

# **Council Financial Orientation**

*- The ALA Budget and Decision Making Process -*

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Seattle, WA

# The Financial Process Starts and Ends with Your Actions

## At Each Midwinter Meeting

- Council approves the Association's Programmatic Priorities and Strategic Directions

## At Each Annual Conference

- Council approves the Annual Estimates of Income

# Sources of ALA Revenue



16%  
Dues

26%  
Meetings &  
Conferences

34%  
Publishing

10%  
Grants

3%  
Interest

11%  
Other



# Where Does Your ALA Dollar Go?



14%  
Advocacy

10%  
Equity,  
Diversity  
and  
Inclusion

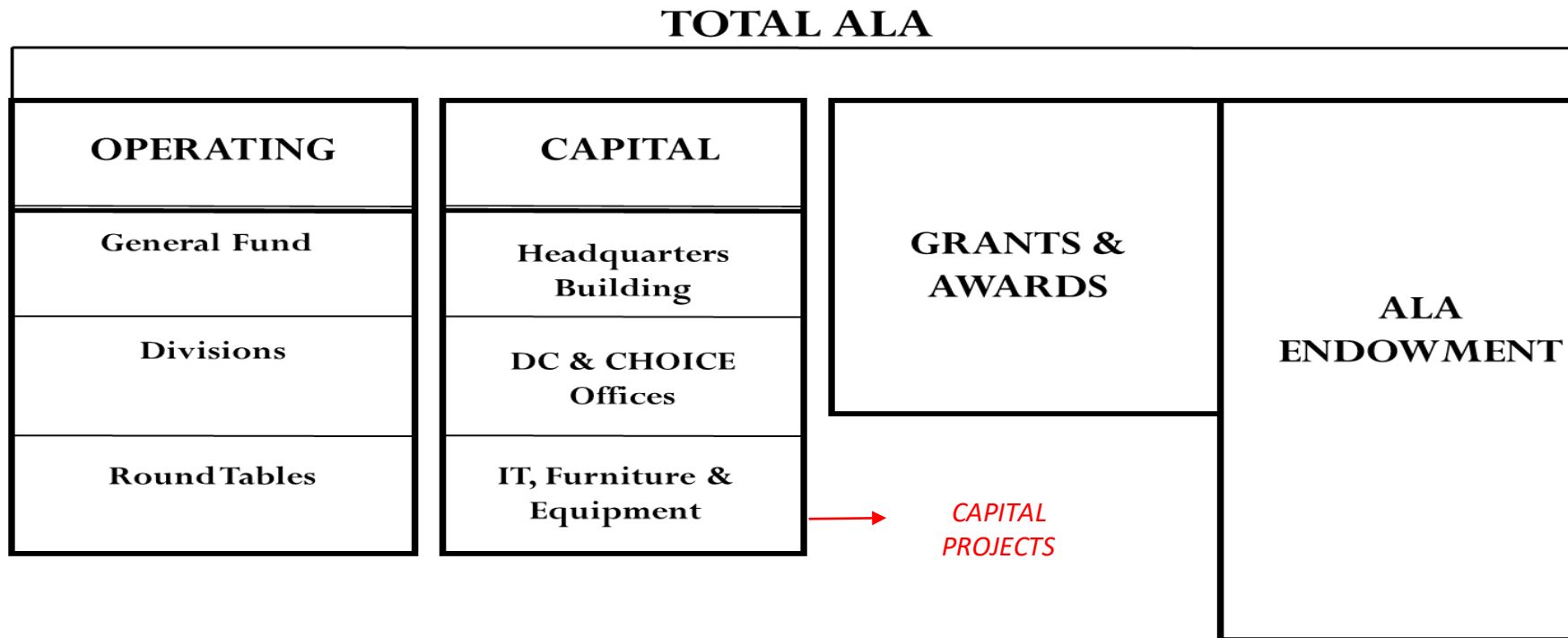
10%  
Information  
Policy and  
Intellectual  
Freedom

