

# Questions Received Since Conference

- **Budgets – Where are they???**

	2020  AAWS/GSO Budget  Reforecast 2.01											
		Year End 2019	Original 2020 Budget	YTD Actual (June)	July	August	September	October	November	December	Total Balance of Year	Full Year
Revenue:												
	Gross Literature Sales	14,405,491	14,750,000	4,918,121	500,000	600,000	700,000	800,000	900,000	1,000,000	4,500,000	9,418,121
	Discounts	190,311	200,000	49,694	7,550	9,060	10,570	12,080	13,590	15,100	67,950	117,644
	Net Sales	14,215,180	14,550,000	4,868,427	492,450	590,940	689,430	787,920	886,410	984,900	4,432,050	9,300,477
Cost of Goods Sold:												
	Manufacturing	2,883,755	2,750,000	1,215,721	98,490	118,188	137,886	157,584	177,282	196,980	886,410	2,102,131
	Warehouse & Shipping	1,972,672	2,000,000	634,817	69,329	83,117	96,906	110,694	124,483	138,272	622,801	1,257,617
	Total Cost of Goods Sold	4,856,427	4,750,000	1,850,537	167,819	201,305	234,792	268,278	301,765	335,252	1,509,211	3,359,748
	Gross Profit From Literature Sales	9,358,753	9,800,000	3,017,890	324,631	389,635	454,638	519,642	584,645	649,648	2,922,839	5,940,729
Contributions:												
	Individual/Groups	8,863,480	9,000,000	4,086,924	883,579	900,000	900,000	900,000	900,000	900,000	5,383,579	9,470,503
	Area Delegate Fees	-	-	147,600	19,800	-	-	-	-	-	19,800	167,400
	Additional Area Contributions	-	-	103,346	-	-	-	-	-	-	-	103,346
	World Service Meeting & ILF	-	-	20,468	-	-	-	-	-	-	-	20,468
	Total Contributions	8,863,480	9,000,000	4,358,338	903,379	900,000	900,000	900,000	900,000	900,000	5,403,379	9,761,717
Total Revenue		18,222,233	18,800,000	7,376,228	1,228,010	1,289,635	1,354,638	1,419,642	1,484,645	1,549,648	8,326,218	15,702,447

Expenses:												
Payroll & Benefits												
	Salaries	7,863,018	8,547,225	3,917,965	925,000	620,000	586,000	541,000	541,000	811,500	4,024,500	7,942,465
	Severance	-	-	-	-	-	500,000	500,000	-	-	1,000,000	1,000,000
	Payroll Taxes	561,783	640,000	329,461	69,375	46,500	43,950	40,575	40,575	60,863	301,838	631,299
	Insurance	1,361,858	1,450,000	703,230	117,000	22,805	110,000	110,000	110,000	110,000	579,805	1,283,035
	Retirement	1,852,271	1,875,000	178,728	30,000	30,000	30,000	30,000	30,000	30,000	180,000	358,728
Subtotal Payroll & Benefits		11,638,930	12,512,225	5,129,384	1,141,375	719,305	1,269,950	1,221,575	721,575	1,012,363	6,086,143	11,215,526
Other Expenses												
	Other program printing	362,482	355,000	49,763	41,041	100,000	-	-	-	-	141,041	190,804
	Mailing, labor etc.	118,261	140,000	28,074	4,700	4,700	4,700	4,700	4,700	4,700	28,200	56,274
	Postage & express	276,287	350,000	34,084	5,700	5,700	5,700	5,700	5,700	5,700	34,200	68,284
	Editorial services	95,316	95,000	18,082	3,013	3,013	3,013	3,013	3,013	3,013	18,078	36,160
	Other literature assist	3,585	10,000	1,485	-	-	-	-	-	-	-	1,485
	Selling expenses	161,330	221,330	151,722	16,573	13,000	13,000	13,000	13,000	13,000	81,573	233,295
	Professional fees	677,653	360,000	232,110	25,000	25,000	25,000	25,000	25,000	25,000	150,000	382,110
	Contracted services	2,031,948	1,673,805	961,098	202,425	113,110	142,386	109,498	110,110	107,204	784,733	1,745,831
	Occupancy	895,933	1,046,500	480,525	83,705	80,200	80,200	80,200	80,200	80,200	484,705	965,230
	Telephone	136,883	145,000	79,123	13,000	13,000	13,000	13,000	13,000	13,000	78,000	157,123
	Furniture & equip maint.	56,128	56,000	15,198	2,600	2,600	2,600	2,600	2,600	2,600	15,600	30,798
	Furniture & equipment	124,369	130,000	17,663	3,500	3,500	3,500	3,500	3,500	3,500	21,000	38,663
	Stationery & office expense	187,258	180,000	42,293	7,000	7,000	15,000	15,000	10,000	7,000	61,000	103,293
	Office service & expense	497,150	420,000	222,511	37,000	37,000	37,000	37,000	37,000	37,000	222,000	444,511
	Travel, meals, & accommodations	1,329,403	1,100,000	179,674	4,500	2,000	2,000	2,000	2,000	2,000	14,500	194,174
	Bad debts	8,972	4,000	2,392	300	300	300	300	300	300	1,800	4,192
Total Other Expenses		6,962,958	6,286,635	2,515,796	450,057	410,123	347,399	314,511	310,123	304,217	2,136,430	4,652,226
												-
Total Expenses		18,601,888	18,798,860	7,645,180	1,591,432	1,129,428	1,617,349	1,536,086	1,031,698	1,316,580	8,222,573	15,867,752
												-
Net Income (Loss)		(379,655)	1,140	(268,952)	(363,422)	160,207	(262,711)	(116,444)	452,947	233,069	103,646	(165,306)

