

Special Virtual Finance Presentation

Saturday, August 15, 2020

Purpose: In preparation for this session we reviewed the recording of the 70th General Service Conference Finance Presentation which took place on Monday, May 17, 2020. As promised, during that session, once the audit of the 2019 financials was completed and reviewed by the General Service Board Audit Committee a Special Virtual Finance Presentation would be planned and you all would be invited. We are not reconvening Conference.

The purpose of the meeting is to allow Leslie Backus, treasurer of the General Service Board and chair of the trustees' Finance and Budgetary time to present the actual 2019 audited figures, information on the 2020 Budget reforecast and our current financial outlook. In addition, to allow plenty of time for you to ask questions regarding these topics.

Q&A from members of the 70th General Service Conference

The Conference Coordinator was asked to review the recorded session and compile the questions asked and answered during the Special Virtual Finance Presentation.

Questions were answered by Leslie Backus, treasurer of the General Service Board, Greg T., general manager, Bob W., acting chief financial officer, Stephanie L., senior director of administration and strategy, Lorna Graham, director technology services, Zenny Medina, assistant director of finance, Ames S., executive editor, Mary C. staff coordinator and Patrick C., conference coordinator.

Q1. It was reported in the presentation that self-support from groups was \$6.9 million and from individuals was \$1.3 million. This totals \$8.2 million but, the presentation reported a total of \$8.86 million. Can you explain why there is a difference in the self-support totals reported for 2019?

A: The difference is what is reported under the category of Special contributions. A Special contribution is one that comes from any number of A.A. entities that is not an A.A. group. For example, a conference, a committee, an area, a district, an intergroup, etc.

Q2. Have we thought of the effects and the impact of any changes in the population of the membership on the financials as this is unfolding (the global situation related to COVID-19 (Coronavirus).)?

A: Not sure what impact is based on the changes in the Fellowship. G.S.O. Staff is in communication with the Fellowship and the Staff Coordinator was asked to provide any shared experience. Some impacts might be due to that we are receiving information that some groups are not meeting in person. Some groups are meeting in person. Some groups are meeting virtually only. Some groups are not meeting at all. We are hearing reports that people are getting sober and that a lot of twelve step work is occurring. Also, some members have shared that when in person meetings begin again that they expect a deluge of new members.

Q3. When is the next Membership Survey planned?

A: A complete review of this process is underway.

2020 P.I. Committee Consideration:

The committee reviewed and accepted the trustees' Public Information Committee report on the A.A. Membership Survey. The committee noted it was encouraged by some of the findings by the survey professional and asked that the trustees' Public Information Committee continue to explore this topic. The committee also suggested the exploration of a possible digital questionnaire feedback form be part of their discussions.

From the August 1, 2020 TCPI Report:

A.A. Membership Survey: The committee discussed a progress report on the review of the A.A. Membership Survey methodology. The committee noted that a small working group consisting of Deborah K. and Peter L. has been formed to discuss a next phase approach to the review.

Q4. Is it ok and appropriate for the Delegates to share the Special Virtual Finance Presentation PowerPoint with local members?

A: Yes. Absolutely this financial information is meant to be shared. We want the Fellowship to be fully informed on all financials. The members are our bosses and so the bosses get to know all the details.

Q5. The presentation details the success of literature sales in both June and July 2020. Were there any anomalies that presented as far as the source of those sales? Were they traditional sources?

A: There are not many anomalies according to our acting chief financial officer, but several larger sales from our outside customers in May (\$184,000), June (\$42,000) and July (\$135,000). We did provide a Summer Special Offer: 10% Off All Big Books, all formats, all languages, that may have contributed to this impact.

Note: The spirit behind this question was the concept of sustainability. The higher literature sales figures for these months were unexpected by this conference member.

Q6. A member had a question related to inflation in the \$1 in the basket 1935 equating to \$18.84 in the present. Is there any sense of what the average number of meetings made by a member in 1935? The reason for the question is that it is not just how much did a member place in the basket in 1935, but how many times the basket was placed in front of the member? This member would like to be able to improve the discussions with local members.

A: This is a question for our Archives department. The member was asked to forward an email with the question to Archives and to copy the general manager.

Q8. What are the total expenses for the 8th floor renovation?

