive Directors on the negative numbers from Choice and United for Libraries. Ms. Moritz noted that leadership worked closely with those major business owners to reach the projections for FY20.

The IT overspend is captured on the general fund tab under operating and capital.

Mr. Garcia requested that operating and capital expenditures are provided in the future, as not providing both was part of the reason there was the overspend. Ms. Moritz noted that Finance is now monitoring that closely.

**5-Year Pivot Plan FY2021 – FY2025,** *EBD #/BARC #12.1.1.*

Ms. Hall referred participants to the document, and provided the following outline:

* Plan moves ALA revenue streams from implied to supplied value
* Grow from three to six revenue streams:
	+ Membership: focus on onboarding
	+ Conference Services: focus on LibLearnX
	+ Publishing: opportunities for professional development
	+ Continuing Education: curriculum development for certification, such as Masterclass
	+ Contributed Revenue: stabilization campaign, chance to amplify our work
	+ Data, Research & Design: creating studies that stakeholders rely on and lead to initiative
* The document includes a list of indicators through FY25 to build these revenue streams.
* The middle part of the 5-year strategy has the goal to open up Annual Conference and focus on LibLearnX and continuing education. We could also potentially open our exhibit floor to the public.

Ms. Schneider asked for details on how continuing education can be a revenue stream. Ms. Hall noted that RUSA, for example, is strongest in its CEs, workshops, and bootcamps. Publishing also seen an increased demand at a state level to create curriculums for their members. ALA just created a CE catalog across its divisions to optimize resources.

Mr. Hepburn asked how and if the growth of Round Tables fit in. Ms. Hall noted that they are an important part of the Forward Together discussions. Round Tables add another door of entry to ALA, but we do need to look at efficiency of operations and value added. Ms. Walling noted that 20% of members are also Round Table members.

Mr. Lehner asked about how to address the “One ALA” idea when Division identification without a significant connection to ALA is so strong. Ms. Hall noted that this is a marketing/branding issue. ALA must show how Divisions are part of ALA, noting it is something like an iphone being part of the Apple world. That culture change will need to start with leadership.

**Three Year Strategic Investment**

Ms. Moritz requested that the leaders of the three areas of investment provide transitional reports, as much of the funding had to be cut this year. They were asked to consider how to focus on these areas with reduced or no funding.

**Advocacy Report,** EBD 3.7.

Kathi Kromer, Associate Executive Director, Washington Office, noted that Advocacy funding

was added to strategic plan to build a stronger advocacy presence, focus on building an advocacy foundation, to help improve the visibility and reputation of ALA in DC, as well as to modernize our information management and communication systems, to focusing on our policy outcomes. She provided the following updates:

* The funding helped PPA achieve much in the last year, and without this funding, PPA would have never been able to pivot and take advantage of the opportunity to get an additional $50 million for libraries in the CARES Act. The team literally ‘flipped the switch’ overnight. Since the systems were in place, PPA was familiar with them and able to activate networks quickly.
* Shifted the culture more towards year-round advocacy and making sure that Members saw the value of engaging with advocacy program.
* Strong partnerships with Chapters to develop and implement tools: created a system where the state advocates can see what is tracking in DC, and DC can see what they are looking at with state legislatures.
* Able to take advantage of other opportunities as they arise, such as creating the eBooks campaign.
* ALA was one of the last organizations in town to have advocates physically on the Hill with the Congressional fly-in in February. It gave the community a chance to meet our new Executive Director and new Director of IMLS Crosby Kemper.
* Recalibrating plans for a reduced budget, but fortunately PPA has been able to build an infrastructure that is already in place.

Mr. Garcia asked, if travel is possible, will there be another Policy Corps and fly-in next year. Ms. Kromer noted that the fly-in was eliminated as part of cuts, but hopefully there will be advocacy efforts as part of National Library Legislative Day. There are still so many unknowns in D.C. in regard to next year, and there is not much interest in issues beyond COVID. The next cohort of Policy Corps was created and will move forward with that via digital platforms.

Mr. Bonfield emphasized the importance of having real metrics around membership engagement with PPA and to continue to look at the scorecard, even if investment funding is no longer attached.

**Development Office Report**, *EBD #12.7/BARC #3.8.*

Ms. Moritz noted that, in the past, contributed revenue for ALA was always a small amount. But in FY21 and moving forward, that number is going to be substantially larger. Right now, for FY20, that number is $2.5 million. That is a stretch goal but is needed to move ALA Forward. Currently, there around $5 million in grant asks and in the final stretches on about $3 million of that number. ALA is focused on general operating support. There is also an opportunity to commit to recruiting a development officer individual donor and major gifts work

Mr. Hepburn noted that he would like to see growth in the 1876 Club.