41%  
Professional and  
Leadership Development

25%  
Member Services  
and Support

Based on the approved 2018 budget

# ALA Operating Structure



## The ALA Strategic Directions & Five Year Financial Plan

### How Do We Achieve the ALA's Mission and Fund It?

# ALA Mission

## ALA Key Action Areas

- Advocacy for Libraries & the Profession
- Diversity
- Education & Lifelong Learning
- Equitable Access
- Intellectual Freedom
- Literacy
- Organizational Excellence
- Transforming Libraries

# ALA Strategic Directions

- Advocacy
- Information Policy
- Professional & Leadership Development
- Equity, Inclusion and Diversity

## Core Organizational Values

[illegible]

## ALA Five Year Plan

ALA Fiscal Year 2017 Budgetary Ceiling						
<p><b>Background and purpose:</b> As part of ALA's annual budget process, a budgetary ceiling is calculated and presented to the Budget Analysis and Review Committee (BARC) for approval. The budgetary ceiling document captures and presents all available resources, or sources of funds, that can be expended during the subsequent fiscal year. Sources include a starting amount represented by any accumulated Net Asset balances built up over previous fiscal years. Additionally, these Net Asset balances are supplemented by budgetary resources as well as any inter-fund transfers. The total of these sources represents the ceiling, or maximum available resources from all sources. BARC is charged with reviewing and approving the individual fund ceilings and Total All Funds ceiling presented in the top row below.</p>						
	General Fund*	Donations	Round Tables	Grants & Awards	Long-term Investment	TOTAL ALL FUNDS
<b>A-1) TOTAL ALA BUDGETARY CEILING (for approval)</b>	<b>\$0,120,362</b>	<b>29,387,687</b>	<b>2,091,551</b>	<b>3,413,210</b>	<b>366,268</b>	<b>64,379,278</b>
<b>A) Net Asset balance (projected at end of FY 2016)</b>		<b>14,761,317</b>	<b>1,648,643</b>			<b>16,410,960</b>
<b>FY 2017 Budgeted Revenues (before transfers)</b>	<b>29,074,333</b>	<b>13,611,230</b>	<b>441,908</b>	<b>3,413,210</b>	<b>1,214,907</b>	<b>47,755,588</b>
<b>FY 2017 Budgeted Revenue Transfers:</b>						
Interest & dividend transfer to General Fund	981,029					0
Spectrum interest & dividends						212,750
Life Member Don	68,000	12,340				(80,340)
Contributing Members	(3,000)	3,000				0
<b>B) Total Revenues (budgeted plus transfers)</b>	<b>\$0,120,362</b>	<b>13,626,570</b>	<b>441,908</b>	<b>3,413,210</b>	<b>366,268</b>	<b>47,960,318</b>

## ALA Annual Budget

Guided by ALA's Mission and Strategic Directions, the ALA Five Year Financial Plan and Annual Budget act as ALA's financial "roadmap"

# Who are Key Stakeholders in Development of ALA Budget ?

- Broad Overview

- Strategic Plan
- Senior Management
- Planning & Budget Assembly
- Member Leaders

- Governance View

- Executive Board
- Council
- BARC
- Finance & Audit Committee

- Staff View

- Divisions
- Round Tables
- Committees
- Departments
- Units



# Budget Analysis and Review Committee

- BARC -

- ALA Council standing committee
  - six members at large from general membership
  - two members from Executive Board
  - ALA Treasurer is a member
- Has primary responsibility for detailed review and monitoring of budget
- Charged to review proposed budget as forwarded from Executive Board in spring
- Reviews current year's budget financial performance
- Reviews resolutions from Council that may have potential financial implications
- Reports to Council on performance of budget