# Budget Reforecast 2.01

- The original 2020 budget included expenses of \$18,798,860
- Reforecast 2.01 includes expenses of \$15,867,752
- A decrease of \$ 2,931,108
  
- The original 2020 budget included revenue of \$18,800,000
- Reforecast 2.01 includes revenue of \$15,702,447
- A decrease of \$ 3,097,553
  
- The original 2020 budget included Net Income of \$ 1,140
- Reforecast 2.01 includes a Net Loss of \$ 165,306

# Budget Reforecast 2.01 - Savings

Category	Savings
Travel, Meals & accommodations	\$905,826
Salaries & Taxes	\$771,726
Other Program Printing	\$164,196
Mailing, labor, etc	\$ 83,726
Postage & Express	\$281,716
Occupancy	\$ 81,270
Editorial Services	\$ 58,840
Furniture & Equipment Maintenance (Copiers, etc.)	\$ 25,202
Furniture & Equipment	\$ 91,337
Office Expense	\$ 76,707
Just these reductions save a total of	\$2,540,547

# Questions Received Since Conference

- What's up with the ERP system? NetSuite is the **Enterprise Resource Planning** (ERP) system that is being implemented at this time.
- ERP refers to a type of software that organizations use to manage day-to-day business activities such as accounting, procurement, project management, risk management and compliance, and supply chain operations.
- We are now on the right track in the finance module. A new chart of accounts has been uploaded, financials are being printed – right out of the software
- Other departments are working in other modules in the ERP – soon the modules will work together and it will be worth all the hard work.

# Questions Received Since Conference

- How much have we spent on the new ERP and how much will it cost in 2020?

Vendor	Description	2018	2019	2020	Total
Saralux	Implementation	\$385,325	\$363,911	\$91,550	\$840,786
Oracle	Licenses	\$ 83,242	\$ 100,322	\$ 65,087	\$248,651
Strativa	System Evaluation	\$ 86,273	\$ 60,183	\$ 0	\$146,456
Welman	Implementation Management	\$ 0	\$371,283	\$164,000	\$535,283
RSM	Implementation	\$ 0	\$ 0	\$148,765	\$148,765
	Totals	\$554,840	\$895,699	\$469,402	\$1,919,941

- When will we see result? On the next slide we have a sneak peek .... Straight from NetSuite

# GSO (Consolidated)

## Income Statement

### From Jan 2020 to Jun 2020

FINANCIAL

ROW AMOUNT

#### Ordinary Income/Expense

#### Income

##### 4100 - Sales

4175 - Miscellaneous Overs/Shorts

(\$371.92)

4176 - Overseas Discounts

(\$9,058.14)

4177 - External Discounts

(\$40,635.67)

4180 - Shipping Charge

\$19,188.46

4199 - Literature Sales

\$4,899,304.28

##### **Total - 4100 - Sales**

**\$4,868,427.01**

##### 4300 - Contributions

4309 - World Service Meeting Literature Fund Contributions

\$20,468.41

4310 - Individual / Group Contributions

\$4,086,923.73

4351 - Delegate Fees

\$147,600.00

4352 - Additional Delegate Fees

\$103,346.28

##### **Total - 4300 - Contributions**

**\$4,358,338.42**

##### **Total - Income**

**\$9,226,765.43**



# Questions Received Since Conference

- What is the total for 7<sup>th</sup> Tradition Contributions that have come in since the “Fellowship Rally” began in May?

Source	May	June	July	Sub Total	YTD
Group	\$374,243	\$381,662	\$ 619,596	\$1,375,501	\$3,068,515
Individual	\$392,818	\$457,130	\$ 409,430	\$1,259,378	\$1,689,804
Other	\$ 72,743	\$ 54,493	\$ 98,076	\$ 225,312	\$ 451,799
Monthly Totals	\$839,815	\$898,286	\$1,126,903	\$2,860,191	
YTD Total					\$5,210,118

# Questions Received Since Conference

- How much did we receive in the \$8.06 challenge?

**\$78,029.99!**

- How much is the challenge this year?

