Responses to Pre-Submitted Questions
Round Tables Financial Town Hall
Friday, July 12, 2024

Net Asset Balances
1. Will the 75% of Net Operating Surplus funds taken from round tables include current balances that we have saved? Can round tables place an encumbrance on funds that we plan to use so that those funds are not considered when calculating the 75% that ALA takes?

2. 75% of the round table's Net Operating Surplus will be returned to ALA. However, what happens to its starting Net Asset Balance? If the Hypothetical Round Table has accumulated assets of $50,000 over recent years, what happens to that money?

The split of Net Operating Surplus (NOS) monies is based on each fiscal year’s NOS only. The Net Asset Balance is a historical relic used to track the past cumulative performance of units. It does not reflect funding that any unit has current access to and can use as a cash account to spend down. The Operating Agreement Implementation Task Force decided to continue calculating these historical balances, but they won't be considered the same as cash. The only savings that any units have are endowment funds.

Financial tracking at ALA will instead focus on the net operating surplus (NOS). The three models that have been presented to the round tables not only address overhead but also the NOS. Under these models, the round tables will actually be able to retain a portion of the NOS and have it placed into an endowment fund for use by the round table in the future.

Overhead
1. Could round tables and divisions be held to percentages that are more in line with their size?

The assumption underlying this is that smaller units can less afford to pay overhead. Unfortunately, that puts a disproportionate burden on larger units to subsidize the smaller ones. Not only that, but it creates great difficulty for the Finance Team if they were to have to calculate rates annually that fluctuate with the relative size of a unit’s budget and means that crafting a budget becomes harder because overhead is less predictable. A key component to the creation of the Operating Agreement Implementation Task Force was to develop one uniform formula that could be applied uniformly to all divisions, round tables, and departments.

As a reminder, the round tables – and the divisions as well, for that matter – pay far less overhead than they should. The current percentage is only 10%. The divisions are at 26.5%. This is unsustainable.

Short term reserves
1. What is ALA’s plan for raising the $25M reserve if round tables and divisions spend down and don't have funds left over for ALA to take?
If the round tables and divisions deliberately spend down in order to avoid doing their part to support the association, then it will take much longer to reach that goal.

Overhead is charged against all revenue-generating units, and that includes more than round tables and divisions. In addition, if the round tables and divisions spend down, then they won’t be able to put aside any NOS funds for investing in future innovation to provide their members with new resources, services, and programs. Moreover, the round tables cannot decide midyear to spend more money just to end up with a zero surplus or deficit. If any unit ends the year with a result that is substantially different than its approved budget for that year, they will have to explain how and why that occurred during the following year’s annual budget approval process.

2. Can you please explain how/whether known annual proceeds from the endowment count toward that goal to achieve a liquid reserve of $25M? For example, if we know that the endowment payout will be $3M in 2025 (for example), does that count toward the $25M?

Payouts from the endowment are a funding source for the current year's budgeted expenses and are therefore not available to be applied toward the goal of building up the reserves.

Innovation
1. What incentives will ALA create for round tables in order to convince round tables that having a surplus that is taken is a worthwhile thing?
2. Will there be a way to earmark or protect surplus money if it is being saved for a specific event, i.e. anniversary event?
3. Will round tables be penalized for not having surplus to be swept?

The proposal sets out how the round tables can save a portion of their net operating surpluses in order to save for special events or projects. Because those funds would be designated for the round table, the round table can earmark them as they see fit. This approach rewards the round tables, not penalizes them. In the past, the round tables have never had a guaranteed means of saving for events or innovations, since Net Asset Balances are not and never were actual cash balances.

For the variations of the operating agreement that involve clawing back budget surplus into the ALA general budget, will there be accommodations made for (1) direct donations to the round table for projects such as award and grant programs and (2) fundraising based on building up funds for future projects.

The operating agreement is a set of documents that apply to the relationship between the divisions and their parent organization, ALA. At this time, the round tables are not a party to that.
What you all are going to vote on are budget models that establish how overhead is calculated. In terms of the donations you mention, such donations are not considered to be "operating surplus" and therefore would not be subject to the models.

Other

1. Can we get a detailed, bulleted list of reasons for the ALA Council not supporting online meeting formats for annual conferences?

This isn’t really a financial question at face, though there are fiscal implications to it. For questions like this about Council, I recommend starting with your round table Councilor.

2. What will ALA be doing to wean itself from its dependence on expensive consultants going forward?

The appropriateness and value of hiring consultants is situational in nature, and there are certainly instances where the use of a consultant is a worthwhile expenditure.