**Massachusetts Library Association**

FINANCIAL PLAN

1. **BACKGROUND**

The Massachusetts Library Association (MLA), organized in 1890 and incorporated in 1924, is a private, non-profit organization according to Section 501 ( c ) ( 3 ) of the IRS code.

The Mission of MLA is to strengthen the Massachusetts library community through advocacy, connection, and collaboration.

* MLA will be a well-managed and administered association
* MLA will build an engaged and active membership
* MLA will collaborate and cooperate with new and established library community stakeholders
* MLA will provide membership with robust and meaningful programs and activities

1. **PROGRAM ASSUMPTIONS**

MLA, working through its members, provides a diverse program of advocacy for librarians and libraries, continuing education, legislative education/advocacy, annual conference, annual Storytelling program, and print and electronic publications. In support of these activities, MLA may:

* Sponsor an annual conference
* Present an annual storytelling program
* Actively support networking with other organizations interested in access to information, literacy, economic development and libraries, and related interests.
* Work for the adoption of an annual legislative agenda in support of libraries and related issues of public concern
* Support continuing education for individual members
* Publish a newsletter and support the MLA website and other social media outlets
* Support other activities as determined by the Executive Board in accordance with the Strategic Plan and in response to relevant current events.

The Massachusetts Library Association maintains staffing, which is responsible for; administrative support to the Executive Board, membership records, bookkeeping, event planning support for the annual conference, and other organizational tasks such as responding to inquiries about MLA, coordinating mailings and keeping the MLA calendar. The Association also communicates to members and the public through a website, email, social media and newsletter.

1. **FINANCIAL GOALS**
2. **Financial Stability**

Financial stability is a function of adequate and dependable revenues from diverse sources and prudent expenditures. While some savings, hereafter referred to as the Massachusetts Library Association Fund, is appropriate to cover unexpected revenue shortfall and unbudgeted expenses, as a membership organization, most of MLA's resources should be used to carry out its mission and provide services to its members. Therefore, when setting the annual budget, the unrestricted fund balance should not exceed 30% of annual operating expenses or drop below 25% of annual operating expenses, barring extenuating circumstances. (What does this mean? In our proposed annual budget for FY22 operating expenses are $185,725. 30% of that is $55,717.50. What does “unrestricted fund balance” refer to. It is not defined here. I think this statement needs clarification. I could see it stating that annual operating expenses should be no more than 30% of investment fund balances. Is that what this wording intended?)

1. **Funding Organizational Activity**

Primary activities requiring a financial commitment include staff expenses, the annual conference, legislative education and advocacy, and continuing education. These, and other activities of the organization, will be facilitated by efficient and prudent management of MLA’s financial resources.

1. **Support the Jordan Miller Storytelling Program**

MLA serves as the host organization for the Jordan-Miller Storytelling program, established by Bertha Mahoney Miller as a living memorial to her friend and colleague, Alice M. Jordan. The Jordan-Miller Committee is charged with program planning and implementation. It is the intent of the Jordan-Miller fund that the sponsored events be of a quality to attract a regional and national audience.

1. **Assisting Librarians in need of legal assistance**

Through the Moulton Fund, MLA is committed to assisting librarians who are targets of unfair personnel practices and/or actions stemming from intellectual freedom activities.

1. **Supporting Continuing Education**

Continuing education is supported by a number of revenue streams, which may include; fundraising, budgetary appropriation, organizational cooperation, gifts and grants. The financial goal is to be a good steward of funds raised and to ensure that they are efficiently used for the purposes for which they are intended.

1. **ASSOCIATION FUNDS AND ORGANIZATION**

The Massachusetts Library Association Funds include the following:

* Operational Funds – The Association’s checking account, earning interest if possible, for current operating expenses.
* Reserve Account– Funds not currently needed, earning a higher interest rate than the operational funds, available for immediate transfers to checking if needed during the fiscal year.
* Investment Funds – Funds invested in order to enhance the Association’s financial resources for operations and special purposes, interest and principal used in accordance to Association policy. Funds in excess of $75,000 are invested.

The ~~Executive Manager~~ Treasurer (this was when Jen Z was the EM, need to be changed to Treasurer?) monitors the balances in the Operational and Reserve accounts. The ~~Executive Manager~~ Treasurer, in consultation with the Finance Committee, will manage checking and reserve accounts in order to assure sufficient funds for daily operations and to earn as much interest as possible.

The Treasurer, working with the ~~Executive Manager~~, Admin Board, makes transfers between reserve and checking accounts. The Treasurer, or other member of the Finance Committee, makes transfers from Investment accounts to reserve or checking accounts, upon a vote of approval of the Administrative Committee. (should Administrative Committee, be Administrative Board?)

