



# American Library Association's Financial Primer

- *ALA's Financial Fundamentals* -

*"Unlocking the door to understanding"*

# ALA Financial Primer

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# Financial Concepts

- Glossary of working terms
- Fund accounting
- Fund structure
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# Glossary of Working Terms

**501 3 (A A)** – a tax law provision granting exemption





# Glossary of Working Terms

**B** – Is an annual budget of an activity which includes revenues, expenses, programs etc.

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# Glossary of Working Terms

- The amount of money that an organization receives from its activities in a given period, mostly from sales of products and/or services to customers. \*Note: conflicts abound as to when revenue should be recognized. The Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Concept 5 states that revenues should be recognized when they are realized or realizable and earned. Revenues are realized or realizable when products are exchanged for assets (such as cash) or claims to assets (such as promises to pay). Revenues are earned when the entity has performed all duties necessary to the purchaser.

- Same as the income statement, which illust 1 0 0 14 -226(c) -0.4(h) 0.4(a)







# ALA Decision-Making Process

## COUNCIL

100 – Councilors at Large  
11 - Divisional Councilors  
53 - Chapter Councilors  
12 - Executive Board Members  
10 – Round Table Councilors

## ENDOWMENT TRUSTEES

3 - Elected by The Executive Board  
Treasurer - Liaison

## EXECUTIVE BOARD

4 - Elected by Membership  
8 - Elected by Council  
1 - Staff - Executive Director

## FINANCE & AUDIT COMMITTEE

Treasurer - Chair  
3 - Executive Board Members  
Appointed by the President

BARG Chair - Executive

## PLANNING & BUDGET ASSEMBLY

10 - Councilors Elected by Council  
5 Chapters; 5 At-Large  
14 - Divisional Representatives  
36 - Committee Chairs - ALA Committees  
Chairs Appointed by President  
30 - Round table Representatives

## DIVISION BOARD OF DIRECTORS

Elected by Division Members

# Financial Reports



- Monthly Performance Reports
- Statement of Financial Position – Balance Sheet
- Statement of Operations and Changes in Net Assets – Income Statement

# Statement of Financial Position

	<b>2006</b>		<b>2005</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,973,323	\$	5,472,980
Short-term investments	11,704,039		11,443,248
Accounts receivable, less allowances for doubtful accounts and returns (2006 – \$347,552; 2005 – \$330,305)	4,072,792		5,047,212
Inventories, less reserves (2006 – \$454,751; 2005 – \$384,827)	1,275,529		1,310,999
Grants receivable	759,125		444,514
Prepaid expenses and other receivables	775,865		562,162
Total current assets	23,560,673		24,281,115
Property and equipment, less accumulated depreciation	9,248,864		

# Statement of Operations & Changes in Net Assets

**Revenues, gains, and other support**

**Total**

# Inter-Fund Relationship

# ANNUAL BUDGETARY PLANNING CALENDAR

September - October

ALA management reviews the strategic focus of the Association.

October - Fall Board Mtg.

The Executive Board reviews the strategic plan as presented by the Executive Director/ Senior Management and further defines the strategic focus resulting in the broad programmatic objectives. The Executive Board and BARC review and approve the Division's final Budgetary Ceiling for the current year.

Midwinter Meeting

The Executive Board - Treasurer - presents the broad programmatic objectives to Council for approval. BARC monitors the current budget. President-Elect proposes presidential program budget.

January

ALA staff prepares the Annual budget based on the broad programmatic objectives.

March - April

Budget hearings for ALA and the Divisions are held.

April - May

The Executive Board receives from staff - Senior Management - the preliminary budget, which is reviewed and then forwarded to BARC for a detailed analysis.

May - June

Staff – unit managers and senior management - updates the budget.

Annual Conference

Executive Board approves the budget. Council approves the budgetary ceiling. Division Boards approve their budgets.

August - September

Staff begins preparing next year's budget and three - year financial plan.