

AROUND THE PICNIC TABLE



Leslie Backus
Class A (nonalcoholic) Trustee
General Service Board Treasurer

2019 AUDIT RESULTS

- ❖ **First draft of the Audit was completed on May 31st**
- ❖ **There was an issue with functional expenses that staff had to investigate – it was a NetSuite issue and it took about 4 weeks to resolve**
- ❖ **The final Audit was completed and sent to the Audit Committee for review in early July.**
- ❖ **Audit Committee met with Marks Paneth, LLC, the independent auditors on July 13th to review the audit and to discuss any issues they discovered**

2019 AUDIT RESULTS

- ❖ **The independent auditor reported that all three corporations' financial statements received unmodified opinions**
- ❖ **In addition, the auditors reported no material weaknesses**
- ❖ **The auditors made 14 recommendations to improve our processes. Management has responded to all the recommendations**

2019 AUDIT RESULTS

- ❖ **Why did the audit take so long?**
- ❖ **The audit had to work in 2 accounting systems: Traverse and NetSuite since the transition to NetSuite started mid year**
- ❖ **There were ongoing issues with the transition to NetSuite that delayed getting information to the auditors**
- ❖ **Onsite audit fieldwork was ongoing when COVID-19 hit and the office had to close; although staff had been making arrangements to complete all the audit work offsite the order to shelter in place came sooner than expected and not everything was prepared**

2019 FINANCIAL HIGHLIGHTS

- ❖ 7th Tradition of Self-Support – \$8.86 million set another record, up 5.71% from 2018
- ❖ AAWS publishing profits – \$9,36 million down 1% from 2018, used to cover shortfall between 7th Tradition and Cost of Services, resulting in net GSO loss of \$380,450 (\$379,665 was reported in May)
- ❖ Grapevine subscription levels decreased 2% in 2019. 2019 results were a loss of \$27,303 (\$44,461 was reported in May)
- ❖ General Fund support of La Viña service activity – \$297,392 (\$289,314 was reported in May)
- ❖ Reserve Fund – \$16.2 million resulting in ratio of 9.2 months

2019 FINANCIAL HIGHLIGHTS

- ❖ Due to many issues with the transition to the new ERP system the audit on the financial results for 2019 has not been completed. The audit should be completed and reviewed by the Audit Committee by May 30th.
- ❖ The first draft of the audit was completed on May 31st and after careful review a few corrections were made and the audit was accepted by Audit Committee July 13th.
- ❖ So if you see a few numbers that don't quite match don't worry the Finance Department and Marks Paneth, our independent auditors, are working to make sure the final audited financial for 2019 are correct.
- ❖ Now all the figures are correct – so the financials you will receive today are based on the audited results.

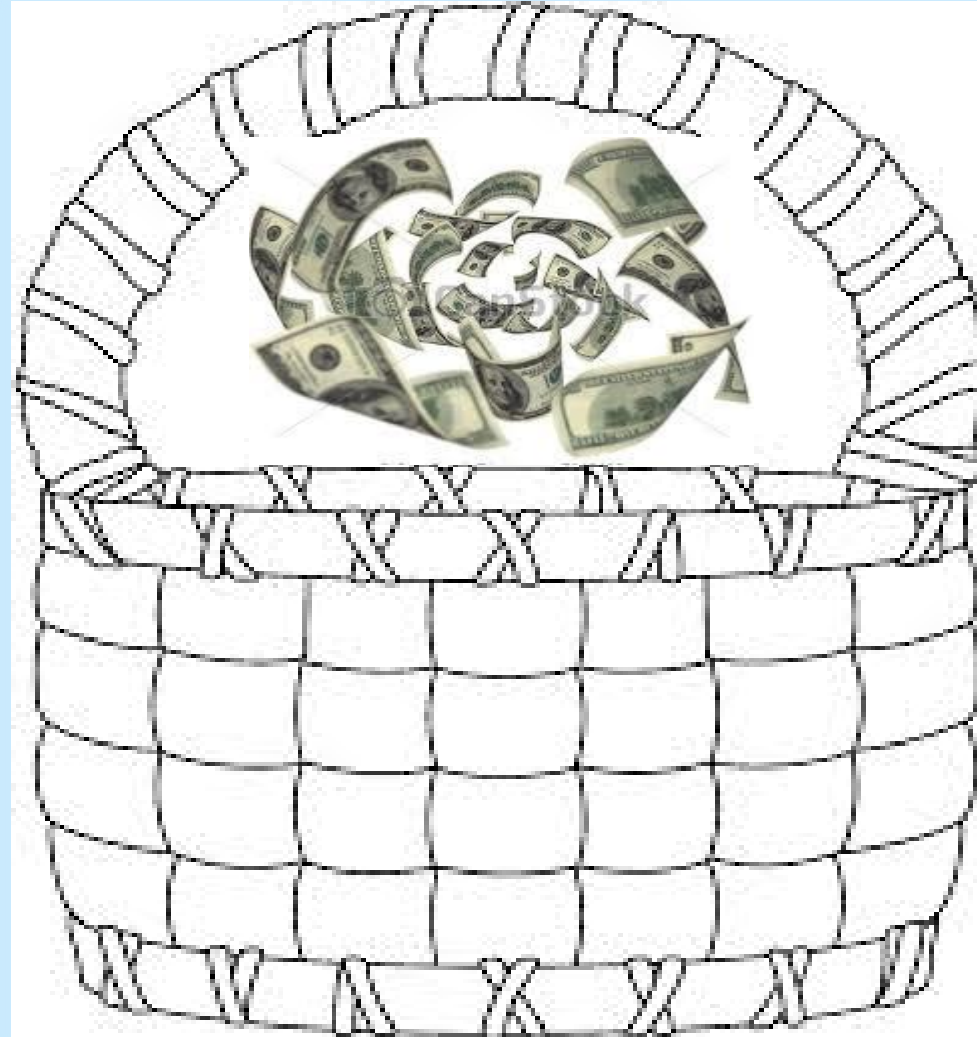
2020 Budgets – Where Are They?

- ❖ Budgets for 2020 are also being reviewed and updated
- ❖ AAWS has completed the 2020 amended budget, titled Budget Reforecast 2.01
- ❖ Budget Reforecast 2.01 includes adjustments due to COVID-19 and reflects both a decrease in anticipated revenue as well as a decrease in anticipated expenses
- ❖ AA Grapevine will revise the 2020 budget by the October Board weekend

2019 FINANCIAL HIGHLIGHTS

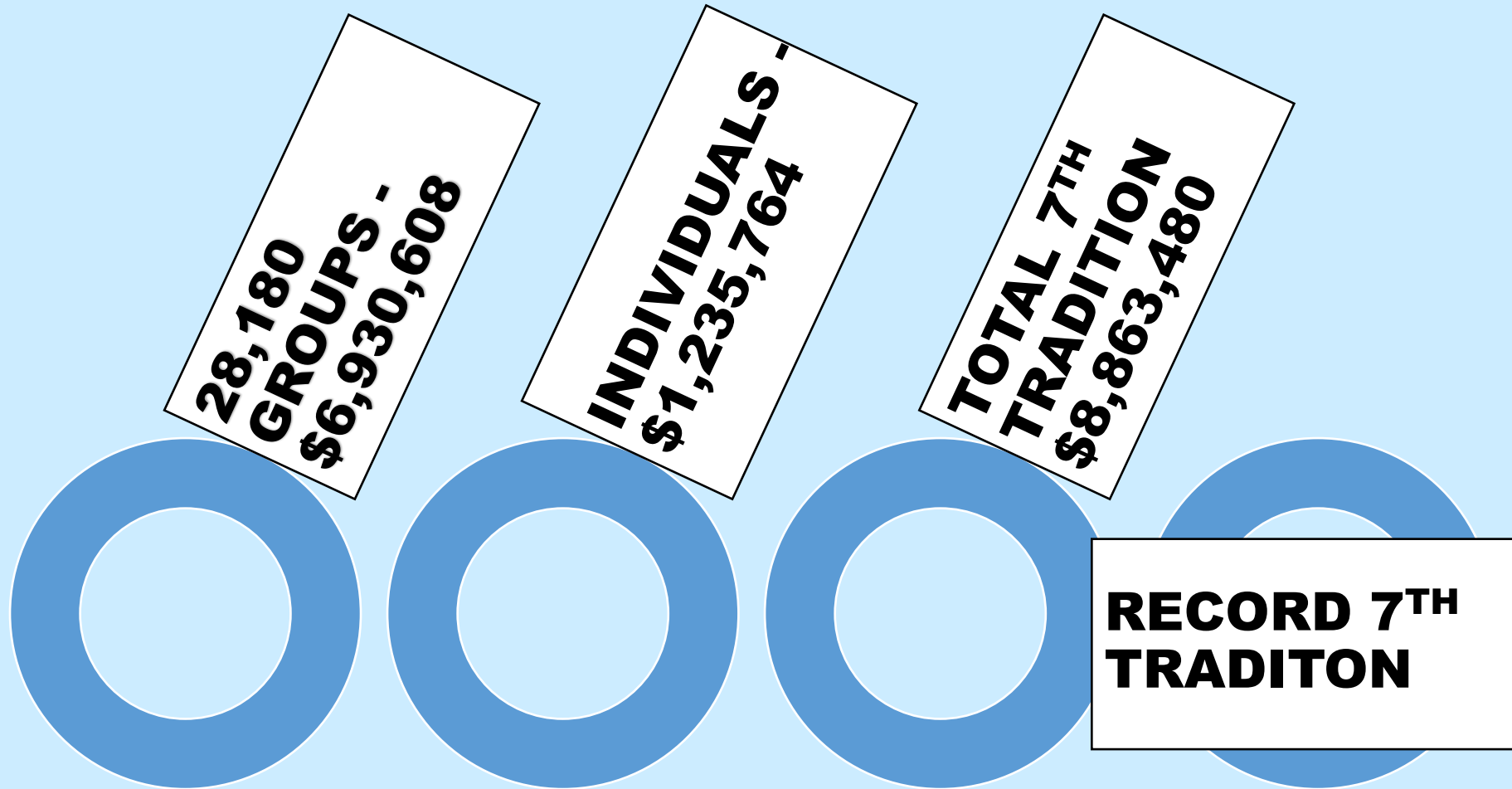
Amounts in \$	2019 ACTUAL	2019 BUDGET	COMPARED TO 2019 BUDGET	2018 ACTUAL	COMPARED TO 2018 ACTUAL
GENERAL SERVICE OFFICE					
7 th Tradition Contributions	8.86 M	8.38 M	0.48 M (5.7%) increase	8.38 M	0.48 M (5.7%) increase
Cost of Services Provided to Fellowship	11.6 M	11.2 M	0.4 M (4%) increase	11.4 M	0.2M (2%) increase
Shortfall between 7 th Tradition & Cost of Services	2.7 M	2.8 M	0.1 M (4%) decrease	3 M	.3 M (10%) decrease
Net Income	(0.38)M	0.5 M	(0.8 M) (176%) decrease	0.4 M	1.4 M (196%) decrease
GRAPEVINE & LA VINA					
Average Circulation	71,182	76,086	4,904 (6.5%) decrease	72,300	1,118 (1.5%) decrease
Net Income (Loss)	(27,303)	(135 K)	107.7K (79.8%) better	-149 K	275 K (82%) increase
General Fund support of La Viña service activity	297 K	166 K	131K increase	148 K	149 K (101%) increase
RESERVE FUND					
Coverage Ratio	9.2 months	9.4 months	Decrease of 0.4 months (7%)	9.7 months	Increase of 0.5 months
M – millions; K – thousands					