A: Budget planned was not to exceed \$1 million. The actual expense number is \$974,000 and we are under budget. The project is complete.

Q9. The presentation included an example of the benefit of the ERP system from a finance point of view and that the finance module is online and working. When will the other modules be online and working so we have an integrated system?

A: There are four workstreams that are happening and coming to resolution with the ERP system:

1. Core remediation workstream: Reimplementation in some ways and correction of some of the programming and coding and the alignment of our systems in Finance and the other areas with the ERP system. We have a project plan in place that details the steps we are taking through the end of this year and into first part of next year to complete the Core remediation. This work is tying up all the financials. Tying up inventory, so it will include inventory management and inventory costing and our interface to the warehouses. It includes customer service, so that is order processing and records. We have it all integrated now, we are continuing to improve on the outward facing solutions such as the contributions and webstore. We are anticipating being able to go live with these at the end of the month.
2. Contribution workstream: We are nearing completion of this implementation. This will be a new experience and we implemented PayPal a few months ago. We did implement Venmo, but it only works with Android customers.
3. Webstore workstream: We are nearing completion of this implementation. This will include a brand-new shipping experience providing clarity to the availability of the literature of our books, categories, and prices.
4. My Portal workstream: Some reports were released from the system recently. We have sent ongoing communications to Fellowship. We have an internal task force dealing with the issues and there are a lot of issues with the quality of the data that we had converted into the system. The NetSuite platform is not the problem, but it is our data and our processes that we are working through. We are obtaining Fellowship input and involvement at the level of user testing and piloting to the My Portal program. This workstream has allowed us to tackle some of the data issues from our conversion from FNV. We are working to put together a web solution that supports what we need in GSO but, to optimally improve the communications structure between the area registrars, the records department and GSO. We have an implementation date of mid-December for My Portal. We will be able to issue reports and enter correct data and work with the area registrars and user teams.

Q10. The allocation of shared costs between AA Grapevine and La Vina that took place in 2019 was \$150,000 that AA Grapevine was picking up and now has been moved to the General Service Board to pay. Is the cost of \$297,000 reported in the presentation the expected cost going forward?

A: The total is higher than we have been reimbursing in the past, but we really wanted to be able to say what does this service cost? Employees were asked to complete a careful study to see. This is a very accurate number for the service.

Q12. This member has a few questions. Out of the cost of the project shared today for ERP of \$1.9 million, the member shared they assume that this is the final total cost of the system. Where is the total cost represented in the Finance presentation today? Is it reflected under the categories of Contracted Services or Professional Services?

Q13. Want to understand what is the breakdown detail for all expenses under the two categories of Contracted Services and Professional Services?

A: These questions are answered here.

1. The ERP NetSuite System project current costs with our current vendor(s) are balance sheet items and do not appear on the income statement. Due to the level of Fellowship interest in this project and looking forward, we will be budgeting on a full trial balance level in the future when NetSuite is 100% up and running on the Finance side. On the Reforecast 2.01 budget there is a line item underneath the income statement layout that reflects details about that budget and financial project details for 2020.
2. We have paid \$145,909 in implementation costs for NetSuite for the ERP system thru June 2020. For the balance of the year we estimate \$452,802 from July thru December 2020. We expect our total budgeted expenses for the balance of 2020 to be \$598,711.
3. In terms of Contracted Services there are many types, such as translation services and management development consulting services, C.P.C. displays, Public Service Announcement (PSA) video development and even support costs for events like this, Special Virtual Finance Presentation, which reflect the technical support services. Also, different managerial type project costs.

Q15. Were there any employees we have furloughed or have there been layoffs at the office level?

A. Since we went to telework, at A.A.W.S. there were three furloughs, a couple of leaves and one retirement and for the AAGV there is one furlough.

Q16. Where does the La Vina costs get reflected? Why are they not listed under expenses?

A. There are really called a below the line expense because it comes out of the general service fund. It is not an A.A.W.S. expense, but under the Generally Accepted Accounting Principles (GAAP) it is listed as a loss that is covered by the general service fund. It is not listed as a service and we really cannot list it that way due to the GAAP.

Q18. What kind of expenses were incurred for the International Convention?

A. Some vendor expenses incurred were for portions of contracts negotiated by our service provider, Talley Management. Examples include production vendors that create displays and accessibility transportation vendors.

