

may be levied for all subscriptions with certain exceptions. Perhaps the fairest means of levying subscriptions is to relate them to salaries. This can be done by surveying the salary ranges across the range of members' jobs, fixing a top scale and bottom scale within each salary range, and then relating subscriptions to these.

Whichever method is selected, a fact that must not be lost sight of is that librarians' salaries almost everywhere in the world are depressed. When salaries are low, large numbers of subscriptions cannot be expected from the membership.

Categories of subscriptions or dues

In considering subscription prices, room must be left for *exceptions*. To permit this to come about, categories of membership need to be defined and subscriptions related to these categories.

Categories can depend on qualifications or on other criteria. The largest category will be ordinary, personal members paying a flat-rated subscription or one that is based on salary-related scales. Exceptions should include a special category for *students*, who the association will wish to recruit later – as ordinary members.

Another category should be for the *unemployed* and those who are *temporarily out of work*. A third category, *affiliate*, should be for members simply interested in the objectives and goals of the association, for instance writers, cultural politicians, and consultants.

The penultimate category of membership will be for those *retired* from active professional work (pensioners).

The last category is institutions drawing on the services of the association. *Institutional members* can provide a useful additional source of revenue. The criteria by which their subscriptions are set may depend on their levels of expenditure or budgets.

Non dues

Association services income

Because, generally, librarians' salaries are small and subscriptions have to remain low, other sources of revenue have to be explored by the association. There are two primary sources of additional revenue. The first relates to services that an association already may be providing, but from which no additional monies are being extracted because the services were originally conceived solely as a free service provided in return for members' subscriptions. In difficult financial times

arguments can be made for charging members who use the formerly free services. Fees for activities like book publishing, courses or seminars could be charged to users, even members. Member fees for a service can be less than non-member fees, thereby ensuring member discounts for association services.

The same discounting methods can apply to the provision of short courses or continuing professional education programs. In many cases the employer will benefit from the results as much as the individual professional and therefore prices can be set at a slightly higher level than they can be for an individual member who has to pay from his or her own pocket and can then obtain a members' discount.

User-service sources

This second category of additional revenue-earning sources distinguishes itself from the first by the fact that the services or activities are likely to be more attractive to special groups of the membership or that they will be of more use to institutions rather than to personal members. Such services can range from national bibliographical products to specialist equipment such as catalog cabinets, software for computers, specialty furniture like issue desks, readers' carrels, etc., to translations of national classics in cheap editions for ethnic and/or linguistic minorities.

Products can include posters, bookmarks, lapel buttons, etc., for special campaigns as well as pens, pencils, note pads, mugs, T-shirts or other clothing accessories.

Grant aid, foundations and government support

These are mentioned here as an additional source of revenue simply for completeness sake and because their existence should not be overlooked.

In certain societies, governments expect, and are expected in return, to provide the association with financial support. However, this usually happens when the government works closely in tandem with the association, seeing it as a source of expertise and advice in formulating government policies.

Conclusions

No guidelines can be comprehensive in their coverage, particularly in the applications that are foreseen. We hope that this approach has not been too prescriptive and that there are enough guides and examples to be of use in assisting library associations to be better managed and thus, as a consequence, be more effective.

You will find a more extended version of this document on the following web site: <http://www.norskbiotekforening.no>



International Federation of
Library Associations and Institutions

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der Bibliothekarischen
Vereine und Institutionen

GUIDELINES FOR FINANCIAL MANAGEMENT OF LIBRARY ASSOCIATIONS

Accounts and Budgeting

Management of Library Associations Section

<http://www.ifla.org/VIIIs40/smla.htm>

Introduction

The efficient and responsible management of an association's finances, in accord with approved policies and planning procedures, are a necessity. Without efficient and careful management, policy and planning strategies cannot be realized. Financial management functions will be examined under five headings: planning and budgeting, accounts maintenance, financial reports, internal controls, and sources of income.

Planning and Budgeting

Financial planning provides assurance that association resources will be available and will be used to meet intended objectives. Such planning also provides a sound foundation for cost allocation and control. This planning is most often accomplished through the preparation of an annual budget.

The preparation of the first draft of the budget must be a corporate activity with all expenditure staff members or officers responsible for expenditures being asked to forecast within their areas of responsibility. This is an important function in the strategic planning processes of the association and will indicate where costs may have increased dramatically, which in turn will indicate the need for further investigation. Any major discrepancies found between forecasted and actual expenditures should be investigated and analyzed.