GRATITUDE



7TH TRADITION

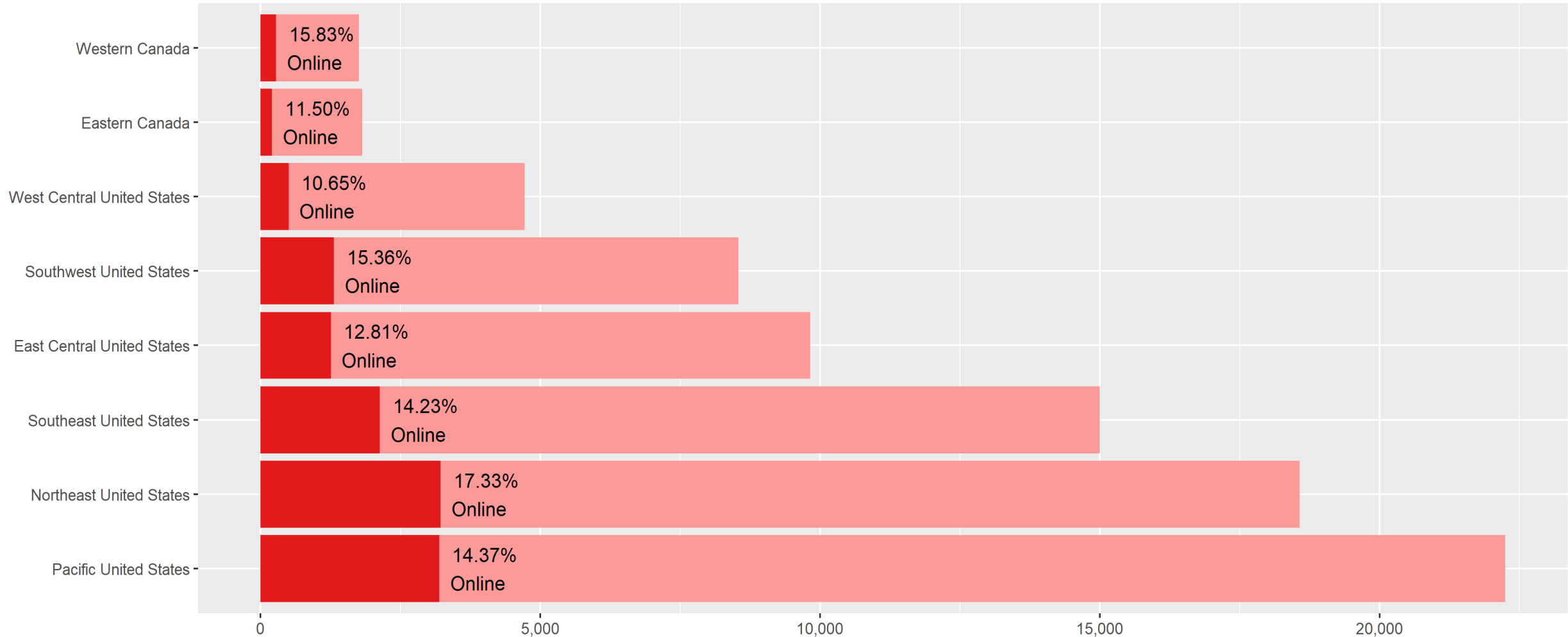
7TH TRADITION – 2019 – \$8.86 MILLION



2019 HIGHLIGHTS

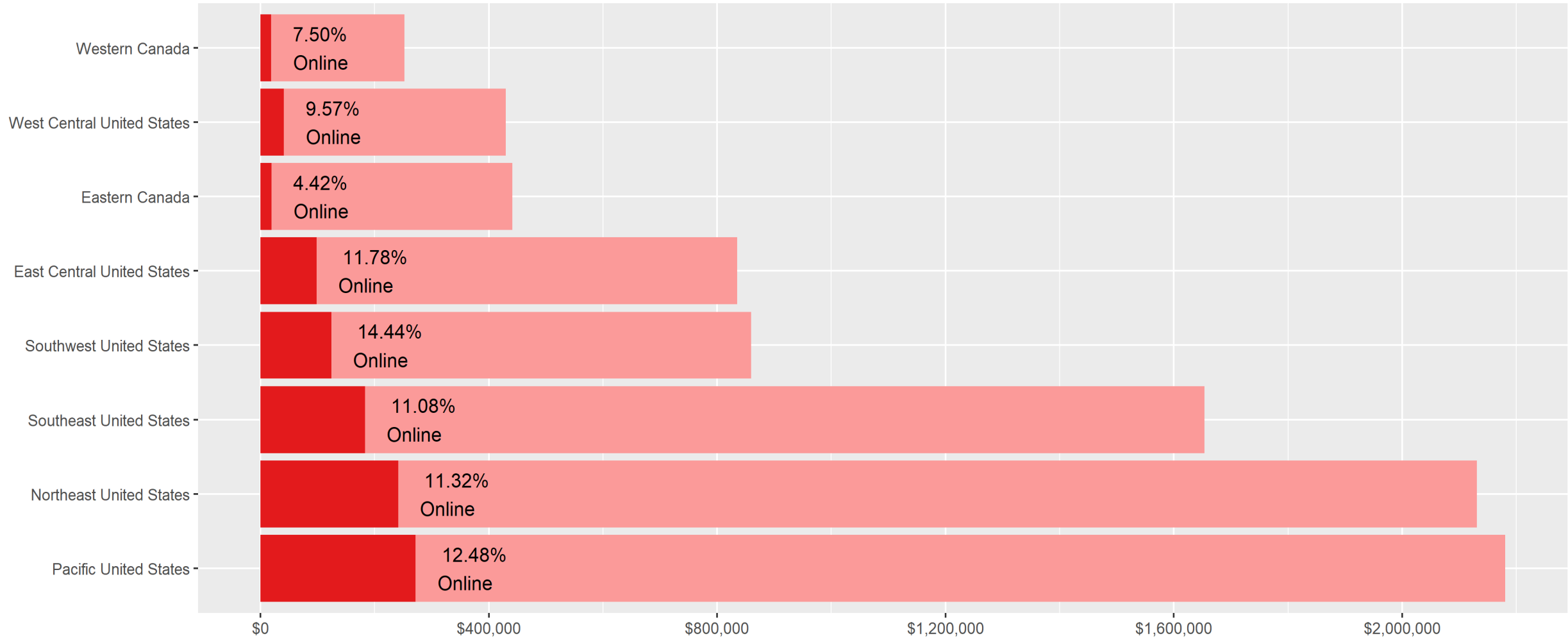
- ❖ **28,180 Groups made \$6.9 million of 7th Tradition contributions**
 - **Represents 40.6% of total groups**
 - **\$245.715 average group contribution**
- ❖ **Individuals, Memoriam & Special Meetings contributed \$1.3 million of 7th Tradition contributions**
- ❖ **Total 7th Tradition contributions were \$8.86 million**

7th Tradition Contributions Number Received by Region

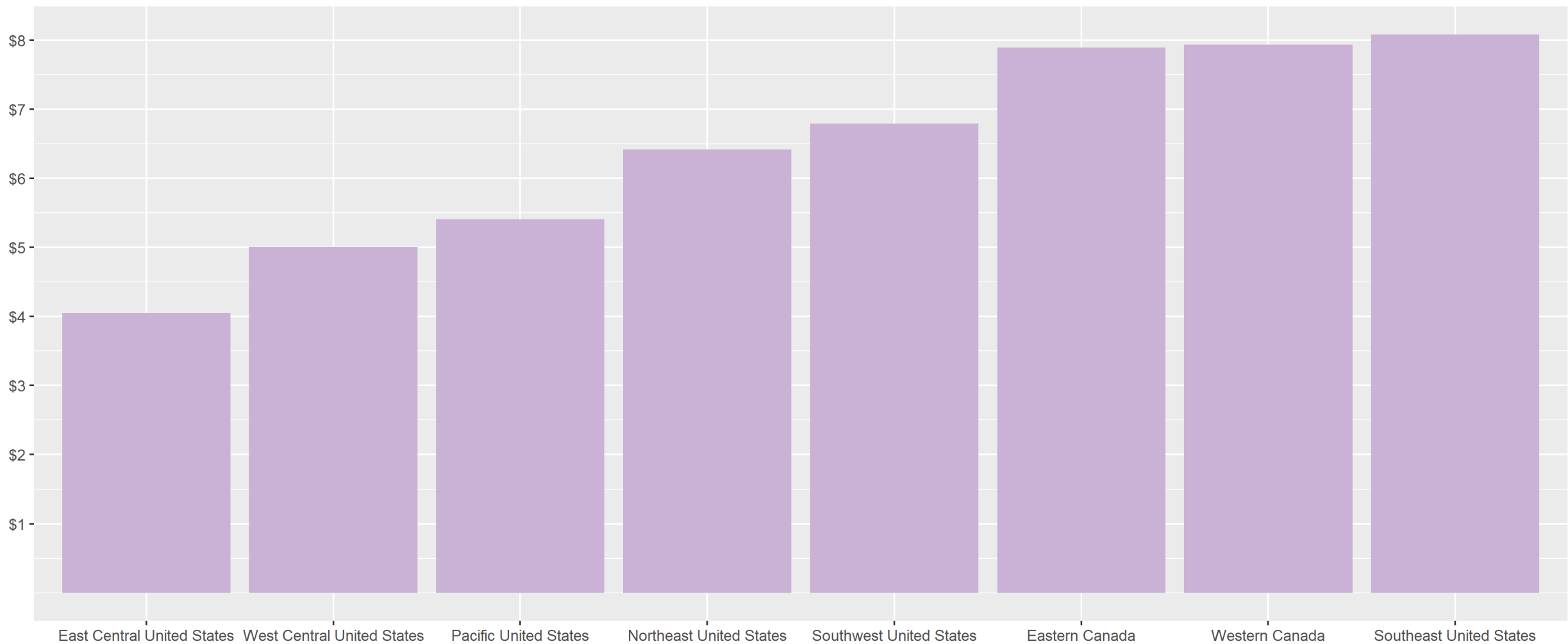


7th Tradition Contributions

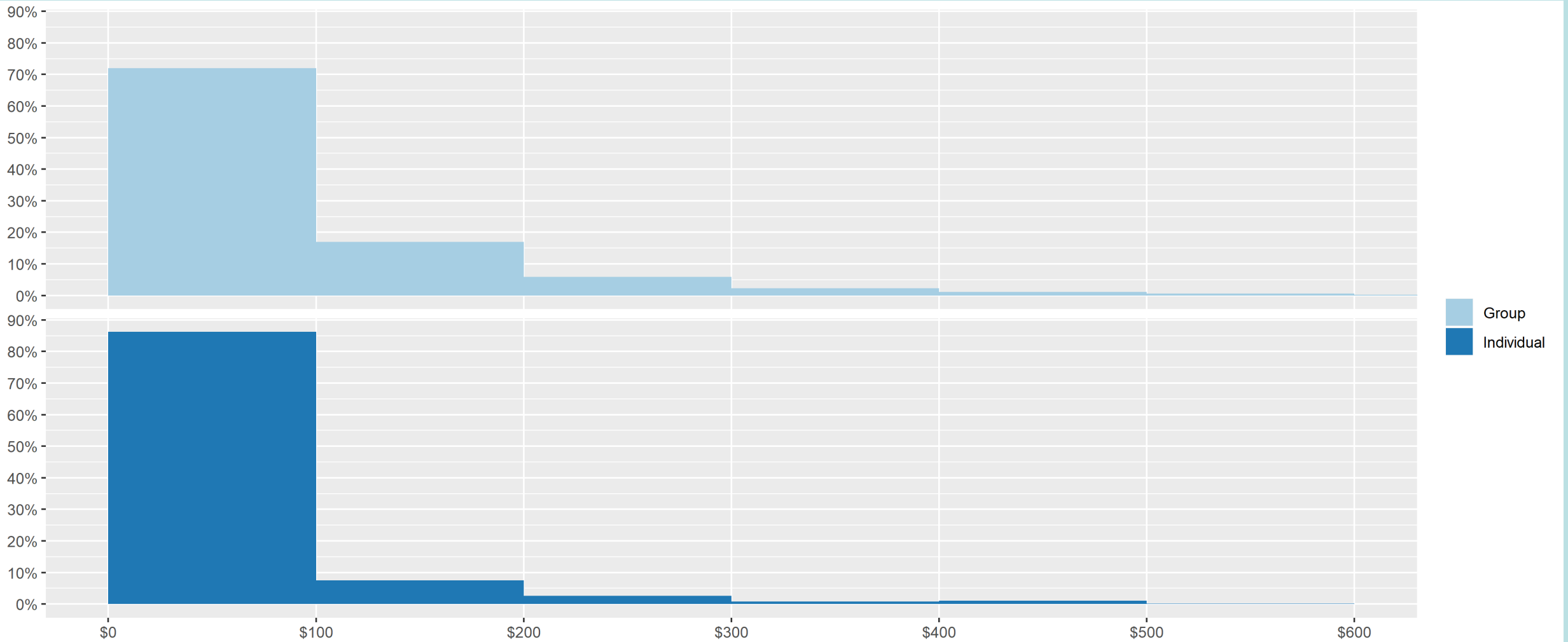
Regional Impact by Value (USD)