Add this?

The Treasurer is authorized, when the association bank balance drops below $4000 to move $5000 from the cash reserves account into the checking account. The Treasurer shall notify the Admin Board and Finance Committee when the transfers take place. (This was voted at some point in the past but is not in the plan, I think it should be.)

Propose we vote to add this:  
The Treasurer is authorized, when the cash reserves balance drops below $4000 to move $5000 from the investment accounts into the cash reserves account. The Treasurer shall notify the Admin Board and Finance Committee when the transfers take place. (Based on our current situation, I think it would be good to add this to the current plan so we don’t need to have an investment committee meeting every time this happens.)

As provided in the by-laws, the Finance Committee shall consist of up to seven members plus the non-voting ~~Executive Manager~~ (do we want to add the Administrative Manager here?) and Past President. Members will include the President, Vice President/President Elect, Treasurer, past Treasurer and up to three members at large. The members at large must belong to MLA and it is preferred that they have experience and expertise managing and investing money.

The President appoints one member each year for a three year term, except for the startup year when the President appoints all three members; one for one year, one for two years and one for three years. Vacancies that occur during the appointed term should be filled promptly by the current MLA President.

The Vice President/President Elect shall serve as chair of the Finance Committee.

In addition to oversight on all Association financial matters and assisting with the creation and presentation of an operating budget, this committee is responsible for managing endowment and other long term investment monies in adherence with the Investment Policy adopted by the Massachusetts Library Association.

1. **INVESTMENT POLICY**

Endowment and other “long term” investments are defined as principal that is not expected to be needed for a minimum of five years (should this be brought down to 3?). ~~Most of~~ MLA’s available investment money is ~~already~~ assigned to one general purpose and three special purpose funds:

**Investment Special Purpose Fund**s

* Jordan-Miller Fund **-** Supports the Jordan-Miller Storytelling Program established in 1961 with a gift from Bertha Mahony Miller in memory of her friend and colleague Alice Jordan. The Association’s Jordan-Miller Committee plans the programs supported by this fund.
* Moulton Fund **-** Established to assist librarians in need, originally this fund was used to help librarians in financial need because of illness. That focus has been broadened to cover librarians facing intellectual freedom challenges and librarians facing unfair treatment because of questionable personnel practices.
* Continuing Education Fund - A substantial portion of this fund was given in memory of Kay Bader. Currently, it supports the participation of Massachusetts librarians in the New England Library Leadership Seminar as well as other educational purposes. In recent years the monies have been used to subsidize MLA conference attendance by library school students and other first-timers.

**The General Purpose Fund**

* Massachusetts Library Association Fund - Constitutes the long-term savings of the Association. The goal is to maintain at least $50,000 or the equivalent of 6 months of operating income in a reserve account to cover unexpected capital and/or operating expenses.

**The Investment Portfolio**

It is the intention of the Finance Committee to have one investment portfolio invested in accordance with the guidelines specified below. Investment returns will be shared equally among the three special and one general purpose funds based on the amount of the principal credited to each account annually.

While using the principal of the special purpose funds is nowhere prohibited, it is the practice of MLA to rely on investment returns to cover the annual cost of the special purpose funds programs.

**Investment Guidelines**

The Finance Committee shall adhere to the following guidelines:

1. Preservation of principal, reliable income and conservative growth are more important than maximum capital gain. To that end the Committee shall invest in a mix of stocks and bonds. The bonds are intended to provide current income to be used to meet purposes specified in the special funds. The stocks are intended to provide some income (through dividends) but are purchased to provide principal growth and a hedge against inflation.
2. Because the Committee is not expected to have the time, expertise or financial resources to invest in a diversified portfolio of individual common stocks, all stock investments shall be through exchange traded (ETFs) and no load mutual funds. Due to the difficulty in selecting a stock fund that outperforms the index averages (over time 80% of all stock mutual funds under perform the index for their investment category) the Committee shall use low cost index funds and index ETFs as its core investment vehicles.

MLA may maintain a brokerage account with a recognized national firm with SIPC insurance and may accept gifts of stock. Consistent with SIPC coverage, the securities of the MLA shall be held in custody by the brokerage firm. Unless prohibited by the donor, it is the practice of the Investment Committee to sell all gifts of stock within 30 days of receipt and to invest the proceeds in accordance with the Committee’s current asset allocation.