**\$8.16**

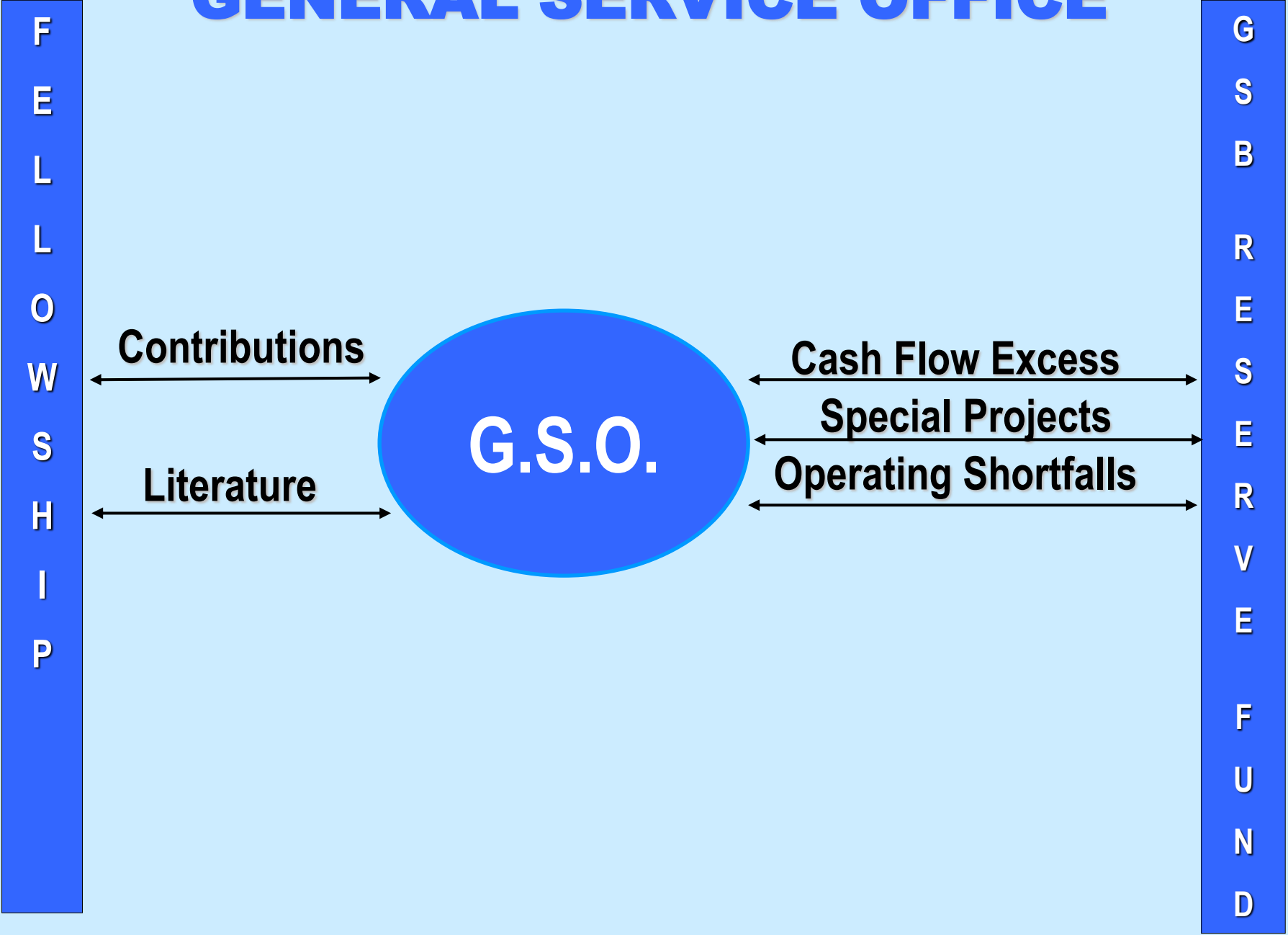
# 70<sup>th</sup> Virtual Service Conference Financial Report

<b>Inflows:</b>		
	<b>Delegate Fees</b>	<b>163,800</b>
	<b>Additional Delegate Fees</b>	<b>103,946</b>
	<b>Total Inflows</b>	<b>267,746</b>
<b>Outflows:</b>		
	<b>Additional Technology Costs</b>	<b>500</b>
	<b>Conference Manuals</b>	<b>3,363</b>
	<b>All Conference Translations</b>	<b>64,666</b>
	<b>Conference Calls/ Miscellaneous Exp</b>	<b>12,295</b>
	<b>DOTS Electronic Voting</b>	<b>2,254</b>
	<b>Final Report (Estimated)</b>	<b>100,000</b>
	<b>Hotel Deposit</b>	<b>65,000</b>
	<b>Lanyards</b>	<b>465</b>
	<b>Overtime</b>	<b>11,751</b>
	<b>Portfolios/Presentations</b>	<b>1,257</b>
	<b>Stepping Stones Tour</b>	<b>550</b>
	<b>Simultaneous Translations</b>	<b>5,500</b>
	<b>Travel Reimbursements</b>	<b>10,511</b>
	<b>Zoom Operators</b>	<b>4,000</b>
	<b>Total Outflows</b>	<b>282,112</b>
	<b>Surplus/Deficit</b>	<b>-14,366</b>