7th Tradition Contributions Regional Per Capita

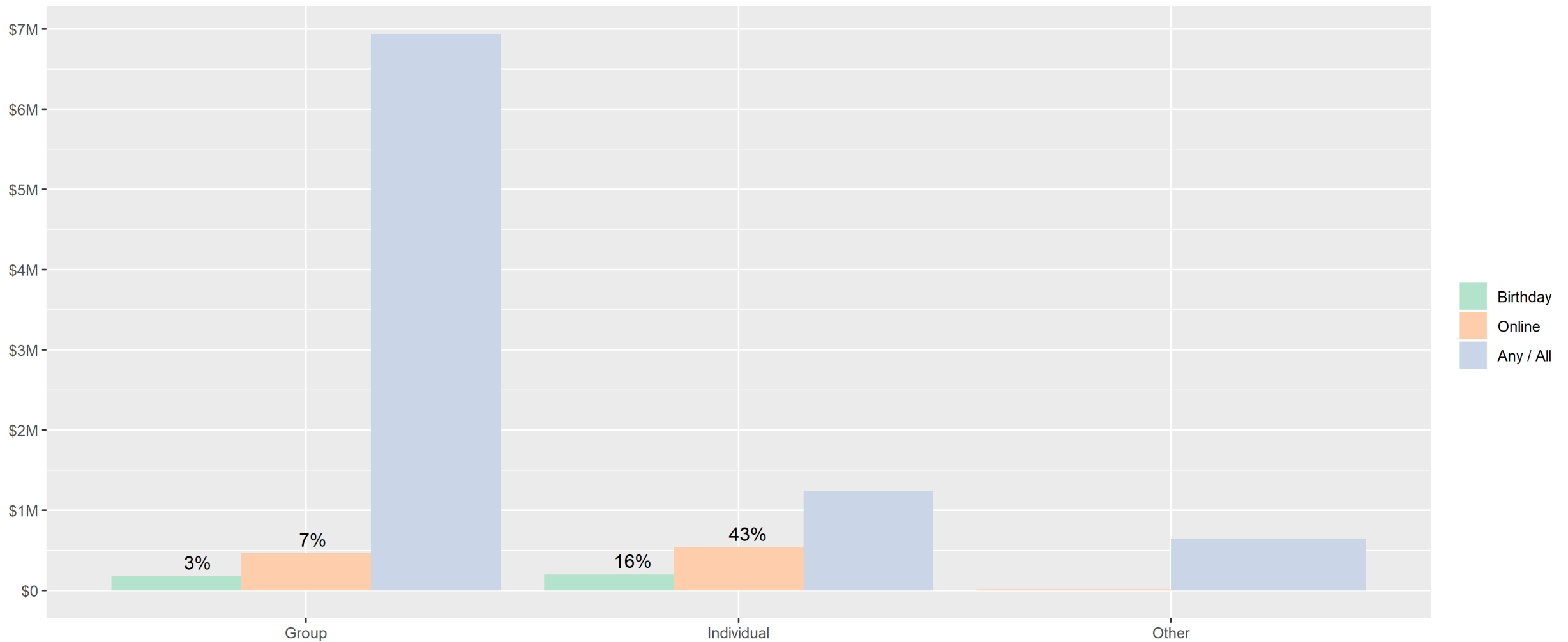


Distribution of Received Contributions

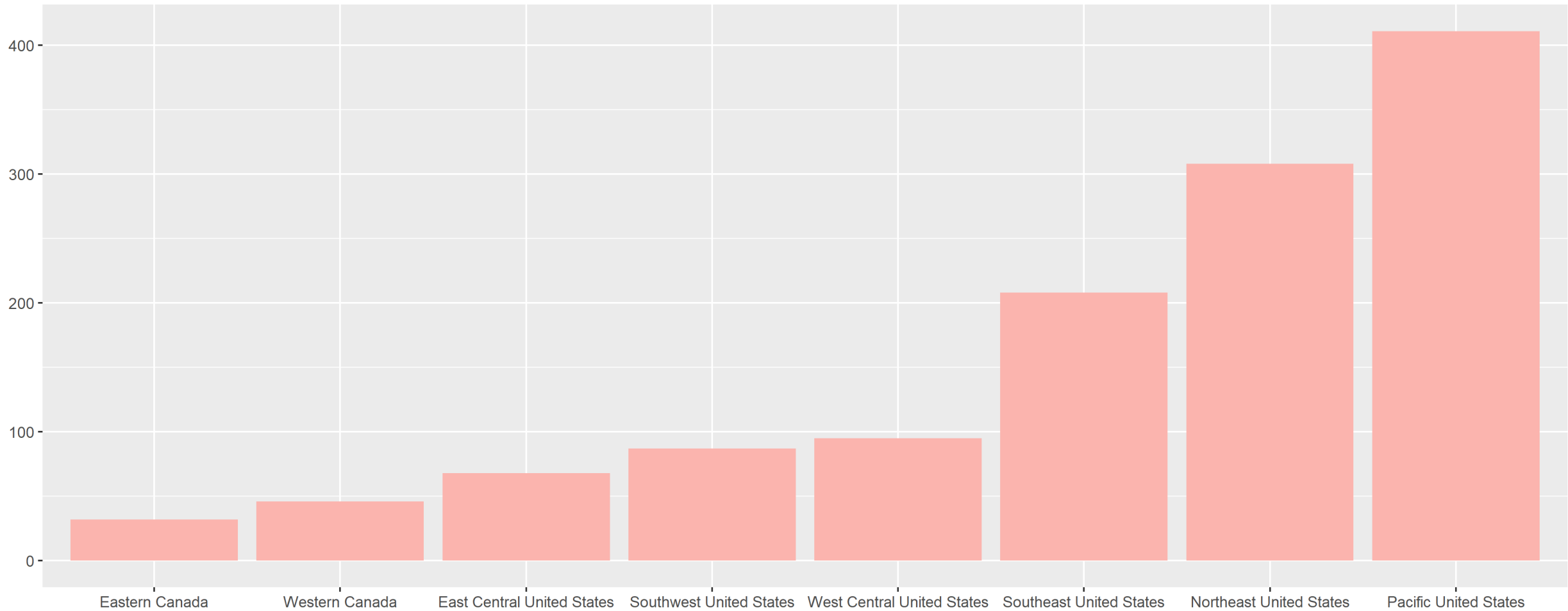


Because more than 90% of total group and individual contributions are below \$600, greater total are not displayed. Individuals reaching the maximum of \$5,000 are not a significant proportion of total individual contributions.

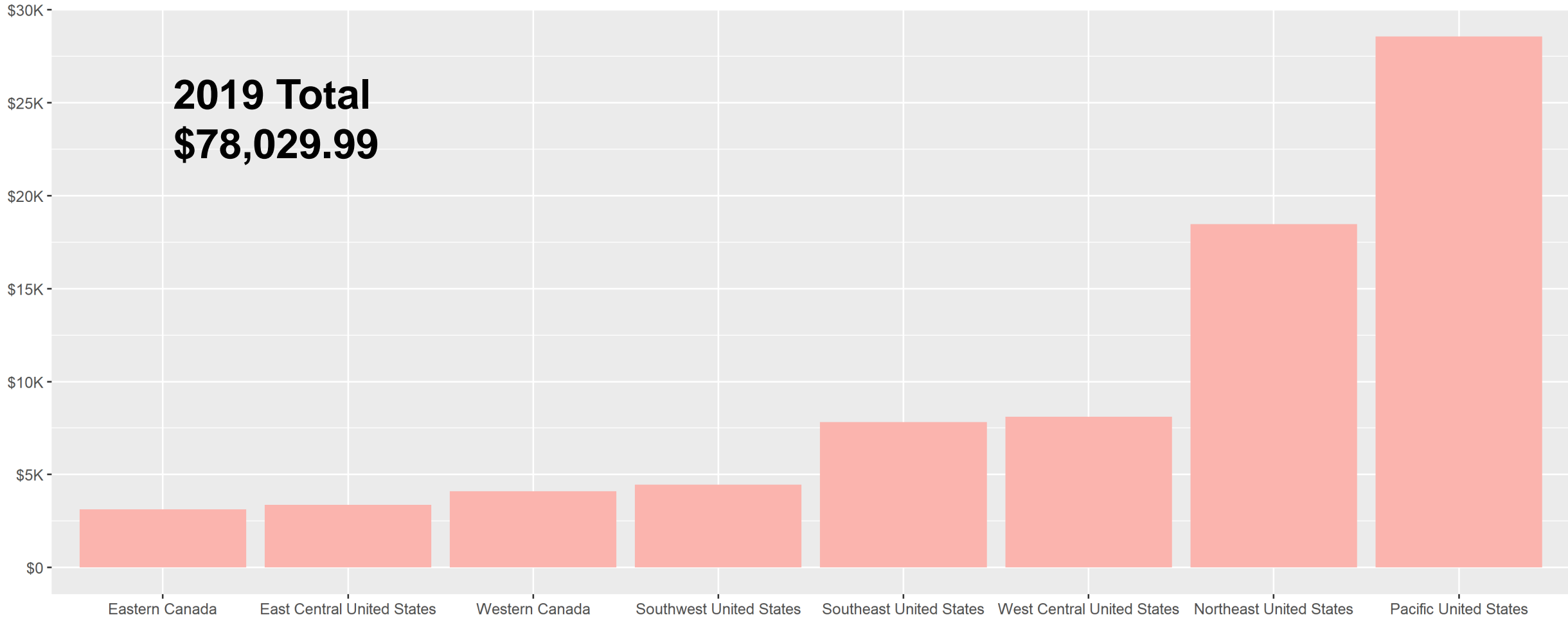
7th Tradition Contributions Impact by Value (USD)



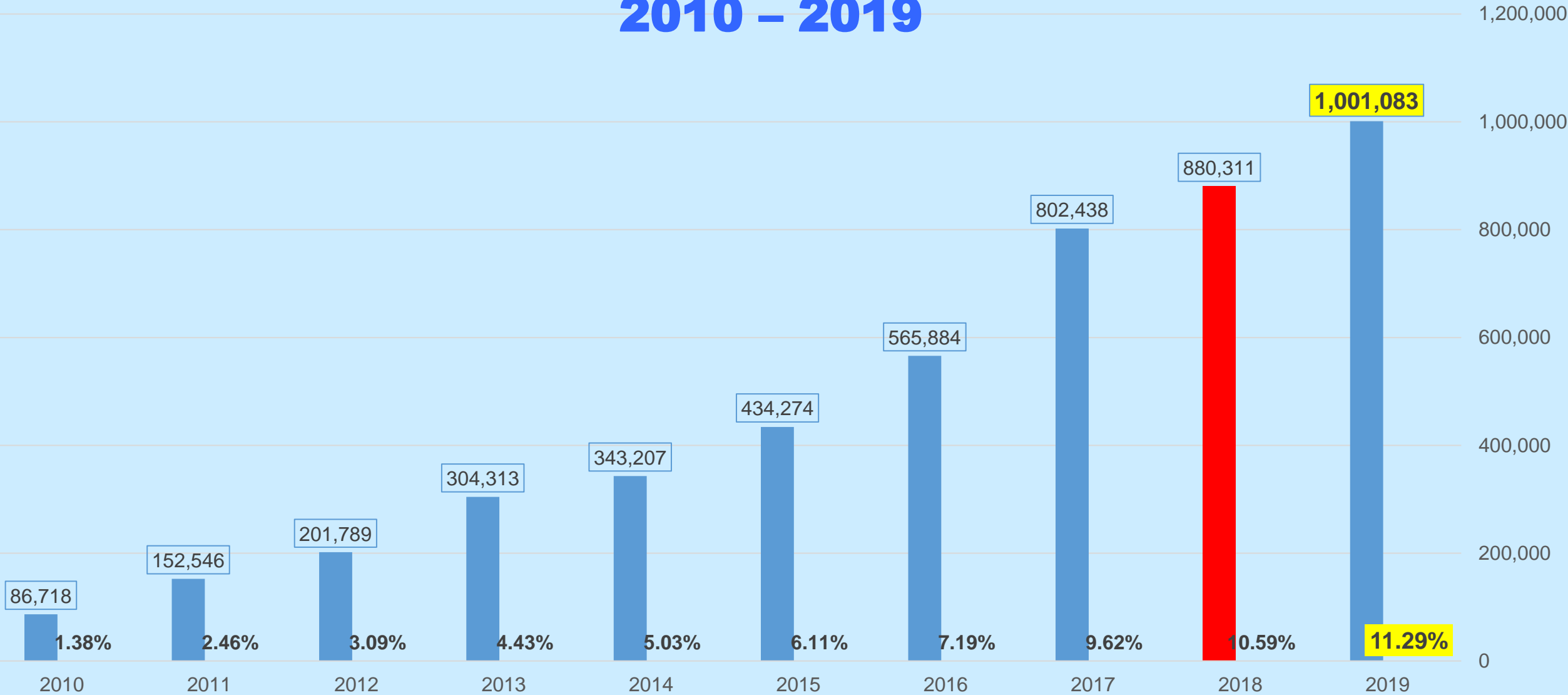
“\$8.06” Contributions Number Received by Region