Ms. Schneider noted that with the loss of Director of Development and other staff, the stretch goal might not be feasible. Ms. Hall noted that the goal is to recruit the Director position by FY22. Staff will use that time to develop important policies and practices, such as a development calendar and giving protocols. Ms. Moritz noted $2.5 million is a stretch goal but is possible with Ms. Hall’s enthusiasm and expertise.

**IT Update**, *EBD#/BARC #*3.9

Sherri Vanyek, Director Information Technology, provided the following updates:

* The overspends in FY18 and FY19 were taken seriously and in FY20, IT reduced the amount of core hours needed for major systems.
* Priorities for the 5-Year Pivot Plan:
	+ IT will not be a cost center.
	+ Data center will be a design project.
	+ Reduce server maintenance and support costs for infrastructure.
	+ Purchase and implementation of a new learning management system platform.
	+ Increase efficiencies, delivery methods, and tracking for members, customers and staff.
	+ Upload the financial system software into the cloud.
	+ Look at business intelligence software and taking advantage of our Power BI software that Office 365 gives us for free.
	+ Look at our single sign on software, as we have encountered issues with Shibboleth.
	+ Projects will be prioritized based on the current reduced budget.
* As of February, IT expenses are 3% over budget at $53,000
* Deferred hiring a CEO, Director of Infrastructure, User Experience Manager Position, Internet Administrator Position, which resulted in a budget of only $3 million
* Investment budget was reduced to a little over $4 million

Mr. Garcia asked if there was any significant expense in making sure that staff was able to work from home and if there is an update on making the website https, which could hamper our fundraising efforts. Ms. Vanyek noted that staff has been using the existing Citrix for remote communications, but as part of this year’s move budget, we will implement a VPN that will be rolled out shortly. IT has developed a strategy to address the https issue but needs to test it and hopes to have that accomplished soon. Ms. Hall emphasized that this is a priority.

**Publishing Department Overview**, *EBD #/BARC #12.9*

Mary MacKay, Associate Executive Director, Publishing, provided the following report:

* Need to look at developing a Learning Management System.
* Looking back at FY20, other numbers provided, and estimates based on what can be pulled together until audited numbers are available, Publishing came in 13% below revenue budget. Given the pandemic, that number is better than expected. Graphics took the biggest hit.
* Excited to be part of the 5-Year pivot plan and working with everyone across the association to look for new ways to leverage content.
* September FY21 showed a strong with $11,000 over budget due to a big order from the military and partly because some excellent textbooks have been published
* Booklist is also on track with the budget.
* Face challenges because of reductions from advertisers, vendors, and publishers. Staff are being very creative about working with them in different ways, providing them opportunities to connect their products with our audience.
* List of opportunities provided in report:
* One ALA: promoting our own internal brands when possible.
* An imperative for collaboration exemplified by pivot strategy.
* Strong foundation for bulk sales and customized content.
* Our fulfillment company is no longer doing call center or fulfillment work. We have the opportunity to rethink our product sales and how we fulfill. Staff is looking at options and releasing RFPs.
* New Advisory Board for Booklist is a remarkably dynamic group that engages member with work, which is a model for member engagement.
* Trimming to accommodate furloughs and leaving positions unfilled, and this will increase streamlining of efforts.
* Informal liaison role to NYC publishers and bring publishers together with Conference Service and PPO to create programming with authors at libraries.

Mr. Garcia asked if the print on demand impacts shipping costs, as is his library recently placed an order where the shipping was double the product. He also enjoyed the REM poster transferred to a puzzle and asked if there has been any thought to selling these types of items to non-librarians. Ms. McKay noted that Amazon’s algorithms push the items as unavailable, and that would be the best way to reduce shipping fees. Alternative platforms or partnering are being considered. Shipping, though, on items like posters is expensive. She also noted that REM came to ALA, and ALA gets royalties from them. We can use this as a model to approach other groups, but we do often run into rights issues. Ms. Hall noted this is a nascent opportunity to support small business, women and BIPOC-owned, and/or sustainability minded companies.

