TO: ALA-APA Board of Directors
    ALA-APA Budget Analysis and Review Committee
    ALA-APA Finance and Audit Committee

DATE: October 13, 2011

RE: Memorandum of Understanding

ACTION REQUESTED/INFORMATION/REPORT:
    Discussion.

ACTION REQUESTED BY:
    Keith Michael Fiels, ALA-APA Executive Director
    Mary Ghikas, ALA-APA Senior Associate Executive Director
    Gregory Calloway, ALA-APA Associate Executive Director

CONTACT PERSON: Lorelle R. Swader, 312-280-4278, lswader@ala.org

Attachment
Memorandum of Understanding
ALA-Allied Professional Association and the American Library Association

The Memorandum of Understanding establishes the fiscal responsibilities of the ALA-APA as a separate 501(c)(6) organization and its relationship with the American Library Association. Further, it serves to state clearly in as much that is prescribed by IRS regulations that ALA may not financially support the programmatic and operating expenses of the ALA-APA. As a result, certain activities of the ALA-APA will be reimbursed to ALA for expenses incurred on its behalf.

The purpose of the ALA-Allied Professional Association (ALA-APA) is “to promote the mutual professional interests of librarians and other library workers.” As a professional association, the ALA-APA will be exclusively devoted to a number of functions, which cannot be undertaken to “substantial” extent by the American Library Association (ALA), which is organized as a nonprofit educational association under section 501(c)(3) of the U.S. Internal Revenue Code. These functions are (1) the certification of individuals in specializations beyond the initial professional degree and (2) the direct support of comparable worth and pay equity initiatives and other activities (e.g. legislative lobbying) designed to improve salaries of librarians and other library workers.

As a 501(c)(6) professional association, the ALA-APA will be able to serve as a vigorous advocate for America’s librarians and other library workers and will be able to offer certifications, which will help promote individual status and the quality of library service. The ALA-APA will also serve as a national clearinghouse for information on pay equity and salary improvement issues and initiatives, while providing leadership in the development of successful, long range strategies for the improvement of salaries for all library workers.

Bylaws
Note: Bylaws establish oversight and the interlocking of boards between the ALA and the ALA-APA. Selected excerpts:

Council:
Selection

The members of the ALA/APA Council shall be those individuals who are concurrently serving as members of the ALA Council.
Duties and Functions of the ALA/APA Council
The Council of ALA/APA shall be the governing body of the Association. The Council shall determine all policies of ALA/APA and its decisions shall be binding upon ALA/APA.

Meetings of the Council
The Council of the ALA/APA will meet not less than once annually, at a time and place designated by the Council and advertised to the membership of the American Library Association. All meetings of the Council of the ALA/APA will be open to the press and to members of the American Library Association.

Quorum
A majority of the Council of the ALA/APA shall constitute a quorum.

V. Board of Directors:
A. Selection
The members of the ALA/APA Board of Directors shall be those individuals who are concurrently serving as members of the ALA Executive Board.

B. Duties and Functions of the ALA/APA Board
The Board of Directors shall act for the Council of the ALA/APA in the administration of established policies and programs. The Board shall be the body which manages within this context the affairs of the ALA/APA.

C. Meetings of the Board of Directors
The Board of the ALA/APA will meet not less than once annually, at a time and place designated by the Board and advertised to the membership of the American Library Association. All meetings of the Board of the ALA/APA will be open to the press and to members of the American Library Association, except for discussion of matters affecting the privacy of individuals or institutions or confidential legal issues.

D. Quorum
A majority of the Board shall constitute a quorum.

VI. Officers:
The officers of the ALA/APA shall be those individuals who are concurrently serving in the same position in the American Library Association.
IX. Fiscal Year:

The accounting (fiscal) year will be consistent with that of ALA (September 1 – August 31).

X. Dissolution:

Upon dissolution of the ALA/APA, the Board shall, after paying or making provision for the payment of all liabilities, contribute any remaining assets to the American Library Association.

**Financing and Operating Costs**

Financial oversight and responsibility is assigned to the ALA/APA Treasurer, the Finance & Audit Subcommittee of the ALA/APA Board of Directors, and the ALA-APA Budget Analysis and Review Committee (BARC).

ALA Accounting staff will prepare monthly financial reports summarizing ALA-APA activity. Summary quarterly reports will be submitted to the ALA-APA Treasurer and chair of the ALA-APA BARC.

Operating costs for the ALA-APA are based on a projected budgeted staffing level of 2.0 FTE (1 full-time director, 1 half-time research assistant, 1 half-time administrative assistant), direct operating costs, recovery of overhead costs by ALA, the purchase of other services from ALA and other providers (including data used in reports), and costs associated with support for ALA-APA committees and pay back of loan (principal and interest) to ALA-

As a 501(c)6, the ALA-APA must be self-supporting entity and cannot be funded by ALA. In order to make the ALA-APA self supporting, revenue will be generated through products and services, including research reports, a monthly newsletter, on-site consulting on comparable worth, and certification. Chargebacks will be utilized to systematically differentiate between ALA and ALA-APA activities. ALA chargebacks to the ALA-APA will include rent and overhead, professional services, data/research costs (such as those provided by the Office of Research & Statistics) and marketing/promotion costs associated with ALA-APA programs at ALA conferences, ALA-APA promotions in ALA publications, and ALA-APA related activities of ALA officers and staff.