“\$8.06” Contributions Regional Impact by Value (USD)



GROWTH OF ON-LINE CONTRIBUTIONS 2010 – 2019



7TH TRADITION SELF-SUPPORT – 2005 – 2019



A DOLLAR IS NOT WHAT IT USED TO BE

1935: \$1.00

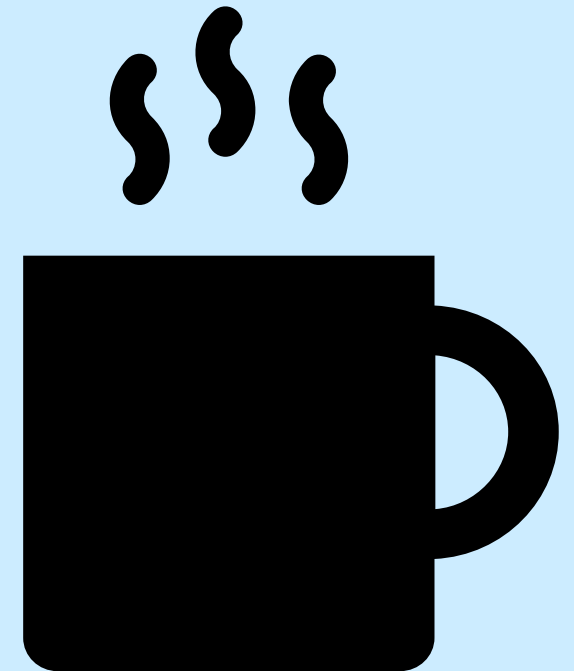


Remember inflation
when deciding upon
your
7th Tradition
Self-Support

Contributions for:

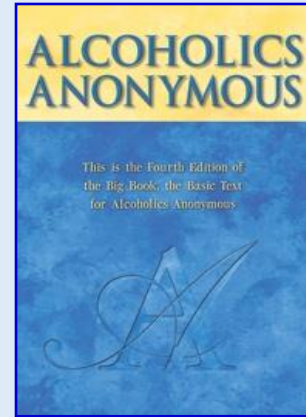
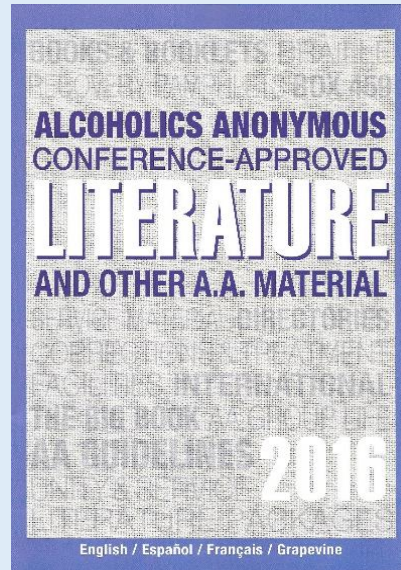
- Group Meetings
- Online Recurring Contributions
- Birthday Gifts
- November Gratitude Month

2019: \$18.84



G.S.O.'s TWO BASIC FUNCTIONS

• Publishing



box 459 News and Notes From the General Service Office of A.A.[®] Vol. 62, No. 3 / Fall 2016

■ Gratitude Month and the Birthday Plan

Each year in the middle of A.A., we provide for a celebration of our members and a gift to them in the form of the Big Book and Twelve Steps and Twelve Traditions. These are the basic texts of A.A. and are the foundation of our program. They are the basic texts of A.A. and are the foundation of our program. They are the basic texts of A.A. and are the foundation of our program.

It is our hope that you will find this issue of the box 459 interesting and helpful. We are proud to be able to provide you with this information and to be able to provide you with this information.

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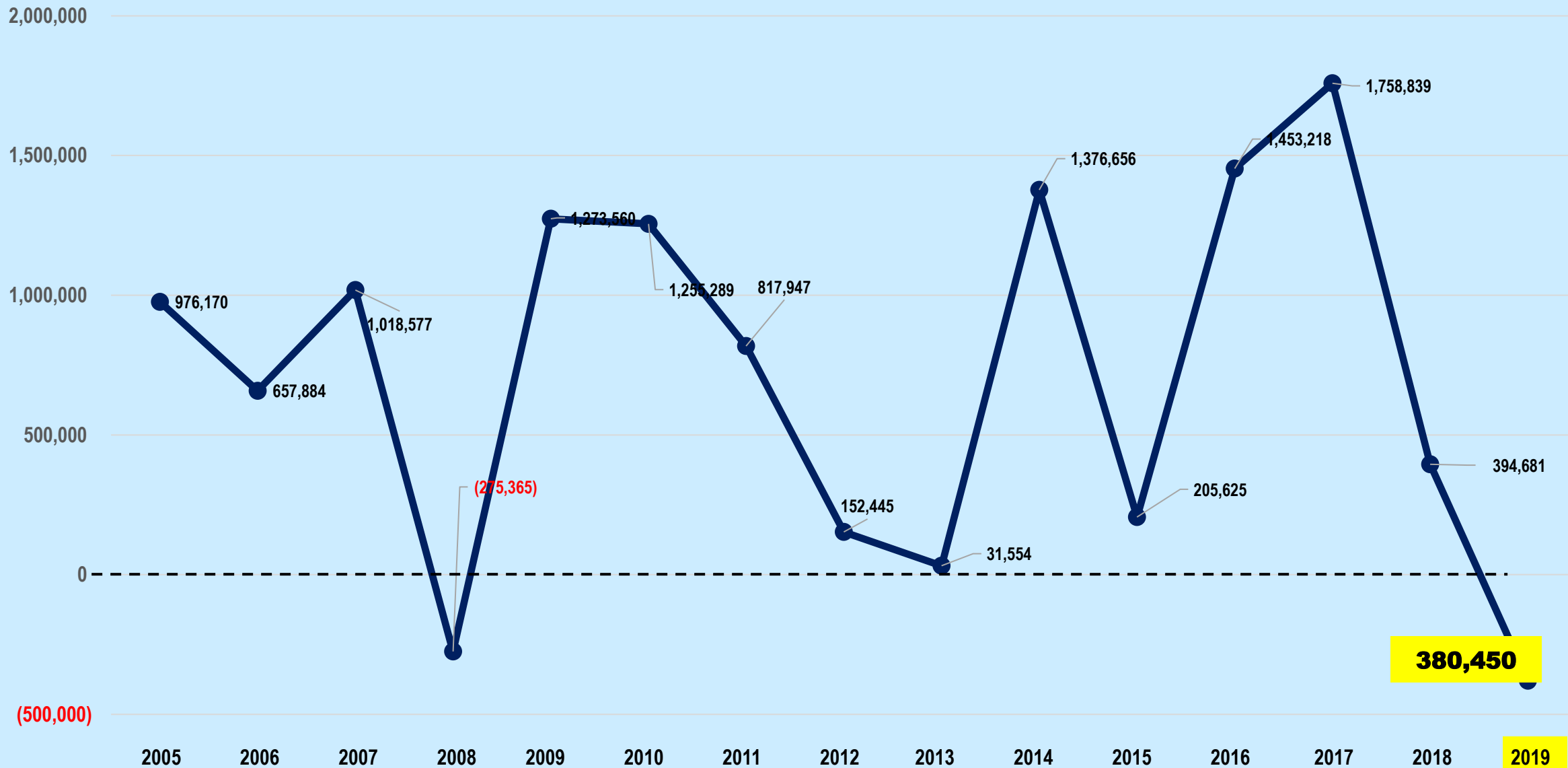
• Services on Behalf of the G.S.O.



AAWS – PUBLISHING – 2019 ACTUAL vs 2019 BUDGET

\$ in Thousands	2019 ACTUAL	2019 BUDGET	INCREASE (DECREASE)
Net Sales – Literature	14,259	14,775	(516)
Cost of Literature Sold	2,646	3,100	(454)
Direct Shipping and Warehousing	<u>1,956</u>	<u>1,900</u>	<u>56</u>
Gross Profit	9,657	9,775	(118)
Gross Profit Percentage	67.7%	66.2%	1.5%
The YTD sales to budget variance was largely due to lower than anticipated sales of “Our Great Responsibilities”	34,137	100,000	(65,863) 66% decrease

GSO & AAWs – OPERATING RESULTS – 2005 – 2019



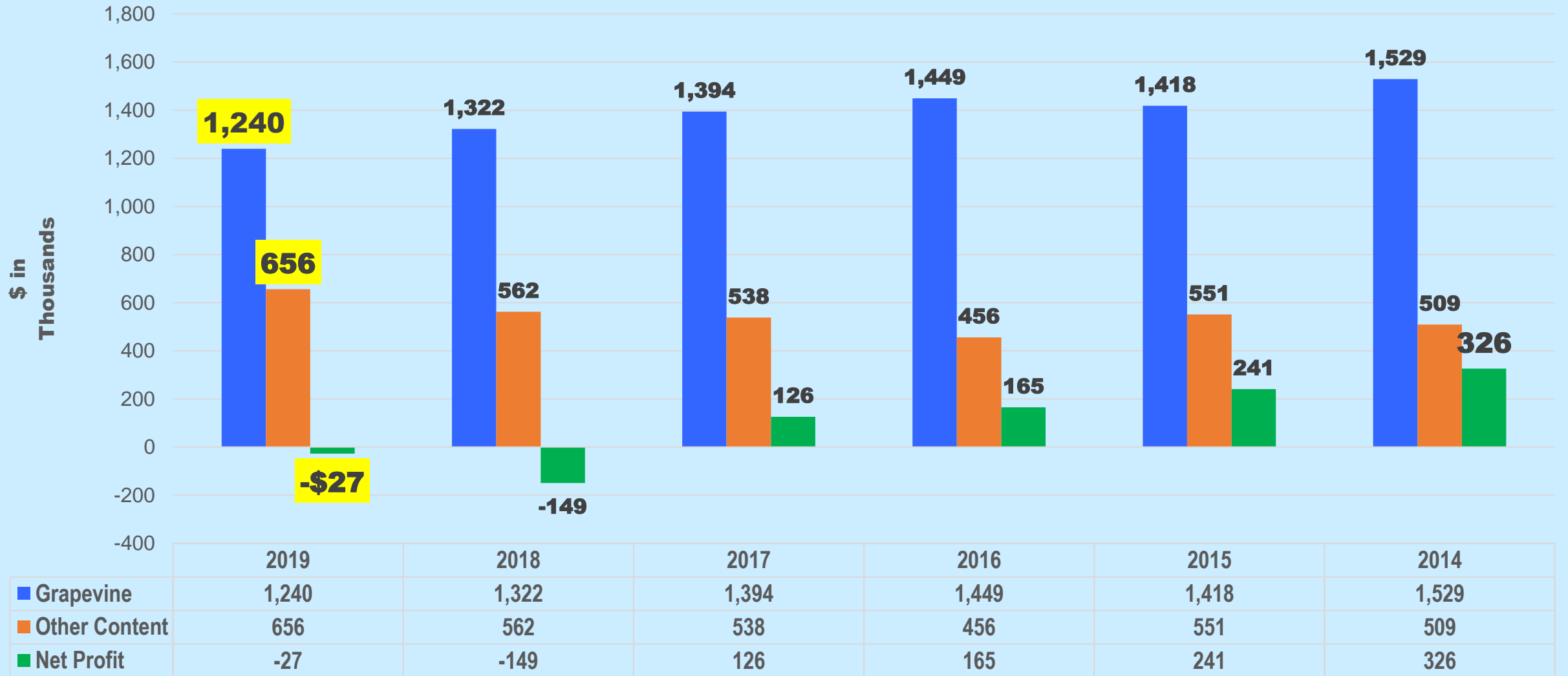
GRAPEVINE – 2019 ACTUAL VS 2019 BUDGET

			2019 Actual	2019 Budget	Increase (Decrease)
Average Circulation-Print			66,376	69,139	(2,763)
	Online & App		4,806	6,947	(2,141)
Revenue			1,978	2,086	(108)
Expenses			<u>2,005</u>	<u>2,220</u>	<u>215</u>
	Net Income		(27)	(134)	107