**Conference Services Report**, *EBD #/BARC #12.13*

Earla Jones, Conference Services Director, highlighted the following from her report:

* Update on cancellation insurance claim for Annual Conference:
	+ All documentation was submitted as required.
	+ We projected netting $1.4 million, and loss was calculated at $1.5 million.
	+ Net from virtual at $600,000, which recovered that loss
* Planning for Virtual Midwinter:
	+ Look at this as an opportunity not consolation prize.
	+ Target of 5,000 attendees.
	+ 20% less scenario is outlined.
	+ Registration opens on November 5, 2020:
		- Include carbon offsets
		- Option to donate to ALA 21st Century Fund
		- Bundling: Register for 5 and get one free
		- Exhibitor Discount codes
		- Furloughed and Unemployed Discounts
		- Comping students
* Looking at opportunities to collaborate work with membership to establish the budling opportunity, such as using access to Virtual Annual as part of a bundle for institutional membership.
* Annual Conference 2021: Three scenarios outlined in the report. Chicago is in Phase 4 of public health restrictions, but there is a long list of states on quarantine list.
* LibLearnX: conceptual summary included. In light of the current climate, without knowing restrictions that will be in place, we looked at other options put together by other groups. Concept of having a hybrid meeting, such as having a studio in a physical space and presentations can be seen by live and virtual attendees.

**Membership Report** *EBD #/BARC #12.11.*

Melissa Walling, Director, Membership Development and Customer Service, provided the following updates:

* New Member Benefits, such as the bundling referenced by Ms. Jones, are exciting.
* Renewals and Recruitment: Messaging has stayed consistent through pandemic, and dues were held steady, even Divisions and Round Tables.
* Lead with flexibility and value in our messaging.
* Do not have current validated membership numbers, but looking at a two year-over-year comparison, seeing a 6-9% contraction.
* Budgeted a 28% decline in renewals, and a bulk of members expire at the end of calendar year. The plan is to evaluate membership counts in January to have a better idea of where we are.
* Reduction of just 9% is good, but many members are opting for discounted options.
* Membership Onboarding:
* Starting a one-year membership engagement campaign and working with CMO, as well as reinstating those who have not been members for a while.
* Improved onboarding is a recommendation of Forward Together.
* Received support from Overdrive for this project.
* Opportunity to host webinars and events.
* Membership Model: primary topic for Membership Committee, with intention to simplify and streamline model.
* Doing monthly membership pushes. First print notice since March will come out soon.
* Playing catch up with renewals. Members receive multiple communications before expiration.

Mr. Garcia requested a layout of the proposed membership structure and fees and corresponding current member numbers for the Board meeting next week.

Ms. Schneider asked if the updated Membership report will be available by the Board Meeting. Ms. Walling noted that Membership has fallen behind and with the merger and dissolution of Divisions, so that is not guaranteed.

**Final FY 2021 Budget Approval** *EBD #/BARC #3.10 & 3.10a.*

Interim CFO Denise Moritz and Budget Director Brad Geene provided updates on the FY21 Budget:

* Timeline:
	+ In March 2020, Budget Managers reported, and we had $6.5 million deficit, which was brought down to $1.2 million through cost containment, centralization, reduce staff redundancies, and furlough
	+ As of May, and June, $4.5 million deficit due to dues decrease, publishing decreases, and Annual Conference cancellation
	+ In June, presented a $500,000 deficit
* If Executive Board decides to make Annual 2021 virtual, revenues will decrease by $2.3 million, but travel and expenses will decrease by $950,000.
* Development Office has increased its goal to $2.5 million.
* Dues only decreased 28%.
* Professional and legal savings of $350,000.
* Ms. Moritz encouraged members to review the provided Budget Memo.

Mr. Geene outlined the budget schedules:

* Normally, Finance would present a Final Budget at the Fall meeting, but this is not a normal year. There are significant changes from the previous budget iteration, as outlined in the memo.
* He provided the following highlights from #3.10:
* Total ALA revenue at $39.9 million and expenses at $40.7 million, with a $300,000 deficit (down from the projected $500,000 in September)
* With PPP and EIDL, we will have a $500,000+ surplus
* Change in Conference Services: typically features Annual Conference and Midwinter. There is an additional tab for Annual Conference, which incorporates scenarios for Annual. That decision has not been made, so we need to be respectful and cognizant of current contracts and programs planned.
* $100,000 increase in Membership Dues for $3.7 million
* Development Office increased its revenue to $2.5 million.
* Division/Round Tables (RTs):
	+ Senior management worked with unit managers for additional cost savings.
	+ Placeholder amounts for savings for travel and meetings savings – expected $400,000 for Divisions and $100,000 for RTs.
	+ Ms. Moritz noted that these savings will be closely monitored.

Ms. Schneider asked if there is a priority plan for the insurance payment for 2020 Annual. Ms. Moritz noted that we received an offer of $1.5 million, and she has gone back to the adjustor for more conversation. Ms. Hall noted that decreasing furlough days is a priority. There are some areas, such as IT, that may also need priority attention.