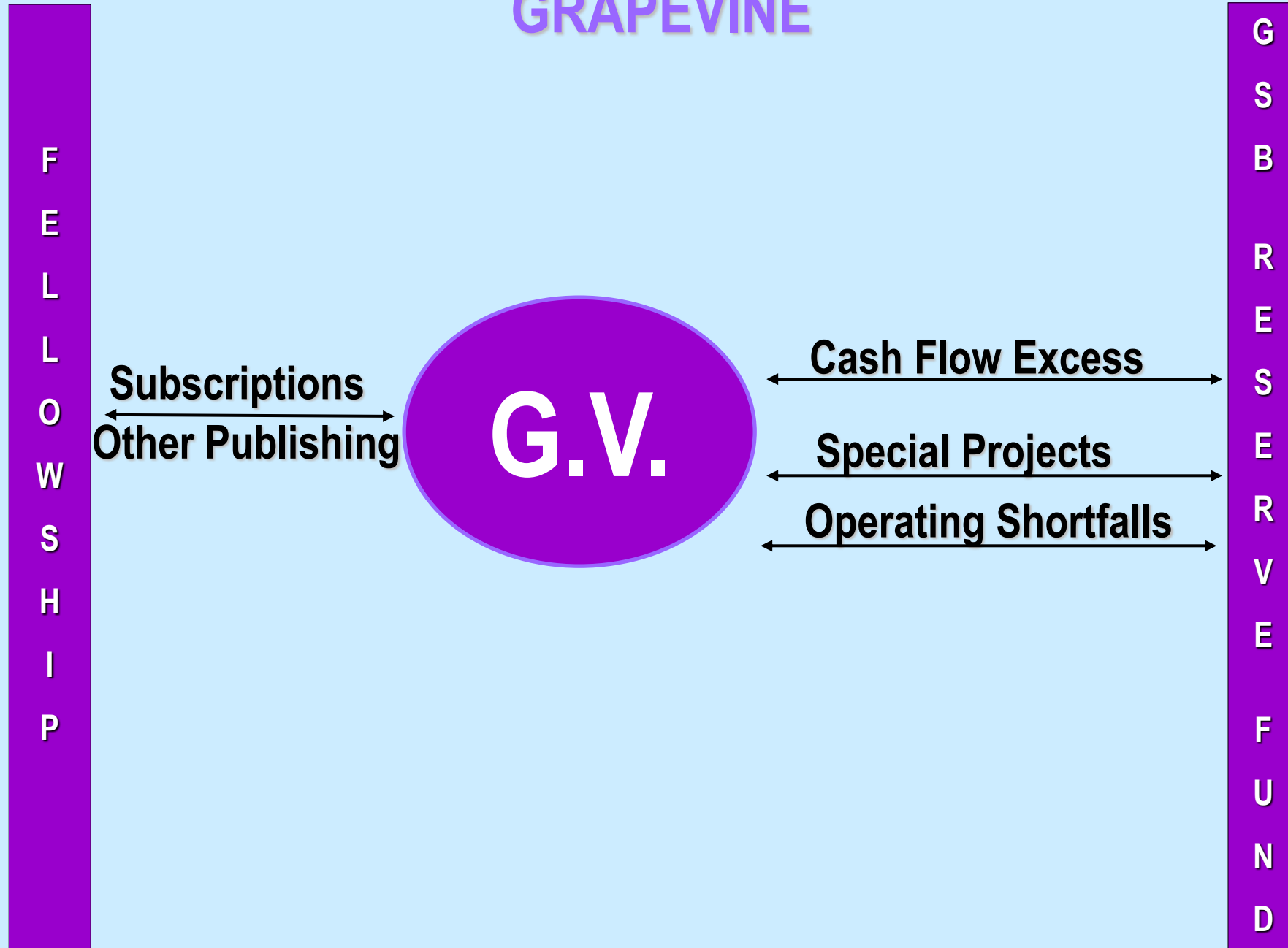
# **RESERVE FUND RATIO**

**Number of months that  
the Reserve Fund  
would cover combined  
operating expenses**

# GENERAL SERVICE OFFICE



# GRAPEVINE



# USES OF GSB's RESERVE FUND

- ❖ Concept of GSB's Prudent Reserve – not same as in your Home Group's reserve
- ❖ GSB's Reserve Fund covers much more
  - Operating shortfalls between revenues and expenses
  - Capital construction projects
  - Lease guarantees
  - Pension obligations
  - Retirement medical obligations
  - Litigations and legal liabilities
  - **Any other unknowns**

# RESERVE FUND

	<b><u>2020 Budget</u></b> <b>Reforecast 2.01</b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Reserved Fund – (\$ in Thousands)</b>	<b>*\$12,109</b>	<b>\$15,832</b>	<b>\$15,935</b>	<b>\$14,353</b>	<b>\$14,959</b>	<b>\$14,584</b>
<b>Recurring Operating Expenses (\$ in Thousands)</b>	<b>**15,868</b>	<b>20,127</b>	<b>19,736</b>	<b>18,059</b>	<b>\$17,410</b>	<b>\$17,075</b>
<b>Number of months covered</b>	<b>9.1</b>	<b>9.2</b>	<b>9.7</b>	<b>9.5</b>	<b>10.3</b>	<b>10.2</b>

**\*Reserve fund balance as of June 30, 2020, does not include restricted funds**

**\*\*Reoccurring expenses are based on the Budget Reforecast 2.01**

**By Conference action, the “Prudent Operating Reserve” was defined as an amount equal to the preceding year’s combined operating expenses of A.A. World Services, A.A. Grapevine and the General Fund of the General Service Board. Operating expenses include “office and operating expenses” and do not include the Cost of Products or Manufacturing cost.**



# RESERVE FUND

## ❖ Reserve Fund Balance

- December 31, 2019 – **\$16,202,404** – Annual earnings – **\$283,402**
- December 31, 2018 - \$15,935,331 – Annual Earnings - \$226,713
- December 31, 2017 – \$14,352,618 – Annual earnings – \$153,884

## *INVESTMENT GUIDELINES*

### **“Minimum Requirement”**

To assure the liquidity, the Reserve Fund shall contain investment instruments having maturities of one year or less in an amount equal to the sum of (a) the unearned Grapevine subscription liability and (b) the operating cash requirements of the service entities. This amount will be reviewed annually by the trustees' Finance and Budgetary Committee.