Authority to sell stocks and buy and sell mutual funds shall be vested in up to three members of the Finance Committee. One member will have primary responsibility; the others shall serve as a backup in the event the primary is unable to act. Trades shall be conducted in accordance with the recommendations of the Committee. Such individuals must be recommended by the Committee and be approved by the MLA Executive Board.

1. Proper asset allocation is the key to predictable long-term returns. Given the conservative goals of MLA, at least 40% of investment assets shall always be in bonds and/or money market funds and no more than 60% in stock funds. There shall be no limit to the percentage of assets that may be invested at one time in bonds and/or money market funds.
2. The Committee shall observe the “prudent person rule” (Massachusetts Practice Probate Law, Chapter 57, Section 1473) which states that “*all that can be required of a trustee to invest, is, that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of the capital to be invested.*”

In accordance with the “prudent person rule” the committee shall adhere to the following lists of approved and prohibited investments:

**Approved Investments**

* Bank Certificates of Deposit ($100,000 limit per bank)
* Bank Savings or Money Market Accounts ($100,000 limit per bank)
* Investment Grade Corporate Bonds
* No load Mutual Funds including Bond Funds, Stock Funds, Money Market Funds
* Exchange Traded Funds
* Real Estate Investment Trusts
* Treasury Bills, Notes and Bonds

**Prohibited Investments**

* Futures, Options, and Derivatives
* Gold and other Precious Metals
* Individual Stocks
* Limited Partnerships
* Real Estate

1. **OPERATING BUDGET**

**Preparation**

The Finance Committee, in consultation with the ~~Executive Manager~~ and Treasurer drafts and recommends the annual budget to the Administrative Committee. (This isn’t reality, either we should start doing it this way or change it to say… The Treasurer, in consultation with the Admin Board, drafts and recommends…)

Section and committee chairs will submit their budget requests no later than October 31st (I suggest we change this to Dec 1st). The Finance Committee will provide information on funds available as a result of investment.

The Administrative Committee will present an operating budget to the Executive Board for approval.

**Budget Guidelines**

The Finance Committee must present a balanced budget to the Executive Board for its approval at the April meeting. Funds may be transferred from the MLA Fund balance to the checking account in order to balance the budget as long as the value of the remaining fund balance does not fall below 25% of projected annual operating expenses. (This seems to be clearer than what is in section III, 1. But my notes had it changed to 50% as the goal – at that time- was defined was maintaining at least $50,000 or the equivalent of 6 months of operating income in a reserve account to cover unexpected capital and/or operating expenses. )

**Association Activities**

The "Association Expenses" category of the operating budget covers expenditures related to MLA's organizational relationships. These include dues to other organizations and expenses of the ALA and NELA chapter representatives.

1. Memberships & Cooperative Activities

MLA is a member of a variety of state, regional and national associations with similar goals for the advancement of libraries and librarians. These include, but are not limited to: Massachusetts Friends of the Library, the New England Library Association and the American Library Association.

1. ALA Chapter and NELA relations

The ALA Counselor is reimbursed for travel and accommodation expenses to the annual and mid-winter conferences. The ALA Counselor should submit a projected budget of anticipated expenses one month prior to leaving for a conference, (shouldn’t this be projected as part of the budget) and receive pre-approval from the Treasurer.

The NELA representative is reimbursed for travel to NELA board meetings at the Federal mileage reimbursement rate. (This has never happened, but I’m guessing that’s just Krista, perhaps a future NELA rep might need to be reimbursed?)

**Legislative Committee**

The Legislative Committee budget includes educational and advocacy activities. Expenses related to “lobbying” must be clearly identified in the financial records.

MLA may make an annual donation to regional legislative breakfasts.

**Special Projects**

Any group (should this say section or committee) within MLA can propose a special project for the year. The group must submit a budget showing both revenues and expenses to the Treasurer by March 1. (I suggest we eliminate the date and state: Sections and committees are strongly advised to plan projects as part of their annual budget request. However, there are circumstances where special projects might benefit the organization and its members. These proposals must bring a profit to the organization (or at a minimum expected income must equal expected expenses). The Treasurer will bring the proposal to the Admin (or Exec) board for approval before the special project can be approved.

**Sections and Round Tables**

Estimated revenues and expenses for section and round table activities should be reflected in the annual budget. The amounts will be based on revenues and expenditures during the previous fiscal year adjusted for any changes in program or special projects planned for the coming year.

Routine office support for sections and round tables is included in the administrative category of the budget. Mailings, publicity or other significant expenses should be included in the section or round table’s budget. Any additional mailings require prior authorization from the Executive Board.