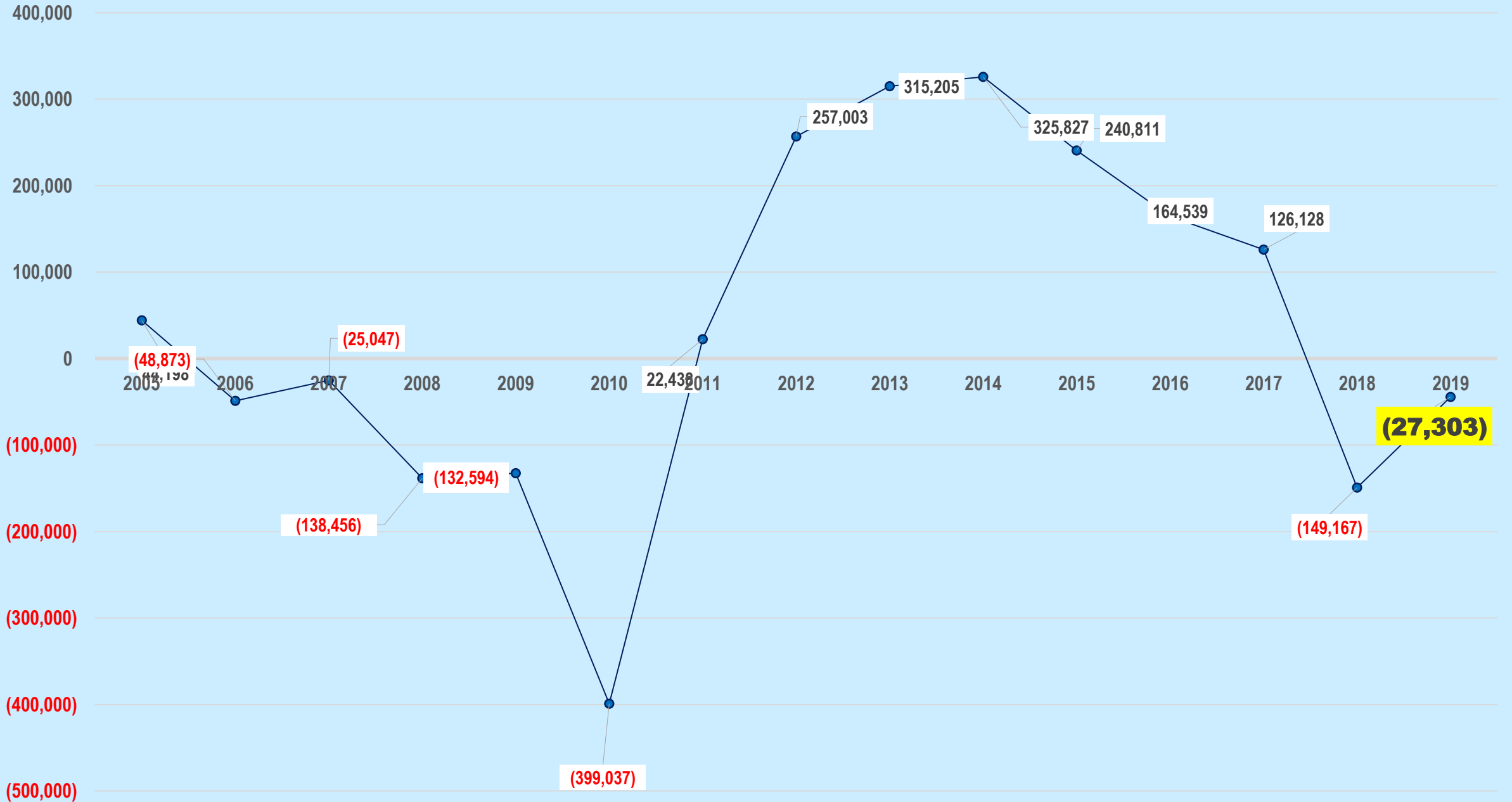
\$ in Thousands

GRAPEVINE – KEY AMOUNTS – 5 YEAR HISTORY

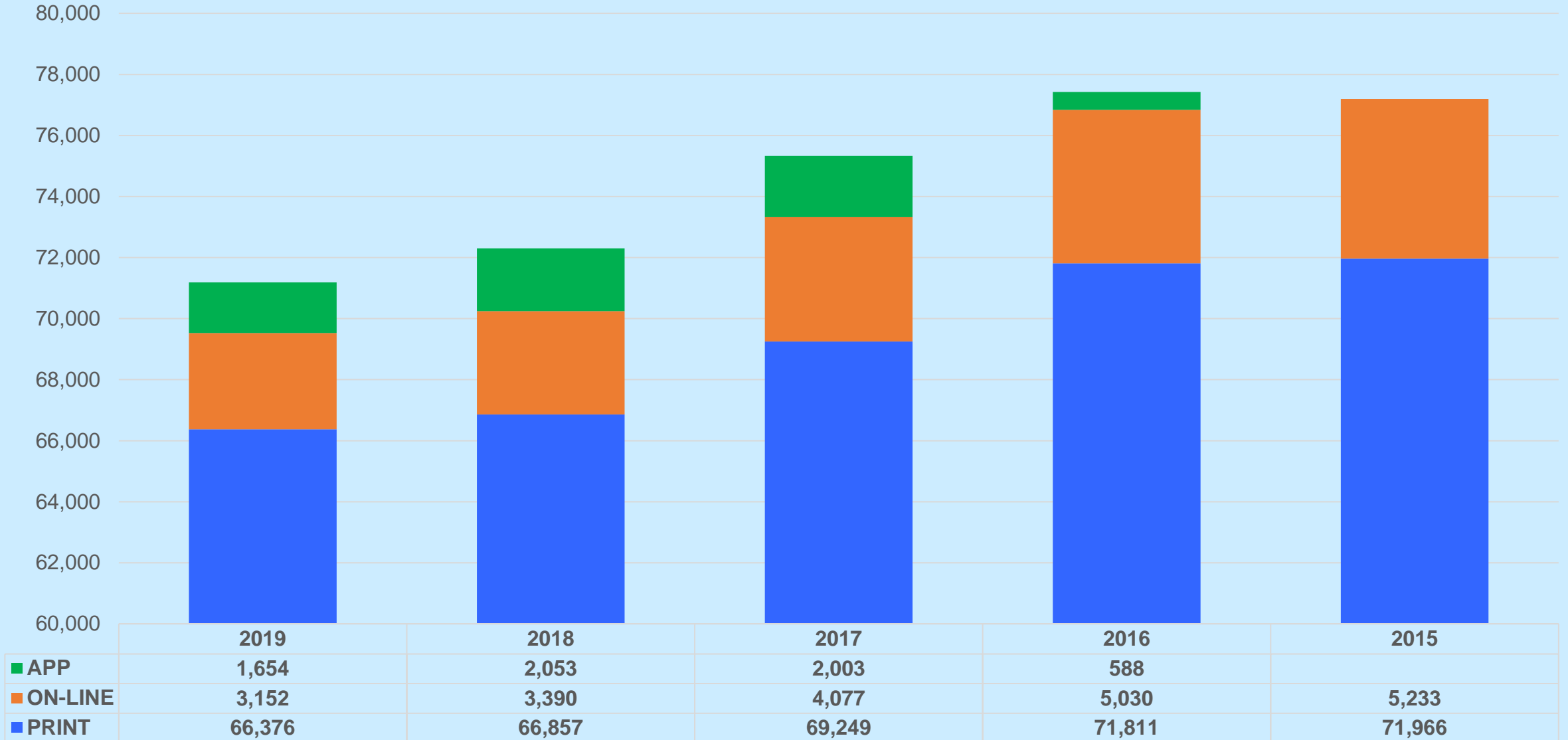
GROSS PROFIT & NET PROFIT



GRAPEVINE OPERATING RESULTS – 2005 – 2019



GRAPEVINE – AVERAGE CIRCULATION – 5 YEAR HISTORY

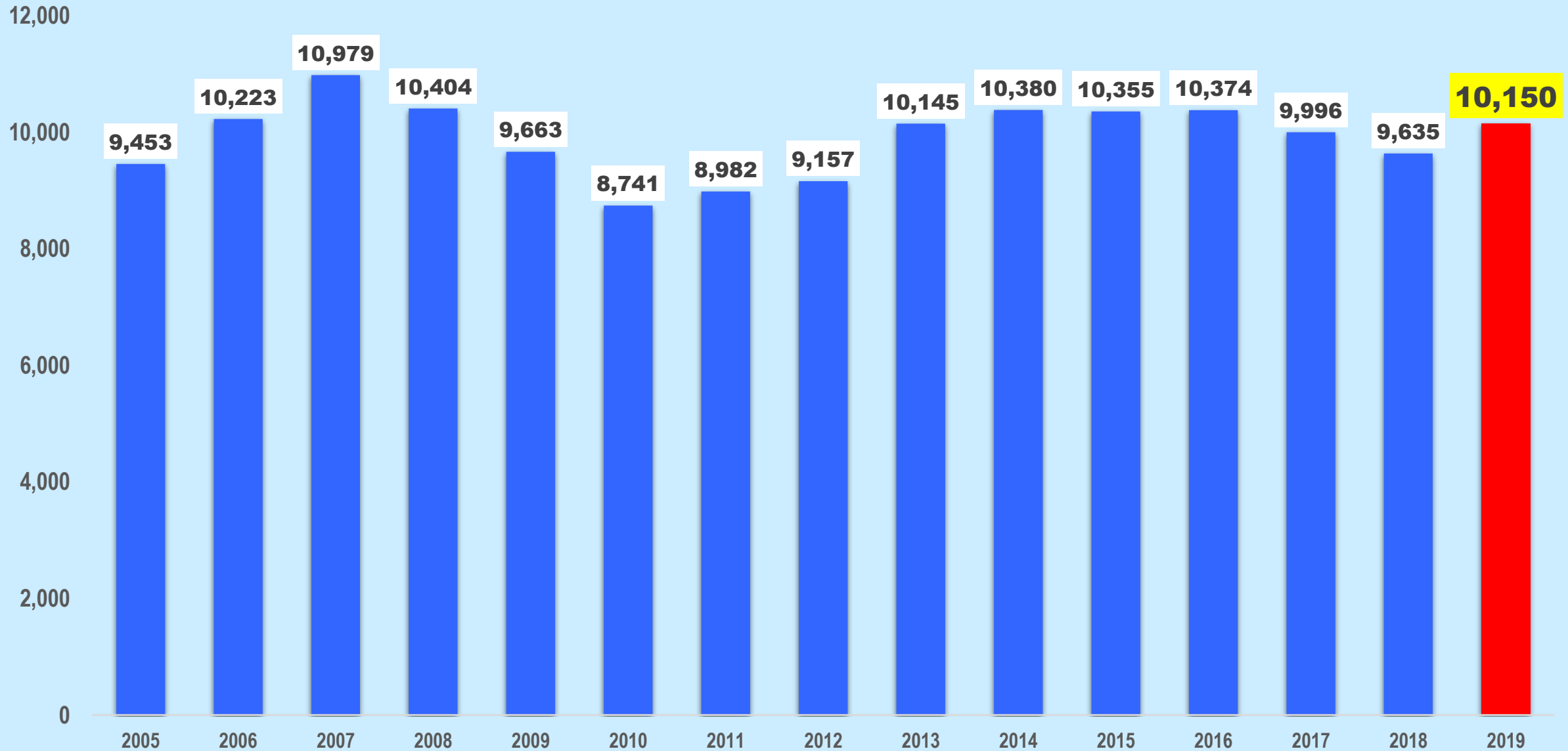


LA VINA – 2019 ACTUAL

			2019 Actual
Average Circulation-Print			10,150
Revenue			65,095
Expenses			362,487
	Net Income		(297,392)

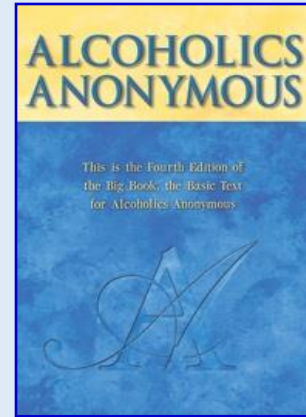
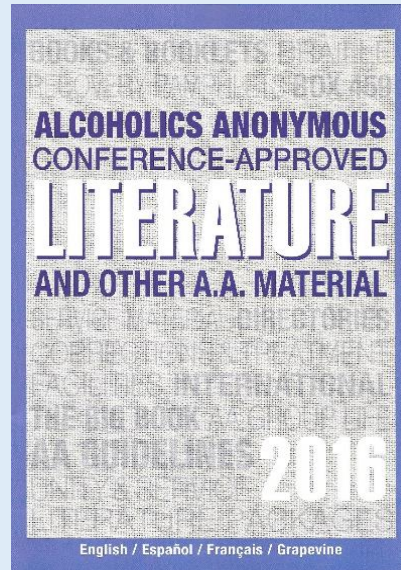
\$ in Thousands