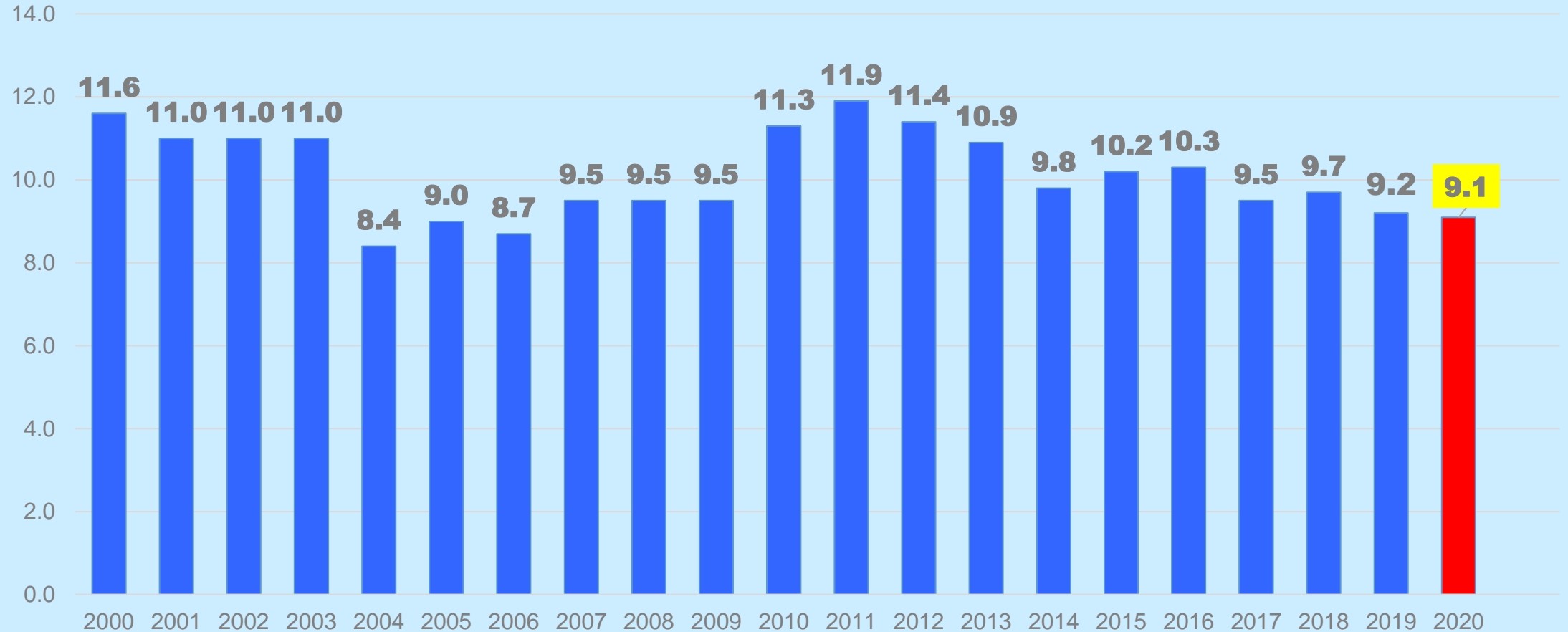
### **“No More Than”**

The balance of the Reserve Fund shall be invested in instruments with maturities of between zero (0) and ten (10) years, provided that at no time shall more than 50% of the principal amount of such balance consist of investments having maturity dates of five or more years.

### **Reserve Fund Policy Investment Review**

At its October 31, 2016 meeting the General Service Board accepted the recommendation that no change in the investment philosophy be undertaken, based on the Report of a Subcommittee of trustees' Finance and Budgetary Committee.

# RESERVE FUND RATIO NUMBER OF MONTHS COVERAGE 2000– 2020



## **2020 INTERNATIONAL CONVENTION - CANCELLED**

- **How much of the costs of the cancelled convention will be covered by insurance?**
- **There is a \$5.8 M insurance policy for the International Convention. Exactly how much will be covered by insurance is still being negotiated but it is estimated in the range of \$2.3 - \$2.5 million.**
- **Received an advance check of \$971,072 which will help repay the General Fund for expenses paid in advance of the International Convention, i.e. deposits, etc.**

# 2020 INTERNATIONAL CONVENTION - CANCELLED

- Refunds have all been issued to individuals who registered for the convention
- Please visit the 2020 International Convention Virtual Site – which will remain open until August 31<sup>st</sup>.
- The link to the site is <https://2020convention.aa.org>

# 2020 Update COVID-19 Impact

## CARRYING THE MESSAGE CONTINUES DESPITE THE PANDEMIC

- The work continues – remotely
- Staff continue to make sure that services are available to the membership
- Board meetings and committee meetings are continuing remotely