Mr. Lehner asked, as the Forward Together recommendations actually entail more virtual meetings, if that is leadership’s view. Ms. Hall noted that she does not have an answer but will rely on members leaders for that answer, noting there does seem to be an increased desire for online content and continuing education.

* Annual Estimates of Income: $67.1 million
	+ Assets are $27 million
	+ Revenue for FY21 is $39.8 million

Ms. Farrell also noted that FY21 Capital Requests, BARC #3.10b, outlines publishing, Divisions, and IT requests just under $600,000, which includes depreciation. However, it only affects Operating Budget for the current year by $60,000.

Mr. Harvey moved that BARC recommends to Finance and Audit Committee and the Executive Board, approval of the Final FY 2021 budget proposal and annual estimates of income of $67,111,044 as presented in BARC #3.10 and #3.10a.

 **APPROVED** BARC recommends to Finance and Audit Committee and the Executive Board, approval of the Final FY 2021 budget proposal and annual estimates of income of $67,111,044 as presented in BARC #3.10 and #3.10a.

Mr. Garcia moved that the Finance and Audit Committee concurs with BARC and recommends Executive Board approval of the Final FY2021 budget proposal and annual estimates of income of $67,111,044 as presented in BARC #3.10 and #3.10a.

**APPROVED** Finance and Audit Committee concurs with BARC and recommends Executive Board approval of the Final FY 2021 budget proposal and annual estimates of income of $67,111,044 as presented in BARC #3.10 and #3.10a.

**Controller’s Report** *EBD #/BARC #3.11.*

Joanne Lee, ALA Controller, provided the following report:

* Short-term investment balance at $3.8 million
* Changes in total financial position: $26,808,662 or 33.3.%
* Increase in prepaid account, which is typical of even years when we have two national conferences.
* Headquarter office space is currently listed as a lease obligation as a capital expense but perhaps should be an operating expense.
* Lon- term Certificate of Deposit increased by $1 million, which was pulled over from short term investment.
* Increase of $5 million to the endowment, and transfer was made in December 2019 from the sale of over 40 East Huron building.
* The total liabilities increased by $26.4 million.
* Increase in accounts payable balance due to timing from being behind on payments with EXL.
* Deferred revenue decreased by $2.86 million, which is typical in even years.
* Contributed revenue increased by $2.6 million.
* Long term deferred revenue decreased by $1.1 million.
* Long-term lease obligations of $22.2 million.
* Line of credit increase balance increased by $1 million, related to the purchase of furniture for the new office space.
* Total net asset balance increased by $1.5 million compared to FY19.
* Section A: Changes in net asset balance by month
* Section1B: Working capital current assets minus current liabilities currently at almost negative $12 million.
* Cash Management:
	+ Breakdown of short-term investment: decreased by $3.6 million.
	+ With Merrill Lynch, decreased $491,049 and with Huntington was down $2.7 million.
	+ Long term investment balance is at $64.29 million, which is an increase.
	+ Line of Credit increase to $8 million with outstanding $3.5 million balance.
	+ New loan with JPMorgan for furniture and equipment has a balance of $1.5 million
	+ Cash to debt (liquidity) ratio: 1:1 is considered desirable, and as of Feb 2020, ALA is at 1.37:1.0. This is still a healthy condition compared to historical data.
	+ Long-term loan with JP Morgan to finance the purchase of Neal Schuman, Washington office, and Connecticut Office is scheduled to be paid off in August 2020.
	+ New indirect rate has been finalized at 23.08%, effective September 2019

**Director of Financial Reporting & Compliance Report***, EBD #/BARC #3.12-12a.*

Ms. Moritz provided the following updates:

* Annual audit of retirement plan has concluded, and report has been issued. From that, without goodwill impairment and the Neal Schulman business valuation work, we will amortize our good will. That saves staff time and professional fees on our valuation report. The public company council gave an option to amortize over 2.5 years. Auditors have recommended that we write off the remaining goodwill.
* Over the same period of time, the intangible assets that remain on the books will be written off. We have two and a half years remaining on intangible assets, and we will write all the goodwill in tandem with that.
* There is no cash flow impact in this current fiscal year or in any future year, as the cash has already been laid out.
* Actuarial analysis for our post retirement: each year we have our actuaries conduct an analysis on what it will cost ALA when our employees retire. ALA made two major moves in the retirement plan since FY17:
	+ There was a change in the Medicare Advantage plan. ALA created two pools of insurance, one insurance for the current in the current employees and one for the Medicare Advantage plan that reduced our liability by $12.5 million.
	+ In FY18, changed the structure with a start date for the accrual of benefits. There will be no impact to the to the benefits that our employees will receive; it was simply to push back the accrual date at 57 years old. That decreased liability by $5 million.
	+ Went back to the actuaries again in FY19 to see if there were any other structural changes that we can make to our retirement plan, but additional changes would impact staff benefits
* Tax filings:
* IRS form 990 filed in accordance with good governance practices: send to Executive Board prior to submitting to the IRS and was filed on July 10th of 2020 with the IRS.
* Other filing requirements for APA and for Margaret Alexander Edwards Trust are detailed in the report.
* As we conduct the FY20 audit, there is a new audit requirement surrounding grants as far as the level of accounting documentation, but from a financial reporting perspective, not a significant change because we are currently reflecting our grant revenue in accordance with the standard.
* Ms. Moritz noted that around 2010, rules changed regarding auditing 403b plans. When that change took effect, our plan still needed to be audited. Prior to that date, been operating under a second are a different set of rules. It results in the auditors issuing a disclaimer of opinion.