Q19. When we receive the insurance policy reimbursement, where will the monies be deposited the general operating account or the reserve fund?

A. The reimbursement will be deposited to the general operating funds.

Q20. On the slide on the Reserve Fund balance there is a note that says this does not include restricted funds. Can you tell me what this means?

A. In our Reserve Fund we hold funds for AA Grapevine for unfulfilled subscriptions. We maintain the funds and pay to AA Grapevine as the magazines are sent out.

Q21. Are there plans for hiring new staff that has been forecasted by the end of the year?

A. As you may be aware, we are undergoing a Voluntary Retirement Incentive Program (VRIP) for eligible employees for retirement and we expect to reduce the total workforce between now and October 1, 2020 to a degree. We are also analyzing, the functions of those who retire, what duties will be replaced and/or redistributed, and many will be. There are some new functions that have arisen related to our ERP system in our skillsets and our processes. The plan is not to replace one to one those that are leaving. We do expect a smaller total workforce as we move into 2021.

Q22. What is the insurance premium that we paid for the 2020 International Convention policy?

A. The total event cancellation insurance premium cost was \$57,507.

Q23. Has the \$3 million drawdown from the Reserve Fund, if we are back up to the 9.1 months reserve, have we repaid the drawdown back to the fund?

A. No. We have reduced the expenses for the remainder of 2020 and recalculated the total months of Reserve Fund on balance. We hope to pay the drawdown back over the next two years.

Q24. Regarding the Reforecast 2.01 are we sure that there will be no services impacted by the reduction in expenses. Are we guaranteed and have assurances that we are not going to impact services that will help us carry the A.A. message?

A. The goal in the Reforecast 2.01 is that there no reduction in services. There is one qualification to this statement. In the fourth quarter 2020 we have made the cost saving decision to not print and mail the hard copies of our GSO newsletters and bulletins.

Q25. A follow up question asked, will the print mailings return in 2021?

A. We do not have an answer for that but will consider any feedback we receive.

Q28. Is it common for the Audit to be completed after the General Service Conference? Does this occur, frequently or in our history over time?

A. Never has the Audit report and Consolidated Financial reports not been prepared for the General Service Conference. This is an unusual situation.

Q29. Is the new Reserve Fund of 9.1 months a correct calculation? It seems that this new calculation is based on the new expenses reflected in the Reforecast 2.01 budget. This does not seem appropriate that we are saying we have 9.1 months in the Reserve Fund.

A. That was a question the general service board treasurer asked herself. Do I report it on the original budget which would show the Reserve Fund to have about 7 months in the Reserve Fund or report it on the Reforecast 2.01 Budget? She decided to report the

Reserve Fund on the newly Reforecast budget. If we reported it both ways, then that could be confusing. The intent is to pay back the \$3m drawdown to the Reserve Fund.

Note: We are beginning the process of building the 2021 Budget immediately and we will have a good understanding of what the new year will look like.

Q30. How has the \$3 million drawdown impacted our operating account. Is this going to be enough? Will this last till the end of the year? Will we need to do another drawdown before the end of the year?

A. It depends. We are looking at the refund from the insurance company as this is money we have already expended. How soon that comes in will determine if we will need to do another drawdown. We have reduced expenses as much as we can and looking at the projects, we have ongoing we still have some cash outlays coming. We wish we could have a more definitive answer.

Q31. In addition to the furloughs, and layoffs and retirements how have these impacted our expenses?

A. There have not been any layoffs. The furloughs and retirements will have an impact to the expenses. These are still confidential Human Resources question and we will know by the end of August 2020 and ultimately by October 1, 2020 how many employees have accepted the VRIP.

Q32. Regarding the financial audit what does it mean that we have “No Material Weaknesses?”

A. Material weaknesses can mean many things in an audit. What it means for us in our circumstances is that we have appropriate controls in place to maintain fidelity. That we have adequate funding and adequate resources. That we have contingency plans and solid policies and procedures to show how the controls of the organization work and do they work.

Q33. This may be a lack of understanding about the mechanics of the Reserve Fund and the drawdown, but since the last few months financially have been stronger than first anticipated, how has the drawdown been utilized?