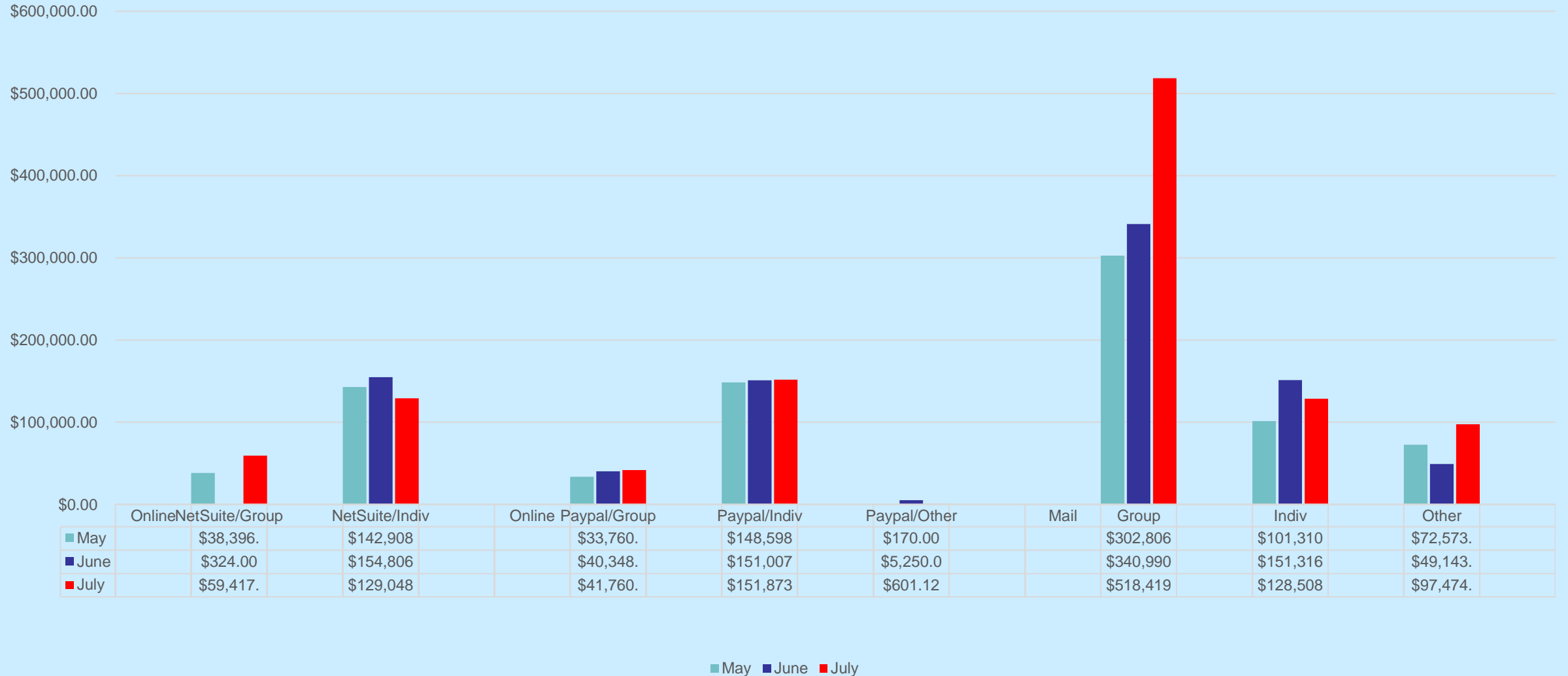


# 2020 Update COVID-19 Impact

## CARRYING THE MESSAGE CONTINUES DESPITE THE PANDEMIC

- But the work is still continuing
- And the Fellowship has ensured that the office is able to continue the work