LA VIÑA – AVERAGE CIRCULATION – 2005 – 2019



G.S.O.'s TWO BASIC FUNCTIONS

• Publishing



box 459 News and Notes From the General Service Office of A.A.P. Vol. 62, No. 3 / Fall 2016

■ Gratitude Month and the Birthday Plan

Each year in the middle of A.A., we make time to celebrate our values, traditions, and our history. In the past, we have celebrated our 50th, 60th, and 70th birthdays. This year, we are celebrating our 75th birthday. It is a special time for us to reflect on our journey and to look forward to the future. The General Service Office (G.S.O.) has prepared a special issue of the newsletter, "Gratitude Month and the Birthday Plan," to help us celebrate this milestone. The issue contains articles, stories, and photos that highlight the spirit of A.A. and the values that have made us successful. It is a beautiful gift to ourselves and to our fellow members. We hope you will enjoy reading it and that it will inspire you to continue to live by the principles of A.A. and to share them with others. The G.S.O. is proud to be a part of this special time and to support you in your journey. We hope you will find it a helpful and inspiring resource. We are grateful for your continued support and for the love and care that you bring to our community. We hope you will find it a helpful and inspiring resource. We are grateful for your continued support and for the love and care that you bring to our community.

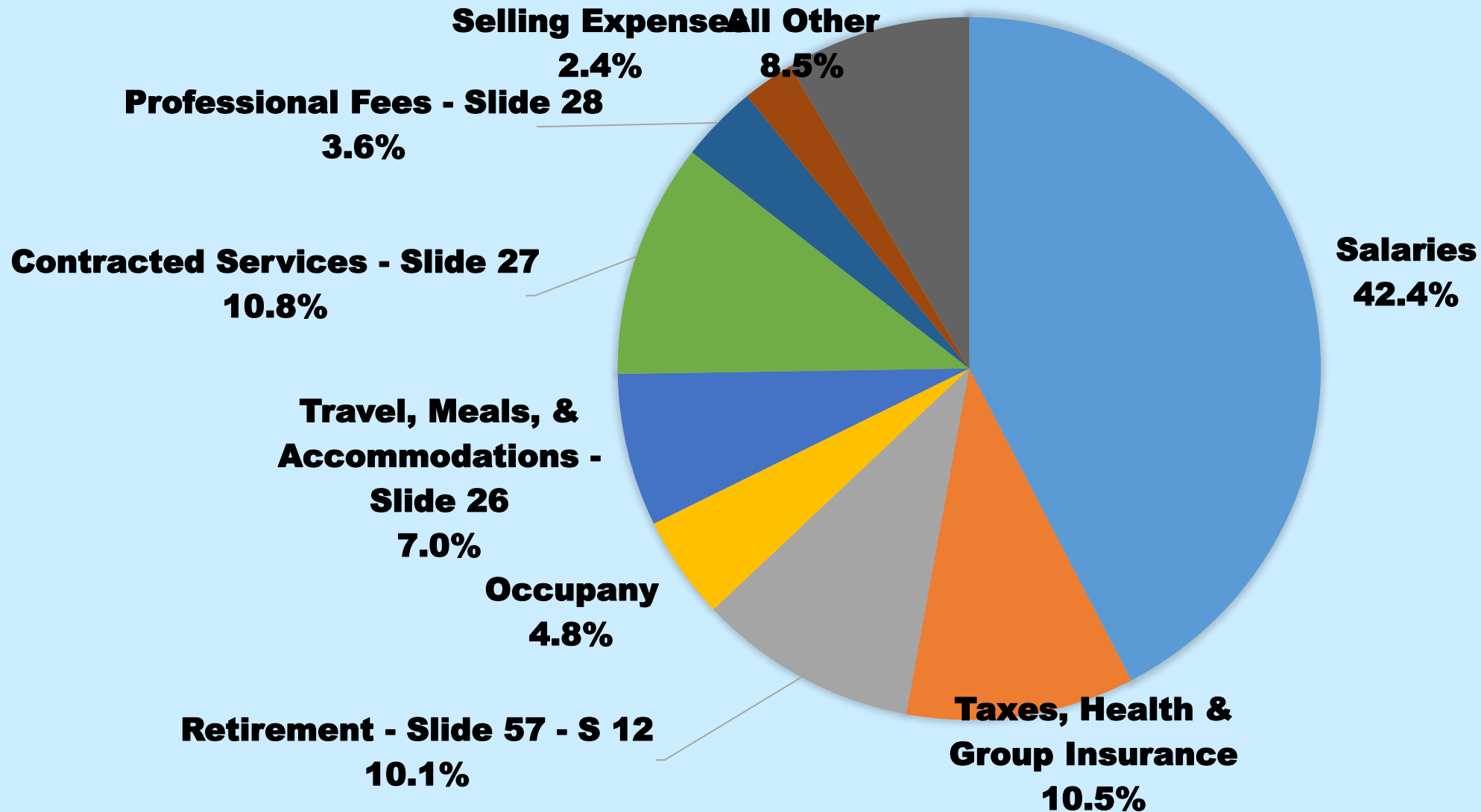
• Services on Behalf of the G.S.B.



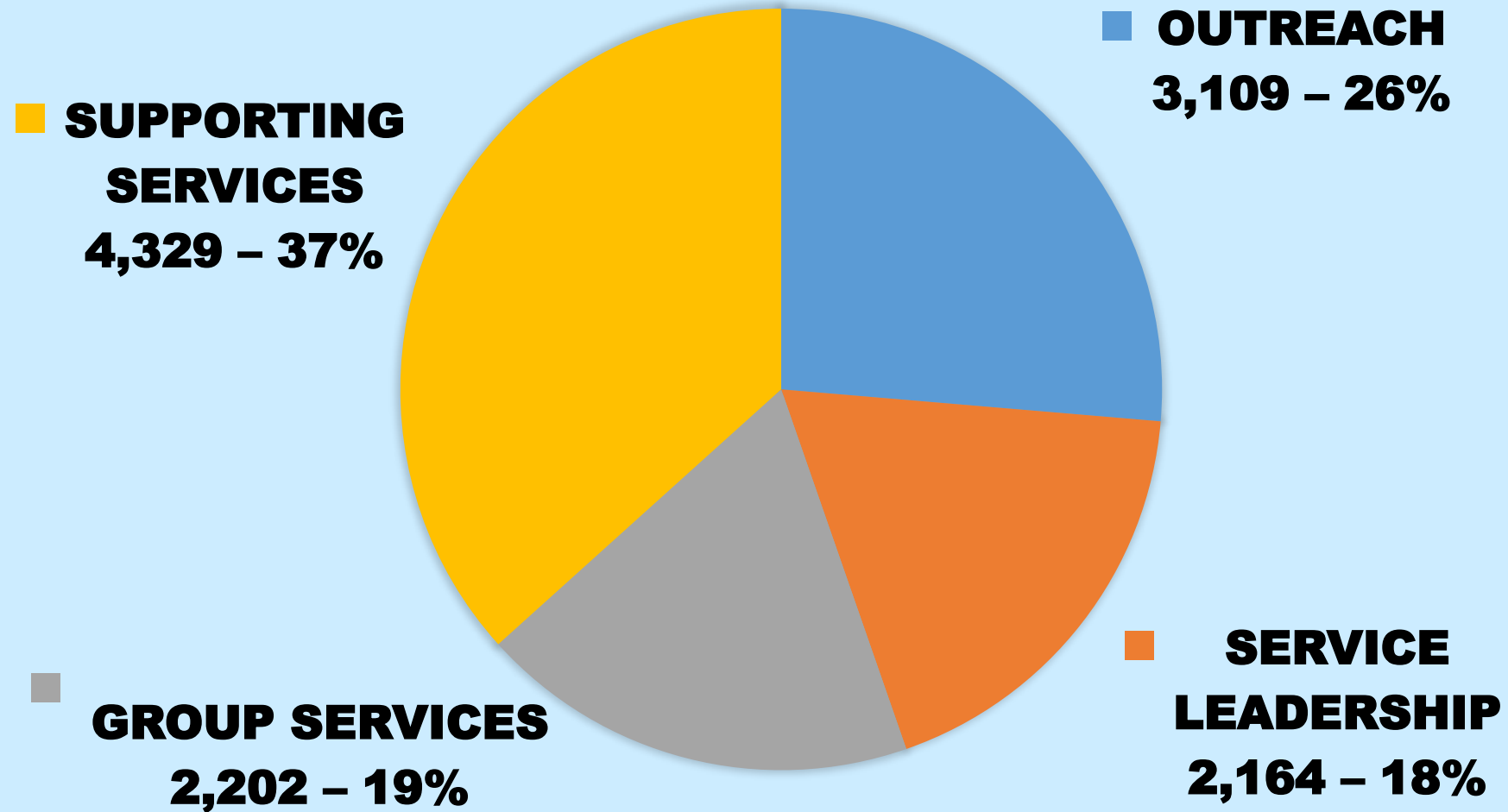
FELLOWSHIP SERVICES – DIRECT COSTS & PERCENTAGES

\$ in Thousands	2019	% of Total	2018	% of Total	2017	% of Total
Public Information	327	2.9	336	2.9	368	3.6
Cooperation with Professional Community	292	2.6	297	2.6	283	2.8
Treatment Facilities	132	1.2	131	1.1	141	1.4
Corrections	294	2.6	329	2.9	298	2.9
Overseas Services (Literature Assistance) & Loners	526	4.6	501	4.4	563	5.5
Regional Forums	532	4.7	453	4.0	465	4.5
Archives	800	7.0	791	6.9	780	7.6
Spanish Services	27	0.1	0	0	0	0
Communications	189	1.6	0	0	0	0
Sub-Total – Outreach	3,109	25.4	2,838	24.8	2,898	28.3
General Service Conference	1,114	9.5	1,092	9.6	770	7.5
Trustees & Directors Activities	577	4.9	601	5.2	492	4.8
Nominating	259	2.2	269	2.3	269	2.6
International Convention	190	1.6	-	-	-	-
World Service Meeting	203	1.8	203	1.8	(5)	-
Sub –Total – Service Leadership	2,164	18.3	2,165	18.9	1,526	14.9
Group Services	2,202	18.7	2,235	19.6	2,275	22.3
Supporting Services (Technology, Finance, etc.)	4,329	37.9	4,189	36.7	3,523	34.5
Total Costs of Services Provided	11,804	100.0	11,427	100.0	10,222	100.0
\$ increase over prior year – % increase over prior year	377	3.3	1,205	11.8%	315	3.2%
La Viña Service Activity - NOTE – GSB support for the La Viña service activity is NOT an actual operating expense of GSO, but is included here to show its relative significance of this service.	297	n/a	148	n/a	126	n/a