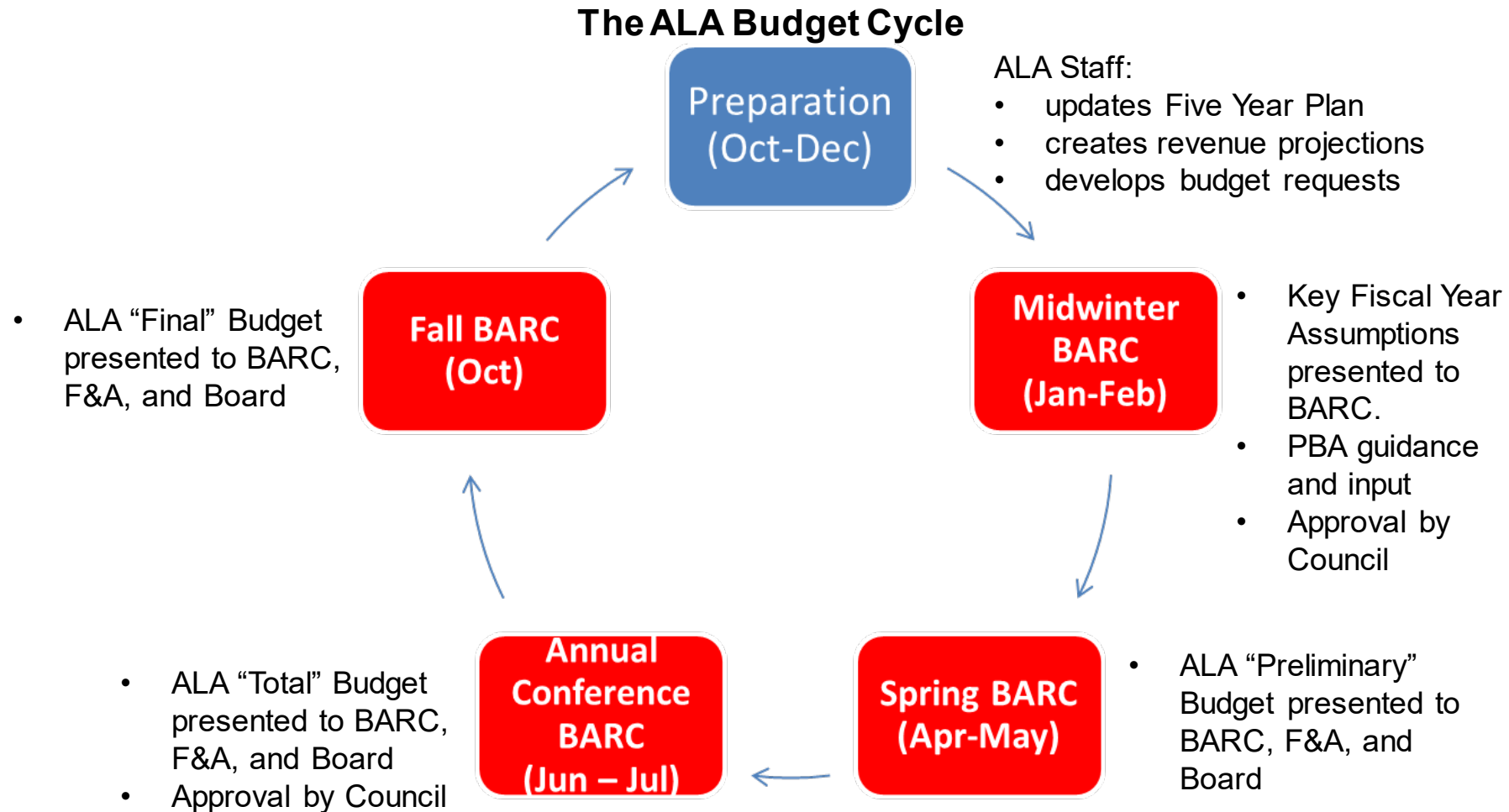


# Council Referrals to BARC

- BARC is charged with determining financial impact, if any, of any referrals from Council
- BARC works closely with Resolutions Committee to provide a transparent review process for resolutions
- BARC reports to Council on findings of financial impact analysis
- **Recent Council Referrals to BARC**
  - Roadblocks to Diversity Leaderships
  - Fossil Fuel Investments in ALA Endowment

## ALA's Annual Budget Process

# How Do We Set Priorities and Allocate Resources Annually?



With the dual goals of mission attainment and financial sustainability, the process for FY19 began in Oct-Dec 2017 (1<sup>st</sup> Quarter FY18)