A. As this is a cashflow question the use has been for general operating expenses. When the drawdown was requested, we were anticipating the requests for refunds for the registration fees of the 2020 International Convention. Otherwise, it has been used for payroll and vendors and all regular general expenses.

Q34. When will we package the full Finance information into a separate, electronic secondary report that will be distributed, and will it include all the standard financial reporting?

A. We do plan on making the secondary report available in early September 2020 in all three languages. Yes, we will essentially include all the standard financial materials that would be included in the Conference *Final Report*, except we are not sure if the AA Grapevine recast budget will be available. It will replicate what would have normally been in the printed Conference *Final Report*.

Q35. If an area sends money in as a contribution, does that get recorded under group contribution or does that fall under the “other” category that was mentioned?

A. The contributions will fall under the category of “other”. Area, districts, special meetings round ups, conferences are all under “other.”

Q36. It was mentioned early in the presentation tonight that we will not be receiving our 2020 hotel deposit back from the General Service Conference hotel because the hotel has closed. What does this look like for the 71st in-person Conference? It sounds like we are planning an in-person Conference with a backup to be a virtual Conference. How are the potential venues impacted for scouting for an in-person Conference?

A. For 2021 we are working to clear off all our hotel commitments. This is still a sensitive issue as we are still in negotiations. For example, for the 2021 Conference we are talking about moving that hotel commitment to 2023. That way we can leave it open, so if we go forward with a virtual, we will not incur a cancellation fee. We are trying to eliminate the expense of any cancellation fees. Then, if it is decided that we can go back, for any of our meetings, to face-to-face venues, we will negotiate at that time for venues.

Q37. This is a 2020 International Convention question. We have received a little over \$900,000 and about \$1.6 million still pending return from the insurance policy. Will we receive the money in 2020 and is it reflected in the Reforecast 2.01?

A. We do expect to receive the monies in 2020 and it will not get reflected in the Reforecast 2.01 Budget as this is a cash item. What our GSB Treasurer reported in Reforecast reflects only income and expense accounts, not cash.

Q38. When we will begin to receive the Quarterly Group Contribution Reports that are distributed to the Delegates?

A. We are currently working on the data in NetSuite. That is the delay in sending out the contribution acknowledgments and the Quarterly Group Contributions reports. We have the functionality of the reports working correctly, but the data is still being cleaned up.

Note: We have received feedback on the acknowledgments and quarterly statements sent out earlier in the year and we are implementing changes based on the feedback.

Q39. We would like to make sure that the Finance presentation graphic on contributions totaling more than \$600 would include a clear message of how much a member can give in contributions annually as it is believed this is a missed opportunity to inform the Fellowship members.

A. Yes, this graphic will be updated going forward with such a note.

Q40. Why does the La Vina financial presentation slide include a note that the amounts are in thousands versus millions?

A. La Vina expenses are in thousands, not millions.

Q41. Why were we given an “unmodified opinion” for the 2019 Audit? Last year we received an “unqualified opinion” and while the two ratings are similar, it was understood that it was better to receive an “unqualified opinion.” Can you provide any logic or reasons why we received the “unmodified opinion?”

A. These are very similar ratings and for most CPAs there these are identical ratings. We had no qualification on our audit.

Q42. What is the status of the Pension Fund?

A. The GSB Treasurer did not report on the pension fund but, it is well funded. The reason it was not reported on now because we are in a position with the VRIP that things will change. It was felt to state now that this is where we currently are in with the Pension Fund, when in less than two months things will be different, it was decided to wait to report. It is in good shape now.

Q43. Last July 2019 when the motion passed to move forward with the 8th Floor project it was passed under the presumption that monies could only come from the general fund. Of course, money was used from a Reserve Fund transfer to pay for it. Before all the work was done, what other options were considered to pay for this project beyond just the statement that we had to fulfill contracts. We had to have other options and I would like to know what they were.

A. The \$3 million drawdown from the Reserve Fund that was taken was used for general operating expenses. Some of those expenses, and rightfully so, the 8th Floor project would not be considered general operating expenses. If a bill came in for the 8th floor it was paid for out of the regular A.A.W.S. checking account.