RECURRING OPERATING EXPENSES – 2019 – \$18.6 M
FINANCIAL STATEMENT EXPENSE CATEGORIES
PERCENTAGE BREAKDOWN

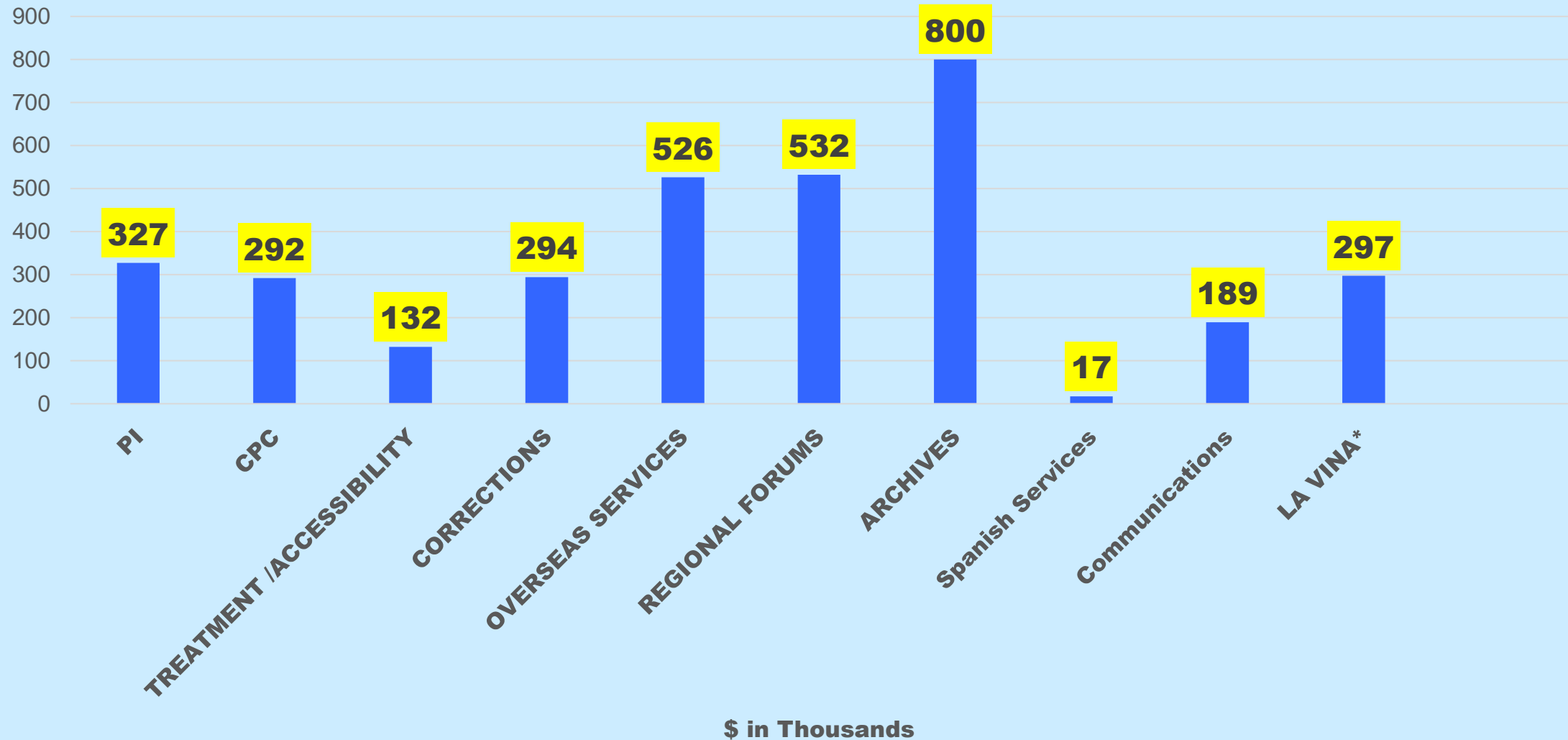


**COST OF SERVICES PROVIDED TO THE
FELLOWSHIP – 2019 – \$11.8 M**



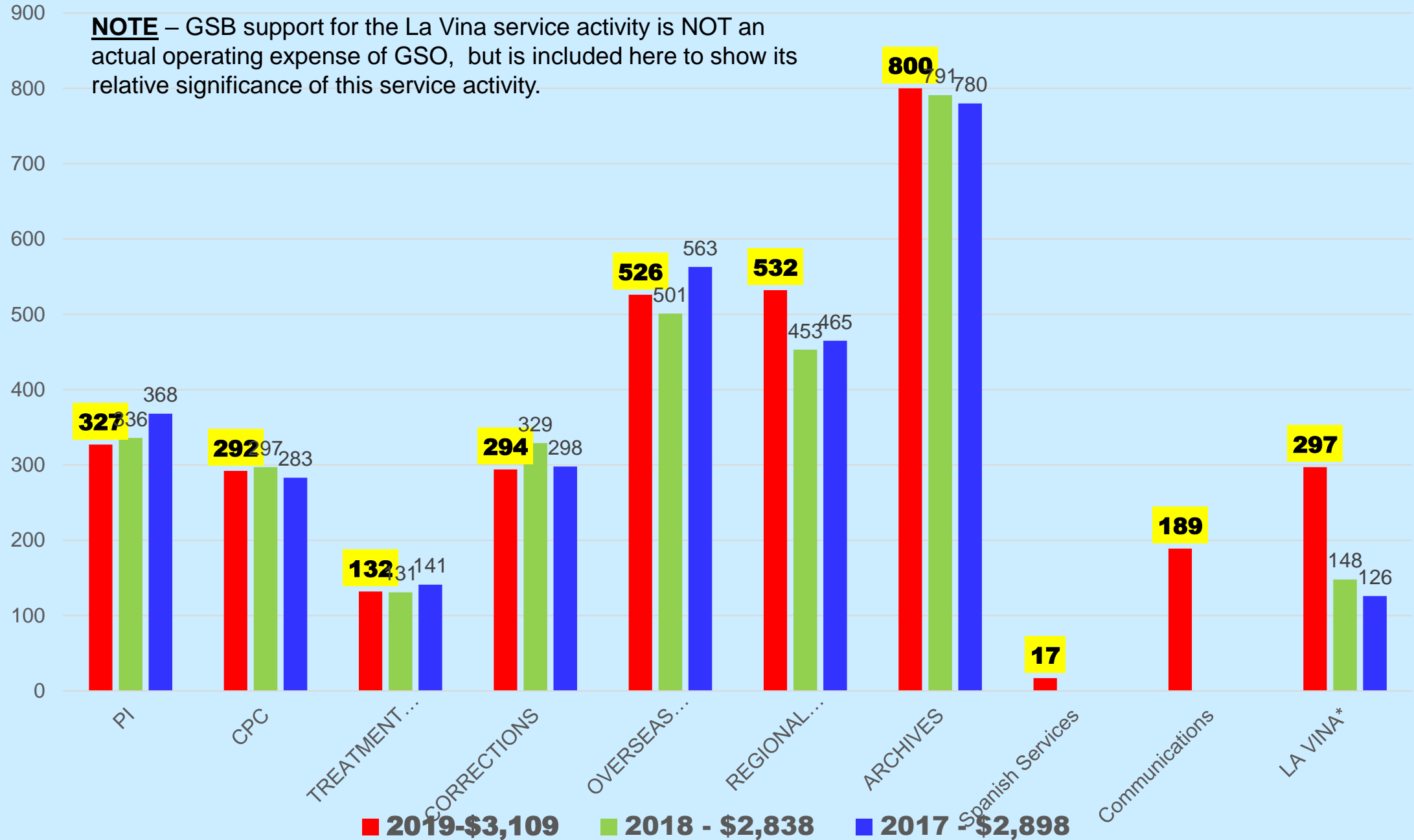
OUTREACH SERVICES PROVIDED TO FELLOWSHIP 2019 – \$3.1 M

NOTE – GSB support for the La Vina service activity is NOT an actual operating expense of GSO, but is included here to show its relative significance of this service activity.

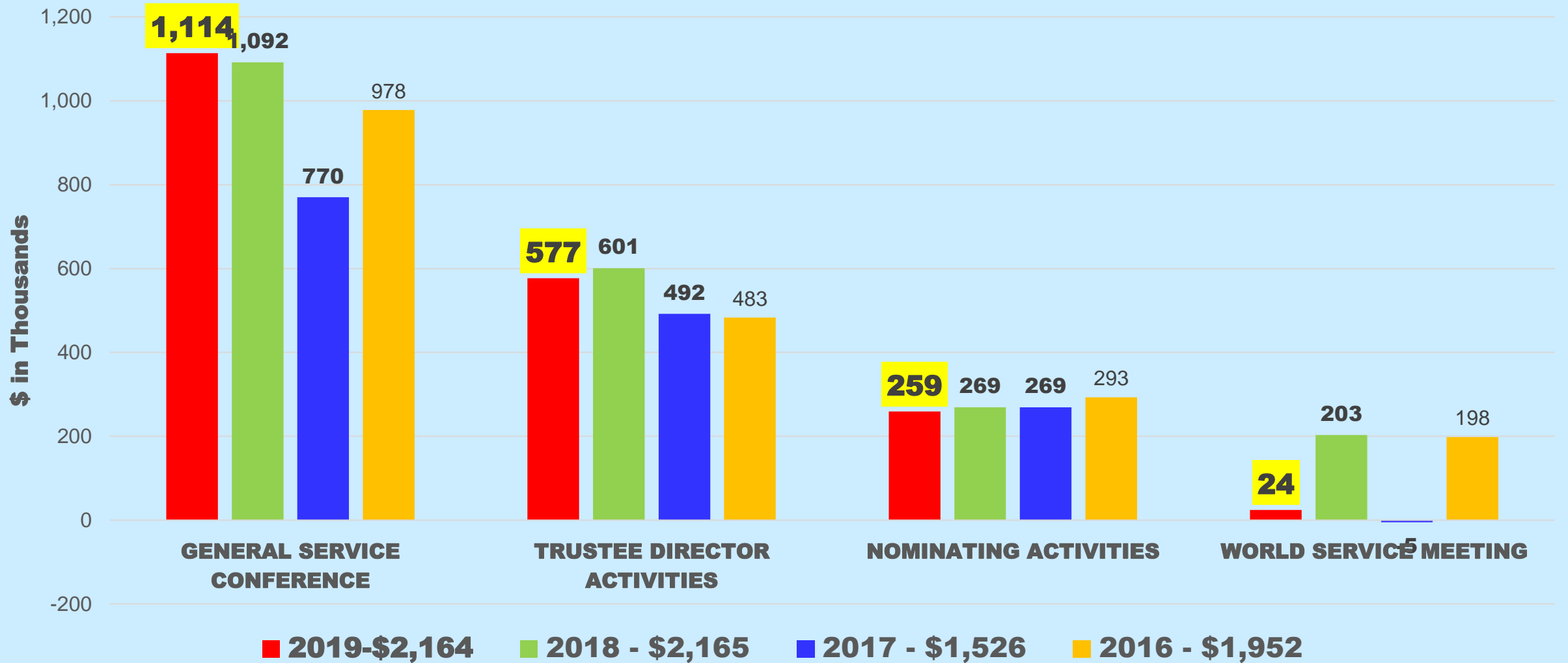


OUTREACH SERVICES PROVIDED TO FELLOWSHIP – 3 Year History

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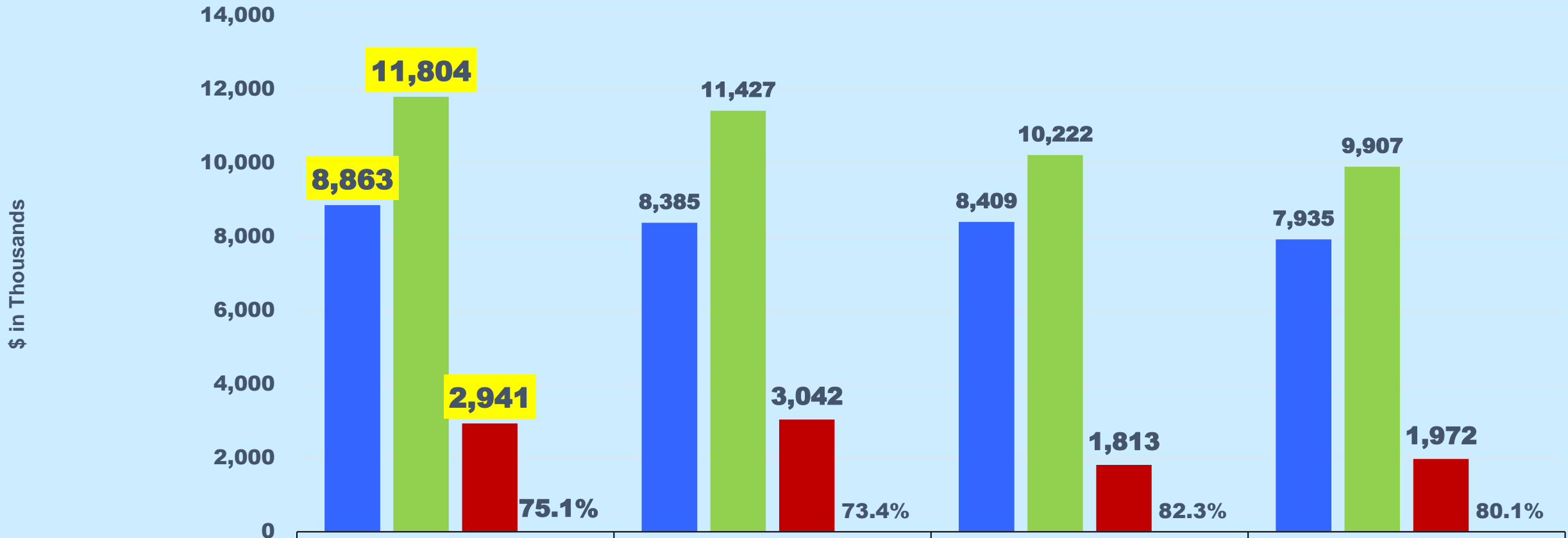