# Other Important Information to Know

- Final adjustments can and are made to budget between Annual Conference and Fall Executive Board meeting
  - final budget is approved at this time (October), even though new fiscal year has started
- Once final budget is approved, it is final
- New projects/initiatives introduced outside approved budget process will generally have to wait until next budget cycle
  - new projects/initiatives developed outside budget process are handled on a case by case basis and encouraged to wait until next budget cycle

# **The ALA Operating Agreement**

- Establishes a shared responsibility for the management of the Association
- Adopted in 1976 by ALA Council, revised in 1982
- Framework for ALA General Fund and Divisions to function together effectively and efficiently
- Divisions have the autonomy, independence and freedom to pursue goals and objectives specific to them
- Collaboration/Cooperation is our primary priority as ALA and its Divisions have opportunities...to stimulate and build on each other's strengths

# An Important Aspect of the Operating Agreement

## The Overhead AKA Indirect Cost Rate

- Covers mandated central services i.e. Human Resources, Accounting, Building, Office Space, Legal etc.
- The rate is calculated annually in Spring/Early Summer via a financial model
- The calculation is determined by taking the indirect costs generated by the model for ALA's revenue generating units - Conferences and Publishing divided by their revenue



# The FY 2019 Indirect Cost Rate – 26.5%

*- Applied to FY 19 & FY20 Budgets -*

	Calculated	% of Rate	Effective
<u>Revenue Category</u>	<u>Overhead Rate</u>	<u>Applied</u>	<u>Rate</u>
Dues	26.5%	NA	NA
Publishing*		50%	13.25%
Meetings & Conferences		100%	26.5%
Contributions		NA	NA
Miscellaneous		NA	NA