**Loan and Repayment Agreement**

ALA has made an initial loan of $250,000 to the ALA-APA. Based on revenue and expense projections, the ALA-APA would become self-sufficient and begin repaying the establishment loan beginning year five. The loan will be repaid over a ten-year period starting in FY-2008, subject to market rate interest as required under IRS guidelines. Annual drawdowns of the loan will be based on the annual operating budget approved by the ALA-APA Executive Board.
Accounting and Budgetary Support

In accordance with current IRS regulations, the interests of the ALA-APA are appropriately addressed by an organization with a tax-exempt status of 501(c)6 – a professional or trade organization. The establishment of the ALA-APA requires that a separate accounting of transactions related to the activities of the 501(c)6 will be established.

Fiscal Year – The accounting (fiscal) year will be consistent with that of ALA (September 1 – August 31).

Accounting – The ALA Accounting staff will establish and maintain a separate fund and sub fund (8162) for the tracking of revenue and expense transactions related to the ALA-APA. Separate projects will be set up in order to capture accounting data related to the following:

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Project #</th>
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<tbody>
<tr>
<td>Administration</td>
<td>0000</td>
</tr>
<tr>
<td>Certification</td>
<td>8060</td>
</tr>
<tr>
<td>Consulting and Statistical Reporting</td>
<td>8061</td>
</tr>
<tr>
<td>Electronic Newsletter</td>
<td></td>
</tr>
<tr>
<td>Support Staff Certification</td>
<td>8162</td>
</tr>
</tbody>
</table>

Budgeting – Budget worksheets for each fiscal year will be developed as a separate fund sub fund for the 501(c)6 operation. Projects will be summarized and presented as a separate entity for Executive Board review and approval. The budget preparation, review and approval process will be consistent with that of the ALA.

Audit – In that the APA-ALA has an interlocking board whose decisions will determine how the funds are expended, the ALA-APA financial results will be consolidated with the ALA audit. However, a separate Statement of Position and Statement of Activity will be developed to reflect year-end assets and liabilities as well as revenue and expense activity for the ALA-APA.

Bank Account – ALA staff will maintain a separate bank account with corresponding check stock for payment of ALA-APA bills. A separate lock box for income (donations, subscriptions, fees, etc.) will also be maintained. ALA staff will be responsible for crediting income to the proper ALA-APA accounts as incurred.

Direct Charges – Services provided by ALA which will be direct charges include:
- Subscription processing
- Production Services
- Legal
- Auditing
- Editorial
- Marketing and direct mail related expenses
Personnel and recruitment cost

Website design and maintenance

Professional Research and contractual funding raising services

Printing and duplication will be charged by a separate key code and use of appropriate charges for board and council expenses at conferences.

Overhead –

Indirect Cost Allocation Rate

The allocation rate will be applied based upon the percentage of ALA-APA FTE and a determined ALA FTE to the total ALA/ALA-APA head count.

The ALA-APA is determined to be supported by the following ALA full-time equivalent (FTE):

<table>
<thead>
<tr>
<th>General Fund Support Units</th>
<th>FTE</th>
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<tbody>
<tr>
<td>Executive Office Note: Will include officers. Board of Directors and Council expenses.</td>
<td>.150</td>
</tr>
<tr>
<td>Accounting</td>
<td>.35</td>
</tr>
<tr>
<td>Human Resources</td>
<td>.10</td>
</tr>
<tr>
<td>ITTS</td>
<td>.10</td>
</tr>
<tr>
<td>MPS</td>
<td>.15</td>
</tr>
</tbody>
</table>

The ALA FTE factor is determined to as 1.2 FTE which when added to the ALA-APA of 2.1 FTE as determined in the business plan results in 3.2 FTE. The denominator shall be the sum of ALA General Fund FTE (209.35) plus the ALA-APA (3.2). The allocation factor of 3.2 = .0151

244.35

The allocation factor will be applied to the total expenses of the determined General Fund support units as is based upon.

Budgeted ALA-APA FTE + General Fund Support FTE divided by Budgeted General Fund FTE + ALA-APA FTE

Rent – Office space occupied by ALA-APA staff will be paid to ALA as part of the allocation rate.

Personnel – ALA-APA staff are subject to the same personnel policies and procedures as the ALA staff. ALA-APA staff are compensated based on the same plan as adopted by ALA.

Travel/Entertainment/Business Meeting – Expenses for officers/staff/members related directly to ALA-APA activities will be charged to the appropriate ALA-APA account.
Supplies – Used by ALA-APA staff will be charged to the appropriate ALA-APA supply account.

Equipment – Purchased or leased by ALA-APA staff will be charged to the appropriate ALA-APA account.

Telecommunications – Expenses incurred for exclusive ALA-APA conference calls will be charged to the appropriate ALA-APA account.

Insurance – Coverage for the ALA-APA has been included in the ALA policies, presently at no additional cost.

Professional Services – ALA staff or units (i.e. Production Services) who provide specific services such as research, marketing, design etc. will be charged back to the ALA-APA at the prevailing market rate.

Audit Fee – Expenses related to the annual audit, beyond the scope of the ALA audit work, will be billed to the ALA-APA.

Revenue
Based upon every personal ALA member a per subscription fee will be assessed and electronic publication for all members (currently $1.85 FY 2012). The subscription applied will be determined during the budget process.

Royalty
The ALA-APA will pay ALA a 10% royalty on the sales of the Staff Support Survey.