Financial Management

Savvy library directors should become skilled at analyzing and questioning financial statements, preparing budgets, reviewing audits, assisting in the preparation of business plans, and understanding legal restrictions associated with the finances of the library.


Smith, G. Stevenson. Managerial Accounting for Libraries and Other Not-for-Profit Organizations. 2nd ed. Chicago, IL: American Library Association, 2002. Available through Access Pennsylvania Database. Although tax laws have changed since this has been published, the book provides an overview for library directors who haven’t had accounting experience.

The Governmental Standards Accounting Board explains just about any accounting concept you can imagine, and they say that it’s in “plain language.”

These slides from “Forecasting for Dummies Again,” an Ohio Library Council workshop, presented by Eileen Holloway, Terri McKeown and Kelly Kroll on April 3, 2009 provide easy to understand rationale regarding financial forecasting.

The Internal Revenue Service has prepared a document, “Affirmation of Your Tax-Exempt Status.” It covers activities that can jeopardize your tax exempt status, relevant federal forms, disclosure and much more. Library directors should be aware of this brochure and understand its implications. “Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (Code). The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties.”

The Internal Revenue Service has issued a Compliance Guide for 510(c)(3) Charities.

This IRS chart, “Tax Law Restrictions on Activities of Exempt Organizations,” compares federal tax law attributes of five common types of tax-exempt organizations.

The IRS has provided a series of filing tips to help tax-exempt organizations and tax practitioners as they prepare to file the redesigned Form 990 and accompanying videos. An example of one is “Reporting Executive Compensation.” They also released on July 23, 2009, their agent training materials pertaining to the nonprofit governance and the 990s. There is a wealth of information on WilsonWeb about the 990. Select
OmniFile Full Text Select, Readers' Guide FT Select and OmniFile Full Text Mega and search “Form 990.”

**GuideStar** provides access to 990 forms so you can make comparisons.


Have you settled into a ‘low pay, make do, and do without’ culture?” Read this article that cautions you to not skimp on overhead: Gregory, Ann and Howard, Don “The Nonprofit Starvation Cycle,” *The Stanford Social Innovation Review*, Fall 2009.


Priestly, Beatrice. “*An Argument on Why the City Should Contribute to the Library Budget in a Means Similar to Corporate Funding of R&D,*” *Library Administration and Management* 22, no.8 (summer 2008): 125-129. The title says it all.

The State Library of Iowa has prepared “Preparing Budget Presentations,” which is described as “a plethora of information to help you deliver the best, informative, eye-catching and heart-tugging budget presentation you can.” It sure can!

You may be working with board members who do not understand the library’s financials. “*Nonprofit Finance: What Board Members and Trustees Need to Know,*” *The Chronicle of Philanthropy* (October 15, 2009). [Transcript] This is part of *The Chronicle*’s series of live discussions that provide advice to nonprofit and foundation leaders on how to manage in tough times.

What if you are willing to admit that you’re no financial genius, and spreadsheets and budgets make your eyes water? Harvard Business Publishing has [online financial courses](#) for managers. Each course provides an overview, interactive instruction,
practical exercises and assessments so you can see your progress. Their brief courses include spreadsheets, finance, statistics, accounting as well as a basic math course.

**Pennsylvania Specific**

The *Pennsylvania Public Library Accounting Manual* was prepared by McKonley & Asbury LLP for the Pennsylvania Office of Commonwealth Libraries in 2004 and updated in 2010. “This manual is intended to be of primary benefit to small and medium-sized Pennsylvania Libraries that do not have full-time bookkeepers or accountants. For this reason, the manual’s main focus is on basic accounting principles and transaction recording. However, all libraries will benefit from the accounting policies, procedures and processing methods discussed in this manual.” The publication was supported in whole by the Institute of Museum and Library Services under the provisions of the Library Services and Technology Act as administered by the Commonwealth of Pennsylvania.

For information about State subsidies to public libraries, see pdf p. 65-66 of the *Training Resource Kit for Pennsylvania Public Library Trustees*, published by the Office of Commonwealth Libraries and supported in part by the Institute of Museum and Library Services. See also *State Aid for Public Libraries* website for other information and links to *Projections and Summaries of State Aid to Pennsylvania Public Libraries*. The Summaries show a breakdown of the actual amounts paid to public libraries and library systems between July 1 and June 30 of the years specified.

