

Massachusetts Library Association
FINANCIAL PLAN

I. BACKGROUND

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

- To serve as an advocate for excellence of library service throughout the Commonwealth
- To promote professional standards
- To promulgate legislative initiatives
- To pursue a strong and representative membership and
- To provide opportunities for professional growth and development.

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 publication. 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 *Bay State Librarian* and support the MLA website.
- 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 an office, which is responsible for; administrative support to the Executive Board, membership records, bookkeeping, 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 and newsletter.

III. FINANCIAL GOALS

➤ 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

➤ Funding Organizational Activity

Primary activities requiring a financial commitment include 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.

- 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.

- 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.

- 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.

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 monitors the balances in the Operational and Reserve accounts. The Executive Manager, in consultation with the Treasurer, 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, makes transfers between reserve and checking accounts. The Treasurer makes transfers from Investment accounts to reserve or checking accounts, upon a vote of approval of the Administrative Committee.

INVESTMENT COMMITTEE

As provided in the by-laws, the Investment Committee consists of 5 members plus the non-voting Executive Manager. The current President, Treasurer and Executive Manager serve ex officio. The other three voting members must belong to MLA and have experience and expertise managing and investing money. The President appoints one member each year for a three year term, except for the start up 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.

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.

V. 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. Most of MLA’s available investment money is already assigned to one general purpose and three special purpose funds:

The Special Purpose Funds

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 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 Investment 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.

Determining what the starting principal is for the first year under this new policy is a decision for the MLA Executive Board. That decision is complicated by the fact that records of gifts and expenditures by the special funds over the years are spotty at best.

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 five member Investment 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 two members of the Investment Committee. One member will have primary responsibility; the other 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.

3. 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.

4. 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
- Federal Tax Exempt Bonds

VI. OPERATING BUDGET

Preparation

The Administrative Committee, consisting of the President, Vice President/President Elect, Secretary, Treasurer and the Past President, in consultation with the Executive Manager drafts and recommends the annual budget. Section and committee chairs will submit their budget requests no later than March 1. The

Investment 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 Budget 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 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 Massachusetts Friends of the Library, the New England Library Association and the American Library Association.

2. ALA Chapter and NELA relations

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, and receive pre-approval from the Treasurer.

The NELA representative is reimbursed for travel to NELA board meetings at the Federal mileage reimbursement rate.

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 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.

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 of each year the Committee will recommend to the Treasurer an amount for grants to be included in the budget.

IX. FINANCIAL PLAN AND PROCEDURES REVIEW

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

Respectfully Submitted:

Deborah Abraham, Treasurer

Everett Public Libraries

Approved by the Executive Board – 3/11/04

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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 will maintain an audit file for each fiscal year. The file contains: monthly Treasurer's Reports, the check register, monthly category reports a list of checks outstanding, accounts

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payable and accounts receivable at end of fiscal year; minutes, Executive Board list, and copies of signed contracts.

CONTRACTS

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

Management Services: Contract is negotiated by the President and Vice-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 Elect, Executive 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.

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. 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 Manger. 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.

2. 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 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.

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.

Continuing Education Grants

Continuing Education funds are pooled with all other MLA funds. Income from the annual auction 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: XXXX

Federal Employer Identification Number: XXXX

Bookkeeping records are maintained by computer with Quick Books

Financial Reports

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

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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. Fees are paid by the lobbyist and reimbursed by MLA.

The Executive 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 Manager. The Executive 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 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.

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

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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 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 supplies a cash "bank" of \$120 for the registration desk.

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

Invoices and "Request for Payment" forms are prepared and reviewed by the Executive Manager. Expenses will be posted according to category authorized and recorded on Request for Payment forms. The Executive Manager prepares the checks and forwards them, along with supporting documentation, to the President. The President reviews the expense and signs off on the Request for Payment form and forwards the packet to the Treasurer. The Treasurer signs of the Request form and the check and mails the checks in envelopes prepared by the Executive Manager. The Treasurer then mails the forms and supporting documentation back to the Executive Manager.

The Executive 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.

