

TOPIC: Revision to *ALA Policy 13.4.1 (G) Long-Term Investment Funds: Use, Withdrawal, and Repayment*

ACTION REQUESTED: ALA Council approves the proposed revisions to *ALA Policy 13.4.1 (G) Long-Term Investment Funds: Use, Withdrawal, and Repayment* as presented.

REQUESTED BY: Larry Neal, ALA Treasurer on behalf of the ALA Executive Board (assuming approved as presented on January 25, 2026)

DATE: January 28, 2026

BACKGROUND:

Over the past five years ALA has experienced unprecedented financial challenges. The initial shock was caused by the pandemic, and it was followed by significant declines in revenue that were not offset by reductions in expenses. Fiscal year (FY) 2025, which ended August 31, resulted in a \$15 million operating deficit. The FY2026 operating budget was approved with an expected \$7 million deficit.

On September 25, 2020, with support from the Endowment Trustees, the Executive Board approved a transfer of \$1.5 million from the endowment at a 1% annual interest rate. The \$1.5 million, plus all accrued interest, is scheduled to be returned to the endowment in full by 2030.

On September 8, 2021, with support from the Endowment Trustees, the Executive Board approved a transfer of another \$1.5 million with the same terms. It, too, is scheduled to be returned to the endowment in full by 2030.

ALA received a federal Economic Injury Disaster Loan of \$2 million in 2021 at a 2.75% annual interest rate. Principal and interest payments are being made according to the terms, and the loan must be repaid in full by 2050.

ALA has a bank line of credit of \$8 million; we are currently using \$3.5 million. The interest rate varies (based on the Prime Rate) and is currently around 7%. Cash flow continues to be a significant ongoing concern and we may need as much as an additional \$4 million by spring to ensure ALA is able to meet payroll and to pay bills without interruption. Options under consideration include applying for an increase to the bank line of credit and/or requesting another transfer from the endowment.

While many actions are being taken to return our association to profitability within three years, paying off the bank line of credit, the federal loan and the endowment transfers will take time.

After careful consideration, and in consultation with Brett Bonfield, Senior Endowment Trustee; Ed Garcia, Budget Analysis and Review Committee Chair; and Dina Tsourdinis, ALA Chief Financial Officer, changes to the policy are being requested for a variety of reasons:

1. While by tradition the Endowment Trustees have “agreed to” the transfers, it is a practice, not policy. Acknowledging this important role should be formalized. Legally, the Executive Board has fiduciary responsibility for the association and the bylaws specify that decisions on

transfers rest with that body.

2. ALA may not be able to transfer \$3 million plus accrued interest back into the endowment by 2030. As the top priorities for repayment are the bank line of credit and the federal loan, the ability to suspend or waive endowment transfer repayments should be added to the policy.
3. The provision of repayment at the prevailing ALA borrowing rate is prescriptive and binding when future circumstances are unknown. Removal of this provision will allow more flexibility should an emergency or other need, such as a new initiative, arise in the future.
4. While the current itemization of events meriting a transfer is broad, it could be restrictive if something occurs that does not fit those categories and should be removed.

PROPOSED REVISION:

Marked up:

ALA Policy 13.4.1 (G) Long-Term Investment Funds: Use, Withdrawal, and Repayment

Withdrawals from the Long-Term Investment Fund above and beyond the annually determined **standard** payout rate of 3% - 5% of the five-year trailing calendar quarterly (20) rolling average net asset balance must be approved by the Executive Board **in consultation with the Endowment Trustees.**~~7~~
~~for any of the following events:~~

- ~~1. Program Support~~
- ~~2. Emergencies~~
- ~~3. New Initiatives.~~

Approved withdrawals will require repayment ~~at the prevailing ALA borrowing rate~~ with the terms to be recommended by management and approved by the Executive Board. **Under exceptional circumstances, the repayment requirement may be suspended or waived by the Executive Board in consultation with the Endowment Trustees.**

The annual, **standard payout** ~~withdrawal of interest and/or dividends from the Long-Term Investment Fund~~ will not require repayment.

Final if approved as presented:

ALA Policy 13.4.1 (G) Long-Term Investment Funds: Use, Withdrawal, and Repayment

Withdrawals from the Long-Term Investment Fund above and beyond the annually determined standard payout rate of 3% - 5% of the five-year trailing calendar quarterly (20) rolling average net asset balance must be approved by the Executive Board in consultation with the Endowment Trustees.

Approved withdrawals will require repayment with the terms to be recommended by management and approved by the Executive Board. Under exceptional circumstances, the repayment requirement may be suspended or waived by the Executive Board in consultation with the Endowment Trustees.

The annual, standard payout will not require repayment.