**Continuing Education**

By March 1 (Dec 1st) of each year the Committee will recommend to the Treasurer an amount for continuing education grants to be included in the budget. (Why is this a separate section? If they want it, they should just budget for it with all the other budget requests, right?)

1. **FINANCIAL PLAN AND PROCEDURES REVIEW**

The financial plan should be reviewed at the end of each Treasurer’s term.

Respectfully Submitted:

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Revisions suggested by William Adamczyk, MLA President Elect, 12/13/17.

Original Financial Plan Working Group:

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**APPENDIX A: FISCAL POLICIES**

**Financial Records**

The Treasurer is responsible for ensuring that all financial records of the organization are properly maintained, for making monthly reports to the Administrative Committee and/or Executive Board, and for approving section, committee, and round table program/activity budgets.

Financial records and supporting documents will be kept for seven years. Supporting documents, canceled checks, receipts, invoices and so on, may be discarded after seven years. All tax and employment records must be kept permanently.

The following documents should be transferred to the MLA archivist at the end of seven years:

* Treasurer's reports (the June report is sufficient if it cumulates for the fiscal year)
* Budget
* Audit and related correspondence
* IRS-990 report
* Annual report to the state Public Charities department.

Documents such as the Financial Plan, Budget Committee reports and so on should also go to the archive.

**Audit**

An annual audit will be conducted. Each year the Administrative Committee will recommend an auditor for the approval of the Executive Board and will submit the audit for each fiscal year.

The auditor also prepares the tax return (990) and the report to the Public Charities Unit. The Treasurer is responsible for ensuring that these reports are filed.

The ~~Executive Manager~~ (Treasurer) will maintain an audit file for each fiscal year. The file contains:

* Monthly Treasurer's Reports
* Check register
* Monthly category reports
* A list of checks outstanding
* Accounts payable and accounts receivable at end of fiscal year
* Minutes
* Executive Board list
* Copies of signed contracts

**Contracts**

All contracts must be approved by the Executive Board and signed by both the President and the Secretary or Treasurer.

Management Services - Contract is negotiated by the President and Vice President/President Elect. Publications Manager - Contract is negotiated by the President and Chair of the Public Relations Committee

Conference Services - Contract is negotiated by the President, Vice President/President Elect, ~~Executive Manager~~  (change to Administrative Manager?) and Conference Committee Chairs.

**Fees**

1. Conference

Conference registration fees and exhibitors’ fees are recommended by the Conference Committee and approved by the Executive Board at the August Executive Committee Meeting.

Conference registration fees for non-members will be greater than the corresponding category for MLA members. (Policy set in 11/91.)

Conference fees are not refundable. Conference registration may be transferred to another person, by the person who originally registered. The conference committee will provide a new name tag if requested. (Policy set in 1/96.)

Conference receipts and record keeping are maintained by the MLA ~~Executive Manager~~ Conference Director. At the end of the conference a report must be submitted to the Treasurer showing the number of registrations in each category with the total amount collected.

The Conference Committee adheres strictly to the budget it develops and pre-approves and manages all conference expenses with the assistance of the Association's ~~Executive Manager~~ (Treasurer). Sections are required to comply with established procedures.

Requests for reimbursement for conference activities may be made no later than 30 days after the conference date.

1. Section and Round Table Programs

Written agreements with speakers and program sites are required. The agreement must include a cancellation MLA clause so that MLA will not be liable for the speaker's fee, site charge, or deposit if the event must be cancelled before an agreed upon date.

Programs must recover the costs incurred in presenting them: speaker fees, travel, copying, postage, and food. The cost for meals must be charged to attendees and must include current sales tax and 15% gratuity (if applicable).

The registration fee should cover costs outlined above. It is suggested that $5 be added on to cover unexpected costs.

Registration fees are not refundable. Registration may be transferred to another person, by the person who originally registered. If the program has the minimum number of registrants required to cover costs and the registration check has not been deposited, the program chairperson may decide to return the check. (Policy set in 1/96.)

Fees for non-members will be set at $10 (is it wise to have this a set dollar amount? Perhaps a percentage range might be a better idea? ) more than the corresponding fee for MLA members.

Revenues generated by section, committee and round table activities become part of the association's operating funds.

Requests for reimbursement for section/roundtable activities may be made no later than 30 days after the event.

1. Insurance and Bonding

MLA has purchased insurance that provides at least $500,000 of liability insurance to cover its officers and at least $500,000 general liability. MLA equipment is also insured. (Have we recently verified what our policies cover?)