Local financial effort information as well as a discussion of the maintenance of local effort can be found on pdf p. 66 of the *Training Resource Kit for Pennsylvania Public Library Trustees* and p. 46 of the *Appendix*, both published by the Office of Commonwealth Libraries and supported in part by the Institute of Museum and Library Services.

*Pennsylvania Citizens for Better Libraries* provides tax exempt status to Affiliate members.

**Fraud**


The newsletter of the Bucks County Center for Nonprofit Management, Nonprofit News, contains an article, “Know What's Covered Under Directors & Officers (D&O) Liability Insurance.”

**Records Retention and Management**

The Internal Revenue Service issued Compliance Guide for 510(c)(3) Charities which has a section on records, pdf p. 24-32.

Records retention can be tricky. Here’s an outstanding booklet, Records Retention and Disposition Guidelines, Rev. November 2008, from the Collaborative Electronic Records Project Rockefeller Archive Center that provides category of documents and minimum retention information.

Oglethorpe University has a simple Backup and Data Retention Policy that could be easy to adapt to a public library.


**Insurance**

The newsletter of the Bucks County Center for Nonprofit Management, Nonprofit News, contains an article “Know What's Covered Under Directors & Officers (D&O) Liability Insurance.”

The Kansas Public Library Handbook has a section on Insurance Planning for Libraries.


When it is time to review your insurance, the Library of Congress provides a helpful interactive spreadsheet to value your collection. The values may be a bit high for a public library since it is geared to all published books, but it is certainly a start.

You will find insurance guidelines in Julie Page’s presentation at the “Protecting Library and Archive Collections: Disaster Preparedness, Response & Recovery” workshop.
Audits

Sample RFP for an Auditor for the Rochester Hills Public Library, MI
Maplewood Public Library, MO
Prairie Area Library System, IL

Business Plans

New initiatives at the library stand a better chance of sustained success with a valid business plan.

Although this plan in Business Week Online is geared to business, take time to note the topics and layout.

McKeever, Mike. How to Write a Business Plan. 9th ed. Berkeley, CA: Nolo, 2006. Available through Access Pennsylvania Database. This is the standard text on the subject. Forms, sample text and a table of contents are available on the publishers website.


Carnegie Library of Pittsburgh maintain an extensive up-to-date website on business plans, “Business Plans and Profiles Index: A Subject Guide to Sample Business Plans and Profiles for Specific Business Types” which has been cited as being one of the most comprehensive business plan webographies.

The United States Small Business Association has podcasts with accompanying transcripts. Don Martin, Business Counselor and Trainer at the Pennsylvania Small Business Development Center at Kutztown University facilitated “Creating a Business Plan” that detail the steps for creating a good business plan. Ernie Post, Director of the Pennsylvania Small Business Development Center at Kutztown University presented “Making Your Business Plan Work for You.”

Business Plan Example

Waukesha Public Library, WI
Outsourcing

The American Library Association has published “Keeping Public Libraries Public: A Checklist for Communities Considering Privatization of Public Libraries,” June 2011. “The American Library Association affirms that policymaking and management oversight of public libraries should remain securely in the public domain. This report is designed to help librarians, trustees, Friends, and other library supporters address the issue of privatization and prepare for any discussions about privatization that might arise in their communities.”

Although published more than a decade ago, the inferences are valid. Martin, Robert S. The Impact of Outsourcing and Privatization on Library Services and Management: A Study for the American Library Association. Denton, TX: Texas Women’s University, 2000.

Mary Niederlander maintains the librariesupportstaff.com website. See the section “Outsourcing of Library Services Resources & Links.”

For the Colorado Council of Medical Librarians Karen Wells compiled a generic report “The Pros and Cons of Library Outsourcing: A Planning Aid for Librarians and Administrators.” This covers issues such as unexpected situations, staff morale, etc.


WebJunction Courses

WebJunction Pennsylvania provides a large selection of free and discounted online workshops and training courses available to library employees, library board members, and trustees in the Commonwealth of Pennsylvania. This service is supported by a grant from the Office of Commonwealth Libraries. Log on to your account for access to courses such as:

A Manager's Introduction to Business Law
Introduction to information security  
Lawsuits and Negotiations  
Record Retention  
In addition see the category Budget & Finance in the Course Catalog for a wide selection of other courses.