# 7<sup>th</sup> Tradition Contributions During Fellowship Rally







# Grapevine

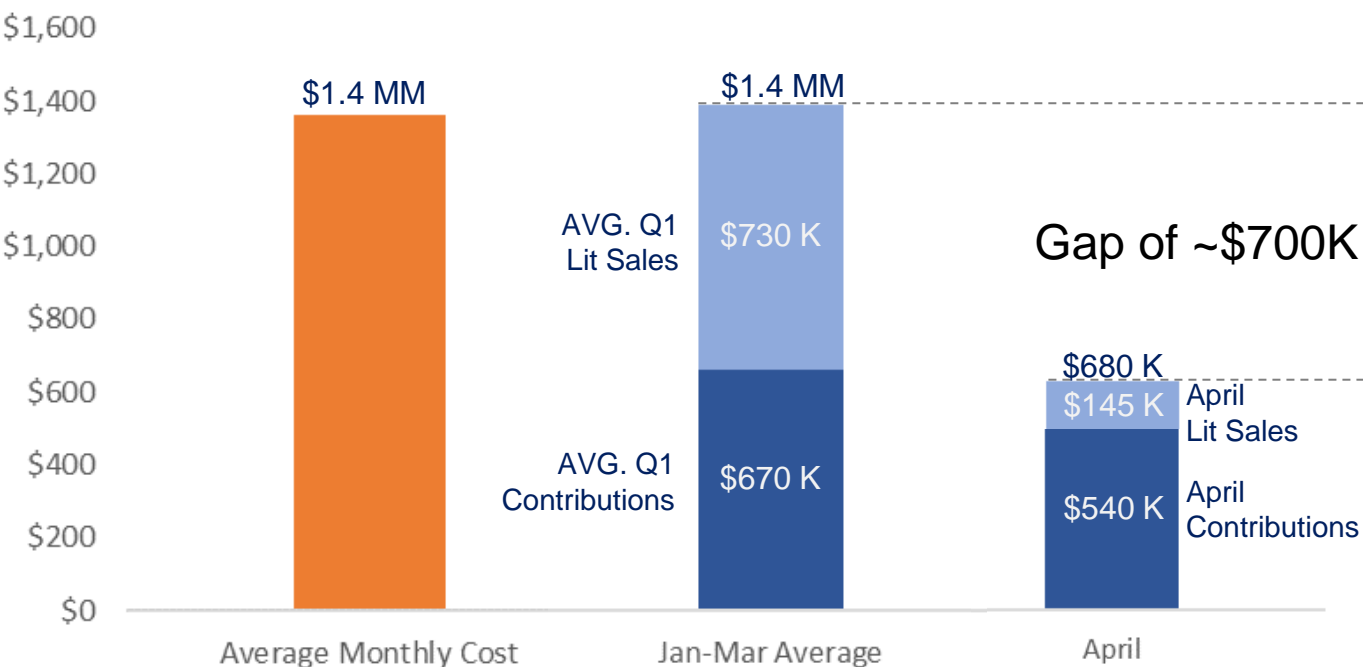
<u>Circulation</u>	June 2020 <u>Actual YTD</u>	June 2020 <u>Budget YTD</u>	Variance <u>Actual vs Budget</u>	June 2019 <u>Actual YTD</u>
GV Magazine	67,635	67,828	(193)	66,765
GV Online	3,865	4,070	(206)	3,006
GV Sub APP	<u>856</u>	<u>1,543</u>	<u>(687)</u>	<u>2,151</u>
Total Circulation	72,355	73,441	(1,086)	71,922
<u>Financial Activity</u>				
	June 2020 <u>Actual YTD</u>	June 2020 <u>Budget YTD</u>	Variance <u>Actual vs Budget</u>	June 2019 <u>Actual YTD</u>
<u>Revenue</u>				
Net Magazine	650,046	604,823	45,223	692,076
Net Other Publishing	215,848	394,927	(179,079)	310,653
Reserve Fund Interest	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total Income	880,893	1,014,749	(133,856)	1,017,730
	June 2020 <u>Actual YTD</u>	June 2020 <u>Budget YTD</u>	Variance <u>Actual vs Budget</u>	June 2019 <u>Actual YTD</u>
<u>Expenses</u>				
Editorial	330,724	384,395	(53,671)	355,548
Circulation & Business	495,606	440,885	54,721	598,135
General & Administrative	<u>147,475</u>	<u>164,404</u>	<u>(16,929)</u>	<u>134,340</u>
Total Cost & Expenses	973,805	989,684	(15,879)	1,088,024
Net Income	<u>(92,911)</u>	<u>25,065</u>	<u>(117,977)</u>	<u>(70,294)</u>

# LaVina

<u>Circulation</u>	June 2020	June 2020	Variance	June 2019
	<u>Actual YTD</u>	<u>Budget YTD</u>	<u>Actual vs Budget</u>	<u>Actual YTD</u>
LV Magazine	8,628	10,100	(1,472)	10,360
Total Circulation	8,628	10,100	(1,472)	10,360
<u>Financial Activity</u>				
	June 2020	June 2020	Variance	June 2019
<u>Revenue</u>	<u>Actual YTD</u>	<u>Budget YTD</u>	<u>Actual vs Budget</u>	<u>Actual YTD</u>
Net Magazine	12,854	26,617	(13,763)	14,655
Net Other Publishing	4,827	7,087	(2,260)	9,002
Total Revenue	17,680	33,703	(16,023)	23,658
<u>Expenses</u>	<u>Actual YTD</u>	<u>Budget YTD</u>	<u>Actual vs Budget</u>	<u>Actual YTD</u>
Editorial	97,861	112,907	(15,046)	85,648
Circulation & Business	65,400	76,468	(11,068)	44,709
General & Administrative	2,480	2,841	(361)	4,582
Total Cost & Expenses	165,741	192,216	(26,475)	134,940
Net Income	(148,060)	(158,512)	10,452	(111,282)

# 2020 Update COVID-19 Impact

## CURRENT FINANCIAL SITUATION COSTS AND INCOME



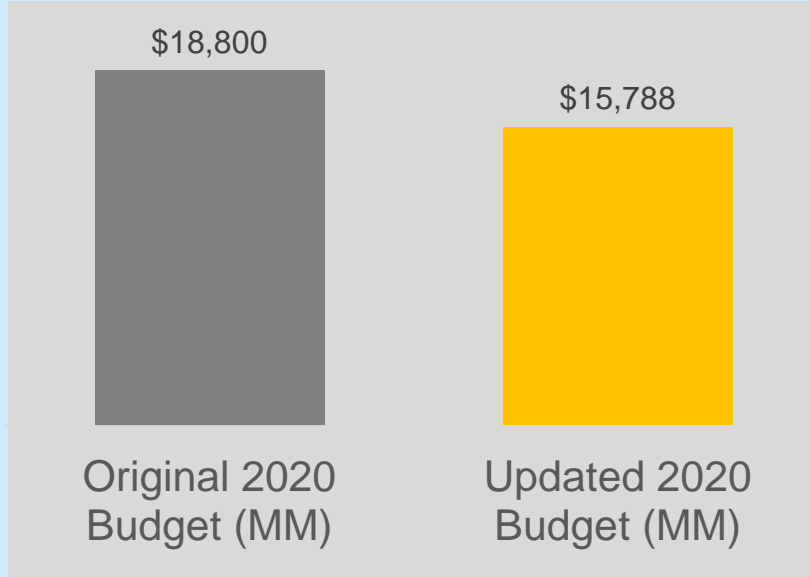
Gap of ~\$700K expected for the next 3 to 4 months without a significant call out to the fellowship for contributions