Q44. A point of clarity was requested by the acting chief financial officer. It was shared by the member that last July 2019 there was a robust discussion on this topic of the 8th floor project. We had a lot of data and the key was that we felt we could not let the Reserve Fund drop below 9 months. If it can be accomplished by taking money out of the general fund and never touch the Reserve Fund, then the committee passed the motion. It would be a slight of hand to say that after the transfer of the Reserve Fund drawdown for general purposes but, we used it for paying the 8th floor project. The reality is that money came out of the Reserve Fund and paid for the \$974,000. It is done, and the common statement is that “we were under contract to do the finishing work completed.” Did we look at fulfilling the contracts and leaving the space vacant to sublease it? Did we look at the penalty cost of not fulfilling the contract and leaving the space as is? Have we contacted a realtor to help us sublease it? What other options have really been explored and what were the results of that?

A. The general manager shared that we will be occupying the 8th Floor. It turns out to be, in this new environment, and social distancing, that we need to organize our office in a different way. We will use it for some employees in Publishing and the Customer Service area and we are going to use the space for storage, to a degree, to take some archival items from outside storage and save some costs there. We will at some point want to and need to have the discussion about the concept of subleasing the space, but we have not broached that subject with the building or any outside agency.

Q45. With the remaining staff are they going to be absorbing the work of employees that are leaving versus what work will stop? Will any work be deferred?

A. There are no services being deferred, only the before mentioned newsletters and bulletins being sent out only electronically in the fourth quarter. Yes, in some cases responsibilities will be redistributed and shared, in some cases we will hire replacements. There may be some reorganization in Support Services, Publishing and in the Finance team. Again, there will be no interruption to or deferral of service.

Q46. Can these questions be compiled and circulated?

A. Yes. In addition, a recording of the video presentation will also be made available to all Conference members via the Conference Dashboard.

Q47. You shared that we are using Venmo on Android and then also stated we are not using Venmo, please provide some clarification. What is going on with Cash App or are we exploring other options?

A. We did pursue Venmo with a fair amount of determination. It is not ready to be used with the NetSuite system. There are conversations happening between NetSuite and Venmo that may allow us to offer this payment method in the future, but not right now. We are not even using it for Android users. We were able to get it working, but only for Android users. We are exploring other payment methods that we supported natively with NetSuite. With the first rollout, we will only be offering PayPal. We are looking at other tools.

Q49. Will the supplemental Financial Report be offered only electronically?

A. Yes.

Q50. In terms of the Voluntary Retirement Incentive Program (VRIP), talk me through the conversation of the pros of some salary savings and the cons of too much experience walking out the door? Note: The general manager asked senior director of administration and strategy to share about the vision and the business case for the VRIP and specifically the questions that the delegate member is asking.

A. We offered the VRIP to all of our eligible participants in the Defined Benefit Pension Plan and the thinking behind it is that we want to provide our employees who have long term tenure with the company an opportunity to exit, if they choose, and also it helps us to meet our financial goals and the vision that our general manager laid out earlier. We are offering the program in an open window until August 31, 2020. There were twenty-five employees eligible for the plan between A.A.W.S. and AAGV and we beginning to get some responses to that plan now.

The general manager shared that in response to your specific question about the loss of knowledge and experience because many of them are employees with experience of twenty-five, thirty and thirty-five plus years who will be departing. We have the intentions to use them as resources coming back, perhaps on a per diem basis to advise, to train and to continue to offer their knowledge and to be a part of the family and the organization.

The question and answer session ended at 9:43 p.m. (EST)

Summary:

The general manager wrapped up by sharing that this was a terrific session and thank you to all who participated and put it together.

Key takeaways for the general manager:

1. Status of the A.A. Membership Survey
2. A fuller report, with narrative, on the original scope budget and overall vision of the ERP to include where we are, where we came from and where we are going
3. The question about the cost of the General Service Conference to include salaries

Our general service board chair shared she enjoyed the session and shared it may have given us a model for how we handle our Finance report next spring. The following quote was shared:

“Experience has already proved that our world services constitute the largest and the most powerful single agency that we shall ever possess to bring those legions of sufferers within reach of what we – AAs around the world – have so providentially discovered for ourselves. Knowing this Fellowship, I feel entirely confident that we will eagerly shoulder and discharge well this most high responsibility to our Third Legacy. As we continue in the language of the heart to carry AA’s message across all distances and all barriers, may God bless us.”

-Bill Wilson, Grapevine May 1964