Mr. Hepburn moved the Finance and Audit Committee recommends to the Executive Board acceptance of the retirement plan audit as issued by Mueller and Company, LLP.

**APPROVED** Finance and Audit Committee recommends to the Executive Board acceptance of the retirement plan audit as issued by Mueller and Company, LLP.

**Endowment Trustees Report** *EBD #/BARC #13.1.*

Pat Wand, Senior Endowment Trustee, reported the following Trustee activities:

* Keeping in touch with ALA Treasurer and Staff to remain informed on how the endowment can support the association.
* Loan discussed for FY21 and FY22 operating budgets and payout options.
* Another priority area is to address racial and social injustice:
	+ Asked advisor to seek minority-owned investments.
	+ Adding two new trustees representing underrepresented populations.
	+ Working with minority-owned investment group.
* Added $5 million to book value in December with the sale of the building.
* As of the end of September, endowment fund had bounced back to $55,487,931.
* February and March show decreased value based on the volatility of the market. The market continues to be volatile, but not nearly as volatile. Additionally, in September, there was an expected withdrawal.
* 13 funds now in our Merrill Lynch personal advisor group: moved more money into a new fund called the S&P 500 fossil fuel reserve free fund, which also qualifies as an ESG fund and brings ALA up to 55.7% of its portfolio in ESG.
* Monitoring market during volatility.
* Trustees have taken on the responsibility of growing expertise and each monitoring a particular asset class.
* Responded to request for transfer funds for FY21 and FY22 and recommended repayment schedule.
* Assembling more information on fund management fees and endowment cost structure, as well as planning to write an FAQ on cost structure for the endowment and glossary of terms.

Ms. Schneider noted that Exhibit 7 mentions Trustees will be alert to possible changes and pay out for FY22 and asked for clarification. Ms. Wand noted that according to bylaws, endowment can allocate anything between 3-5% payout toward operating expenses, but Trustees have discussed the possibility of a larger payout given the exceptional times. Mr. Brown clarified this would be separate from the loan.

Mr. Bonfield asked, as of September 30, did the endowment hold cash and how much. Ms. Wand noted this was a little less than a million dollars. Mr. Bonfield also asked for clarification on the minority-run investment group, as we invest with Merrill Lynch. Mr. Brown noted that investor groups run as affiliates under the umbrella of Merrill Lynch.

**BARC FY 2021 Goals**

Mr. Hepburn noted that transparency and communication are priorities for BARC. There are particularly critical given the experience at Midwinter in Philadelphia.

Mr. Hepburn also noted that is important to keep long term financial health in mind, but to still keep in mind the current financial challenges, reflected in ongoing streams of change, the work of the operating agreement review, and continued fallout from COVID

Ms. Farrell noted that she and Ms. Hall are working on financial talking points and will share with this group.

Ms. Farrell and Ms. Moritz have been working on simplifying reporting while still providing enough detail. Reports will include two-year fiscal detail, as well as the budget memo. They welcome continued feedback on how to improve reporting.

Mr. Bonfield requested a cleanup of the old documents that are still currently posted on the web. Mr. Hepburn noted that BARC is also working to make sure that documents are available to all members.

**BARC Liaison Assignments**

Mr. Hepburn shared the BARC liaison document. He noted that one BARC member will be sent to the Round Table Assembly. He kept most liaison assignments to preserve relationships.

**Preparation for Midwinter Meeting:**

* Meeting virtual and schedule is not yet finalized
* Will hold dates for November and December update meetings
* At Midwinter, we will catch up on Fiscal Analysis of Forward Together and Operating Agreement Workgroup, as well as continuing conversations from Midwinter 2020.

The meeting was adjourned.