This gap is further increased by remaining Convention costs and Capitol expenses (ERP, eighth floor renovation)

# August 2020 Update COVID-19 Financial Impact

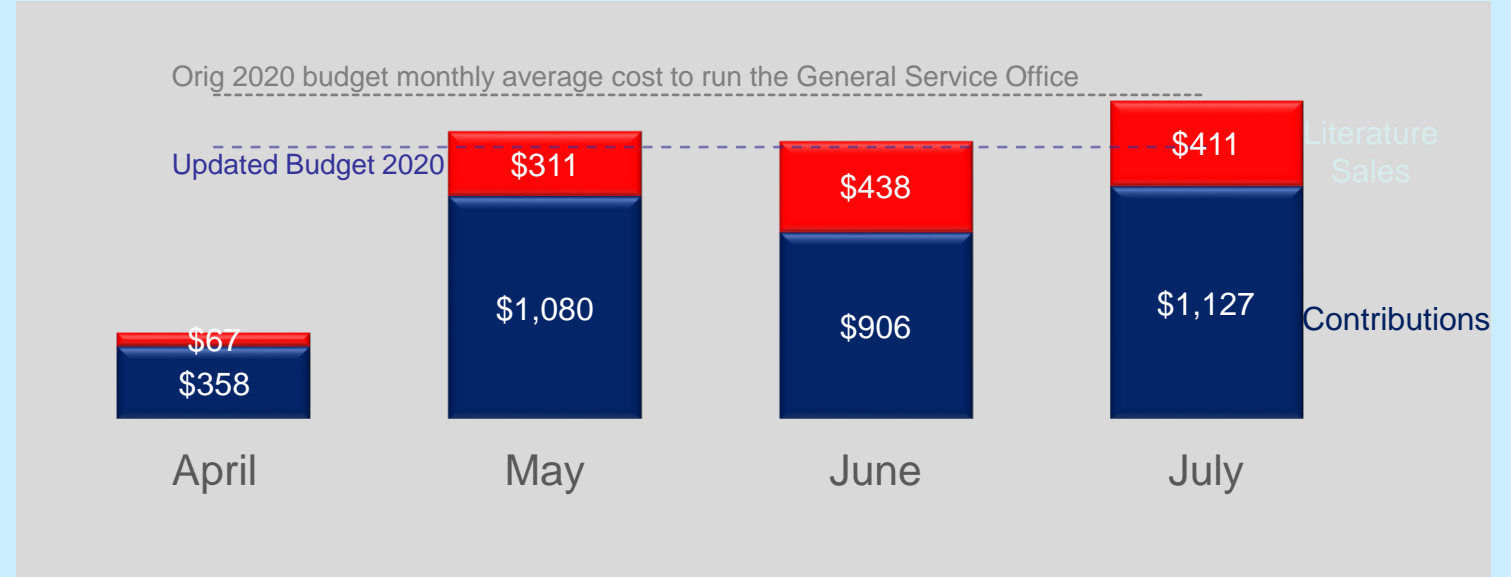
WORKING TOGETHER- INCREASED MEMBERSHIP CONTRIBUTIONS AND CUTTING COSTS ARE REDUCING THE GAP CAUSED BY A SHARP DECREASE IN LITERATURE SALES

Your General Service Office  
Budget Updates Due to COVID-19



New budget cuts costs by \$3MM

Monthly Income vs. Monthly Budgeted Costs



Membership stepping up in the contributions nearly doubling the average of \$670k per month before the pandemic - Please keep it up!

# 2020 Update COVID-19 Impact

## THE PLAN AHEAD – HELPING THE MEMBERSHIP TO BE SELF SUPPORTING



Getting you the facts here and now



Adding more channels for receiving contributions

- PayPal
- ~~Venmo~~

Could not add Venmo – but we tried!



Releasing a video to be played in online meetings with this information



Regular updates from your general service office keeping you informed of the progress

Are you getting enough information? Do we need to send more updates? Different Updates? Let us know!

# 2020 Update COVID-19 Impact

## KEY TALKING POINTS FOR THE FELLOWSHIP

1

A.A. is still here! We actually thrive in uncertainty— hope remains, and the message continues to be carried

2

Our prudent reserve is designed precisely for this situation and will carry us through until the membership can get us back on our feet

3

This is unprecedented time in the world and a pivotal moment for A.A. Now is the time for this generation of our membership to demonstrate what self-supporting really means

# THANK YOU

- ❖ All of employees of both A.A.W.S. and Grapevine
- ❖ Members of Trustees' Finance and Budgetary Committee, along members of the Finance Committees of A.A.W.S. and Grapevine
- ❖ Our Independent Auditors – Marks Paneth, LLP

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Any questions – Please feel free to contact me at – [lesbackus50@gmail.com](mailto:lesbackus50@gmail.com)