# General Fund Net Revenue Sources – 2018

- and other support -

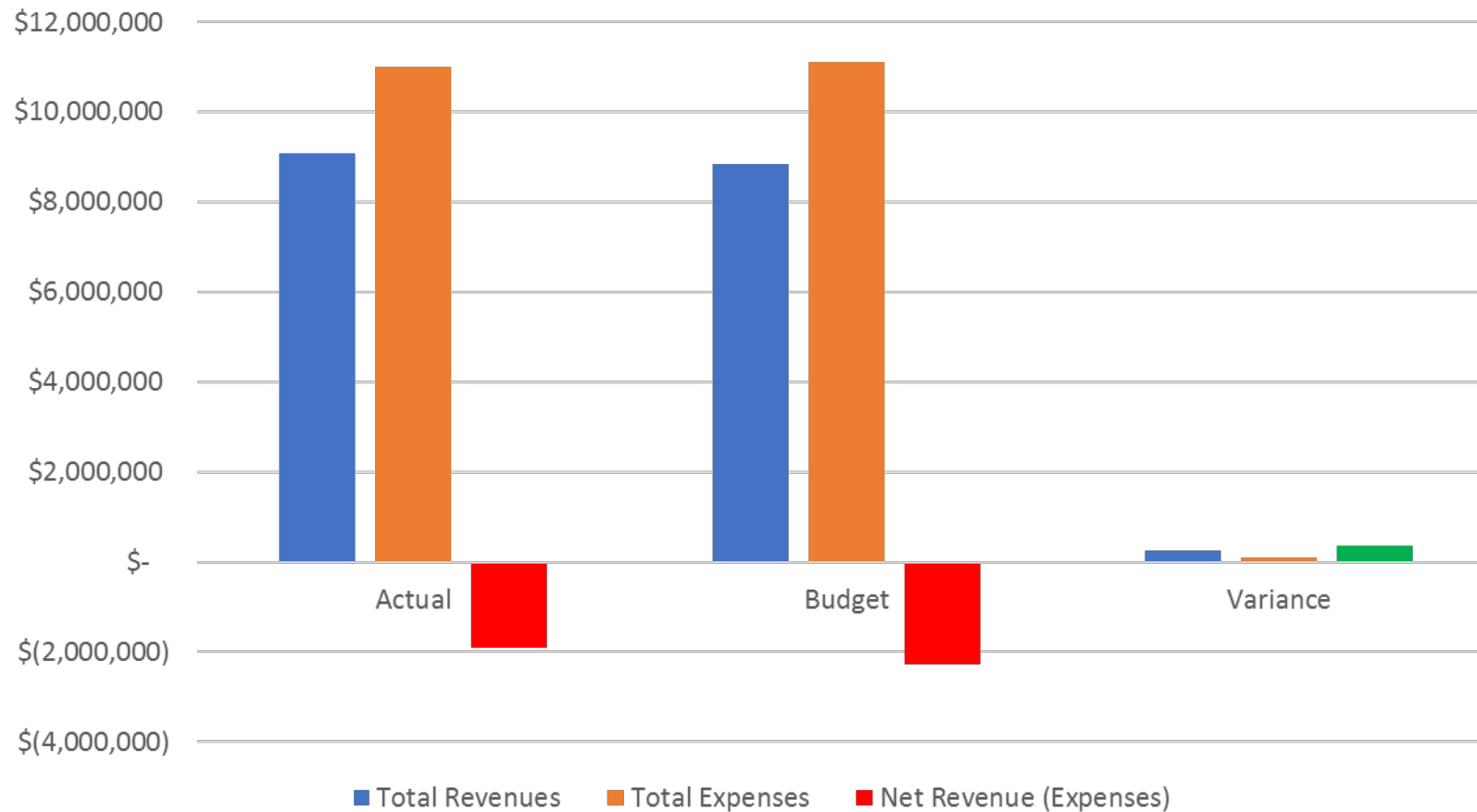
		<b>Overhead</b>	<b>Total</b>
	<b><u>Revenues</u></b>	<b><u>Support</u></b>	<b><u>Support</u></b>
<b>Interest &amp; Earnings</b>	\$ 1,110,410	\$ 0	\$ 1,110,410
<b>Membership Dues - Net</b>	\$ 5,272,729	\$ 0	\$ 5,272,729
<b>Publishing - Net</b>	\$ 264,796	\$ 3,208,395	\$ 3,473,191
<b>Meetings &amp; Conferences -Net</b>	\$ 287,050	\$ 2,344,365	\$ 2,631,415
<b>Other</b>	\$ 550,570	\$ 2,748,577*	\$ 3,299,147
<b>Total</b>	\$ 7,485,555	\$ 8,301,337	\$ 15,786,892