1. Continuing Education Grants

Continuing Education funds are pooled with all other MLA funds. Income from the annual auction (should this be changed to Raffle?) is utilized for Continuing Education and advocacy and may be supplemented by donations and money from sales of promotional items. The Education Committee is responsible for reviewing grant applications and recommending individual awards to the Executive Board.

**APPENDIX B: FINANCIAL PROCEDURES & INFORMATION**

**Basic Information**

State Tax Exempt Number: 04-6056508

Federal Employer Identification Number: 04-6056508

Bookkeeping records are maintained by computer with Quick Books Online.

**Financial Reports**

Secretary of State: Biennial Corporation report. Due during even-numbered years.

Dept. of Public Charities report: Annual report, prepared by auditor, filed in fall. Filing fee required.

Lobbying report: Filed by MLA's lobbyist with the State of Massachusetts Ethics Commission. If lobbyist is contracted, fees are paid by the lobbyist and reimbursed by MLA. (we haven’t had a lobbyist in years, can this be deleted or should it remain in case we ever get one?)

The ~~Executive~~  Association Manager shall maintain, update and provide to the Treasurer a record of all financial service providers and all active accounts of the Association.

**Deposits**

All receipts are sent to the MLA ~~Executive~~  Association Manager. The ~~Executive~~  Association Manager assigns categories to the deposits, fills out deposit slip, and makes the deposit.

The deposit slip, along with the bank receipt and the supporting documentation is filed. The ~~Executive~~  Association Manager posts the deposits and files deposit slip, along with the bank receipt and supporting documentation.

**Payments**

Bills will be paid within 30 days of receipt.

Checks for payments in excess of $10,000 require the signature of both the President and the Treasurer.

The President approves the monthly statement for management services and forwards to MLA Executive Manager for processing. The monthly statement includes both the monthly service fee which is negotiated each year and itemized expenses. (This is no longer valid now that we have payroll, right?)

Payment for other operating expenses as authorized in the budget (newsletter, telephone, stationery, office support and so on) will be made based on an invoice from the vendor.

Members, who wish to be reimbursed for expenses incurred on behalf of MLA, must submit a completed "Reimbursement for Expenses" form, with the corresponding receipts or invoices, to the MLA office. Each form must be signed by the person submitting it and authorized by the appropriate Committee Chairperson or Executive Board member. Requests for reimbursement for Association activities must be submitted no later than 30 days from the date incurred.

The same procedure must be followed for expenses incurred by section, round tables and committees.

1. Payments to Sections, Round Tables, & Committee members and to vendors: authorized by the Chairperson.
2. Payments to Section, Round Tables & Committee Chairpersons: Authorized by the President.
3. Payments to Officers: Authorized by the President.
4. Payments to the President: Authorized by the Vice-President/President Elect.

**CONFERENCE COMMITTEE**

Checks for registrations, exhibit fees and vendor donations will be deposited by the MLA ~~Executive~~  Association Manager.

Expenditures related to the conference must be approved by one of the Conference Committee co-chairpersons before being submitted to the MLA Office for payment.

Payments to conference presenters may be prepared in advance of the conference so that the presenter can be paid at the conference. The Conference Committee Chair must request checks from the MLA Office at least 3 weeks in advance of the conference. Presenters should not be paid with personal checks.

The Treasurer may supply a cash bank during the annual conference.

It is important that conference revenues be deposited and expenses be submitted as soon as possible in order to reconcile the bank statement and prepare the Treasurer's report.

**BOOKKEEPING PROCEDURES – this whole paragraph needs updating, see below.**

Invoices and "Request for Payment" forms are prepared and reviewed by the Administrative Manager (I think that is Jen Zolkos’ title) . Expenses will be posted according to category authorized and recorded on Request for Payment forms.  A summary of the information the forms is forwarded to the Treasurer for approval, this summary should include the date, vendor, amount, category and brief description of the expense.  Upon Treasurer approval, the Administrative Manager prepares, signs and mails the checks to the vendors.   Any automatic payments should be listed on the summary form so the Treasurer can approve them also.   The Administrative Manager will reconcile the bank statement. The reconciliation report and the report of monthly income and expenditures are sent to the Treasurer for review and form the basis for the Treasurer's Report.

Propose we add:  
Invoices and "Request for Payment" forms forwarded to the Treasurer. The Treasurer prepares, signs and mails the checks to the vendors.   The Treasurer will reconcile the bank statement by the 15th of the following month and forward a copy of the Treasurer’s Report, along with a copy of the bank statement to the Admin Board before the end of the following month.

Massachusetts Library Association Financial Plan Approved by the Executive Board – 3/11/04, 12/8/17.