Accounts Maintenance

The function of accounts is to keep track from day to day and item by item of expenditures, and to observe and monitor how this relates to achieving activity targets and agreed upon budget totals. It is perhaps the most important part of the implementation of any policy or plan.

“Cash basis accounting” or “accrual accounting”?

The following example illustrates the difference between cash basis and accrual accounting:

The association invoices for year II dues in November of year I and the dues payments are received in December of year I. Using cash basis accounting, these funds will be recorded as revenue for year I. This is not a problem as long as the finances of the association remain simple, and everyone using the financial statement understands that this revenue must be used to offset the expenses of providing services to the members in year II. However, as the association's finances become more complicated, keeping this concept clear becomes more difficult. In using the accrual method, the money is recorded as year II revenue even though it is collected in year I, making it clear that the funds are to be used for year II services.

Thus, accrual based accounting does not record cash received as income until the association has provided the product or service and 'earned' the income. Similarly, expenses incurred by the association are recorded

within the same accounting period that the revenue was recorded. In short, accrual based accounting seeks to match the revenue against the expenses the association incurred when earning the revenue, thereby providing a more accurate picture of the association's finances.

Financial Reports

Financial reports have two functions. First, they assist the monitoring processes to ensure that annual plans and activities are being acted upon and are being undertaken within the previously agreed upon budgets. Financial reports are a necessary part of the management processes of the association's activities.

The second function of financial reports is to confirm to the membership that the stewardship of their finances is in safe hands and that the association's finances are being correctly managed.

Statement of revenues and expenditures

The statement of revenues and expenditures shows actual revenue and expense figures. This makes it simple to compare the actual costs to the budget, and thus determine the accuracy of the budget as well as to help to forecast future budgets. The period covered in the statement may be a month, a quarter or a year, depending on the reporting needs of the association. It is helpful to show the budgeted figures for the same period of time on this statement for ease of comparison.

Balance sheet

The balance sheet summarizes what the association owns, grouped by types of assets (cash, equipment, etc). Similarly, it summarizes what the association owes, grouped into liabilities (usually unpaid bills).

Statement of changes in fund balances

This financial statement summarizes the financing and investing activities of the association, including the sources from which cash or other current assets were obtained (for example, from dues, grants, loans, or investment income) and how they were used.

Internal Controls

Internal controls are required to protect assets and validate the accuracy and reliability of accounting data. The key method for effective internal control is to avoid giving complete responsibility for handling all phases of a transaction to one person.

Independent audits

An audit is an on-site examination of the financial records and internal controls by an experienced and independent professional accountant. An audit usually does not examine every transaction, but is a series of 'tests,' designed to provide a basis for judging how accurate the

accounting records are and how much reliance may be placed on the internal controls used. The audit is a formal expression of opinion about the financial records and internal controls. Although an audit does not guarantee complete accuracy of financial records, it does express an opinion on the fairness of the financial statements. An audit should be performed annually.

Cash flow

Associations do not necessarily receive income at exactly the same time cash is needed to pay bills. For instance, membership subscriptions or dues usually are collected in the first months of the year with very little income realized from this source in the last half of the year. It is, therefore, helpful to develop a cash flow budget which projects cash receipts and expenditures on a monthly basis. During times when income exceeds expenses, the excess funds should be kept in interest-bearing bank accounts or invested in short-term safe investments. Likewise, when expenses exceed income, this money can be used later for paying bills.

Financial reserves and investments

A prudent association will have financial reserves and investments in order to withstand fluctuations in subscriptions or dues or to respond to economic conditions outside its control. This emergency money should be invested in such a way as to be readily available when needed. The rule of thumb that some associations use is that reserves should equal 25% of budgetary expenditures for any given year, or enough to pay three-months worth of bills. Others take a more conservative view than this and believe that reserves should cover commitments for at least a year.

Sources of Income

Subscriptions or dues

Subscriptions or dues are a major, if not *the* major, source of revenue for most associations—representing 50% or more of their income. Because the primary purpose of a professional association is to provide services to its members, subscription income should be designated to support the association's core services. Activities over and above the core services, especially if they are available only selectively to members, should be self-supporting or subsidized as little as possible from subscriptions. Many associations find it beneficial to invoice all members for subscriptions at the same time, usually just prior to the start of the association's financial year. This simplifies the invoicing processes and ensures the availability of funds at the beginning of the year.

The level and the manner by which subscriptions are set is one of the most controversial areas of association activities. Subscriptions may be set to reflect a small number of categories of income level or a flat rate