Source: Internal financial reports - final close

\*Overhead contribution from Divisions, Roundtables and Grants

# 1<sup>st</sup> Quarter Financial Results @ 11-30-18

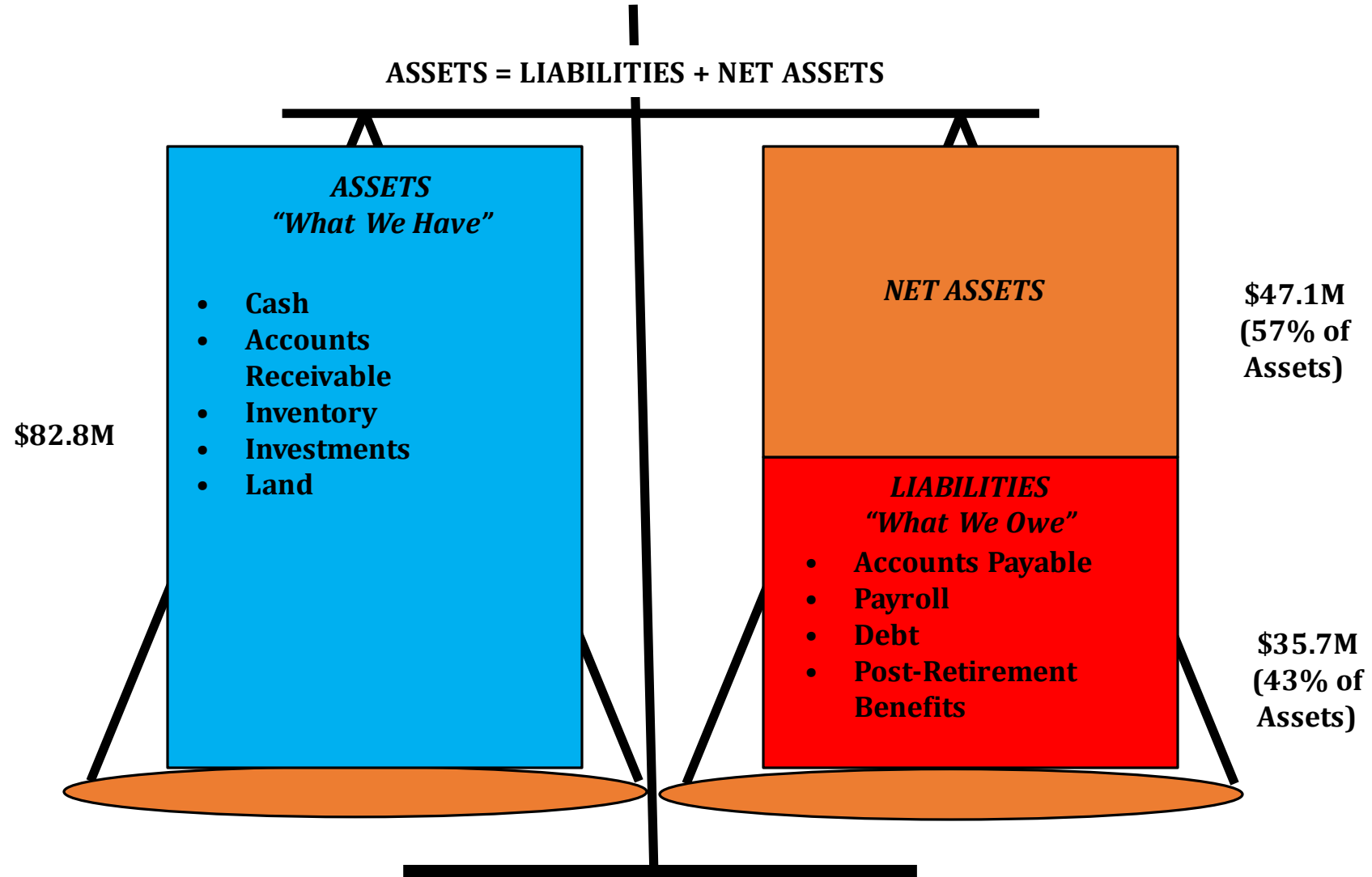
## Total ALA



# Key Initiatives/Additional Investments in FY 19 Budget

- Enhance fundraising capacity
  - ✓ Reallocate existing staff positions to support 2.5 additional FTE
  - ✓ Major gifts director, prospect researcher and support
- Support 21<sup>st</sup> century advocacy efforts
  - ✓ CRM (customer relations management) system for advocacy information
  - ✓ Support for enhanced outreach and engagement including “fly-in” event early in budget season for strategic legislative contacts
- Strengthen IT infrastructure and services
  - ✓ First year of three-year planned investment for capacity and customer service
  - ✓ Improved access to services, communication and information for members, staff and public

# ALA's Balance Sheet as of FYE 2018



*Net Assets is the difference between what we have and what we owe*



# Additional Useful Resources

- **Member Leaders**

- Treasurer [shhildreth@comcast.net](mailto:shhildreth@comcast.net)

- BARC Chair

- **ALA Staff**

- Executive Director

- Division Executive Directors

- CFO

- ALA Finance Staff

- **Online Webinars and Other Training**

- [www.ala.org/aboutala/governance/financialdata](http://www.ala.org/aboutala/governance/financialdata)

- [www.ala.org/aboutala/governance/financialdata/finlearn](http://www.ala.org/aboutala/governance/financialdata/finlearn)

- [http://www.ala.org/aboutala/sites/ala.org/aboutala/files/content/governance/financialdata/financialrpts/ALA Financial Handbook Final15.pdf](http://www.ala.org/aboutala/sites/ala.org/aboutala/files/content/governance/financialdata/financialrpts/ALA_Financial_Handbook_Final15.pdf)