SERVICE LEADERSHIP ACTIVITIES 4 YEAR HISTORY



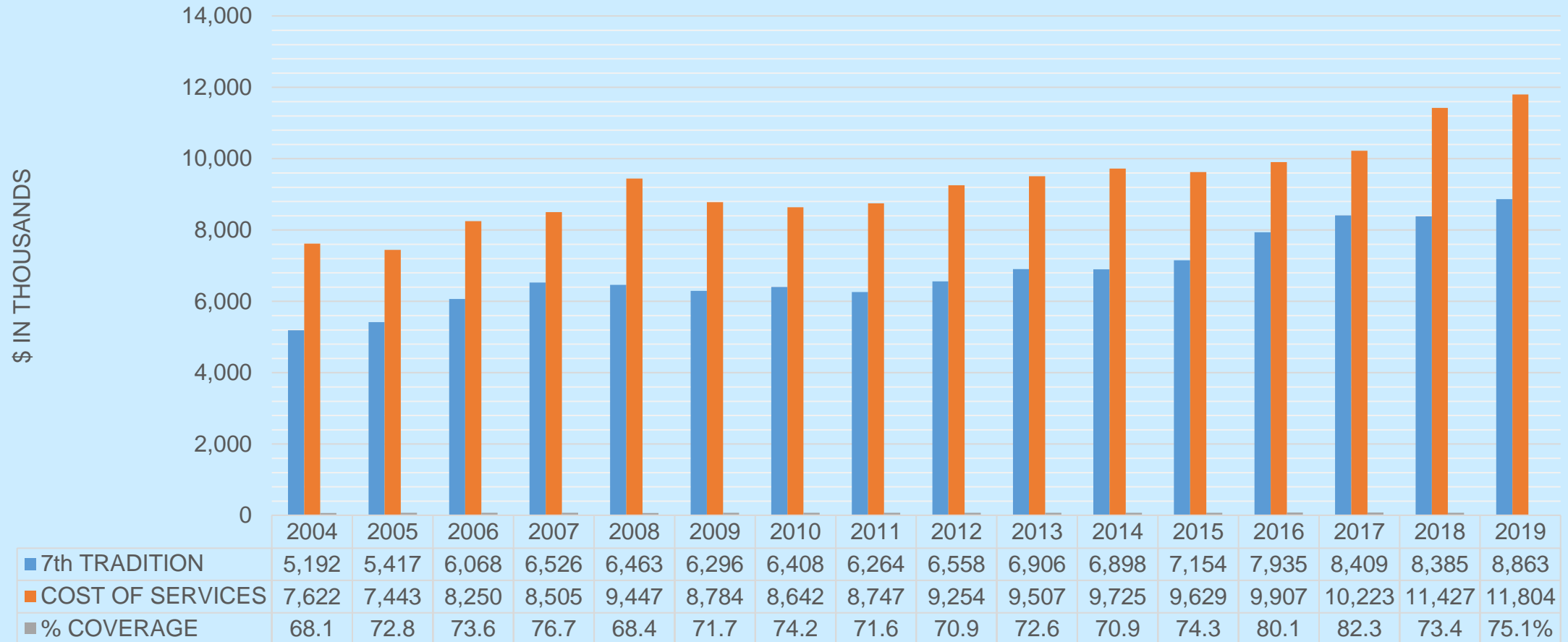
SERVICES SUPPORTED BY 7TH TRADITION

DOLLARS AND PERCENTAGE



	2019	2018	2017	2016
7th Tradition	8,863	8,385	8,409	7,935
Cost of Services	11,804	11,427	10,222	9,907
Shortfall	2,941	3,042	1,813	1,972
PERCENTAGE	75.1%	73.4%	82.3%	80.1%

SERVICES SUPPORTED BY 7th TRADITION DOLLARS AND PERCENTAGE – 2004 – 2019



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 7th 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

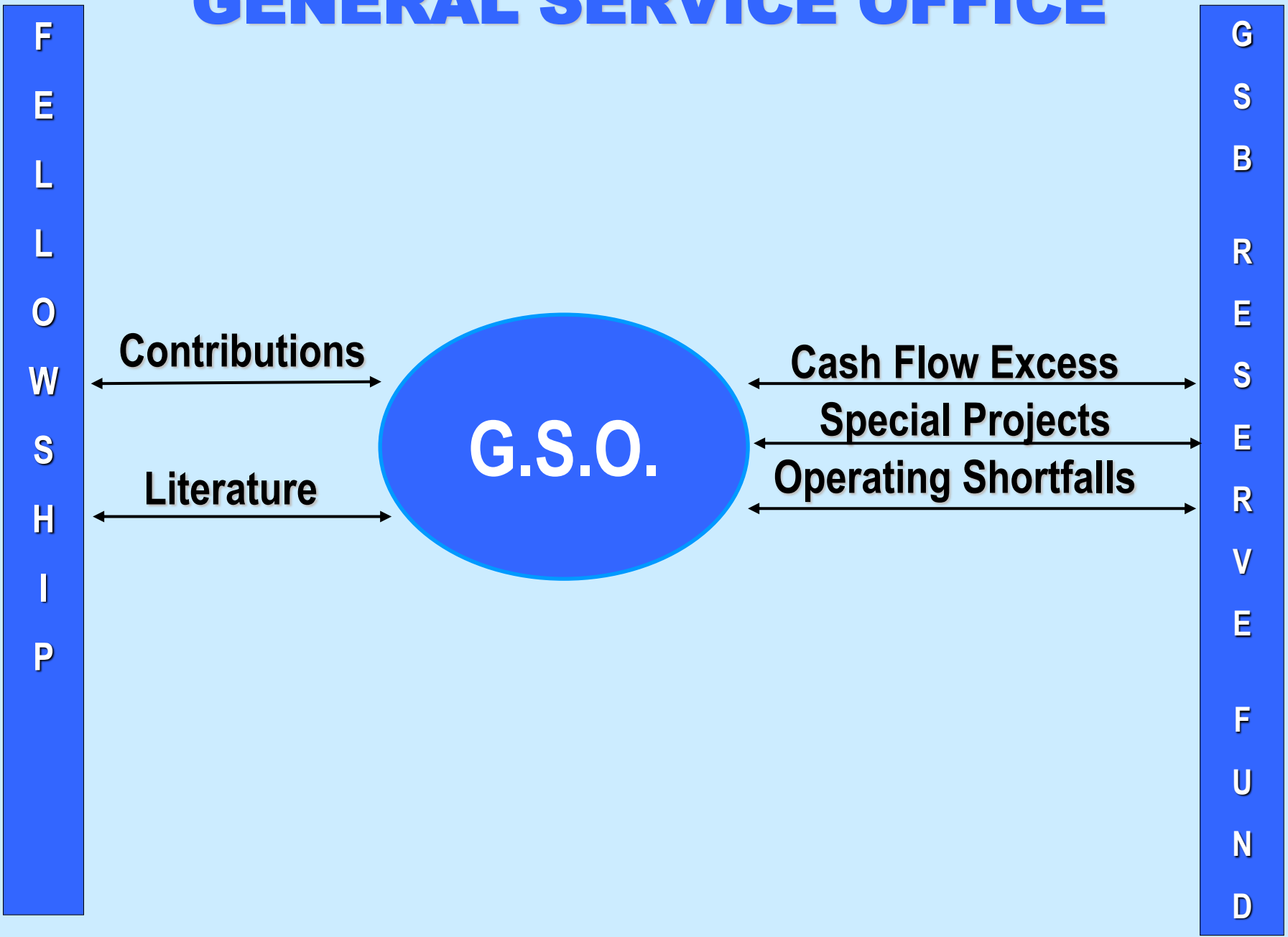
70th Virtual Service Conference Financial Report

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

RESERVE FUND RATIO

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

GENERAL SERVICE OFFICE



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Contributions

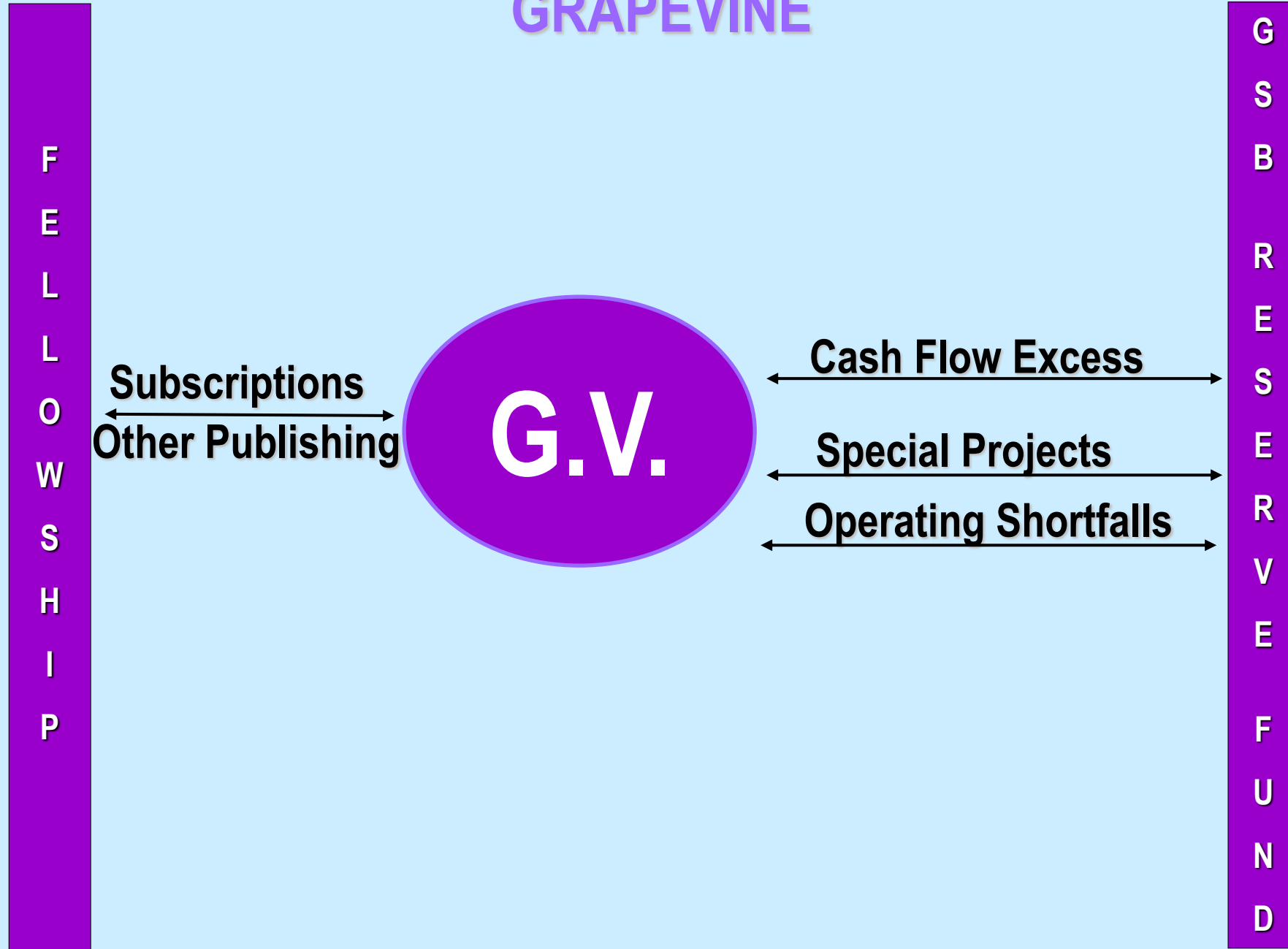
Literature

Cash Flow Excess

Special Projects

Operating Shortfalls

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

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

***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.

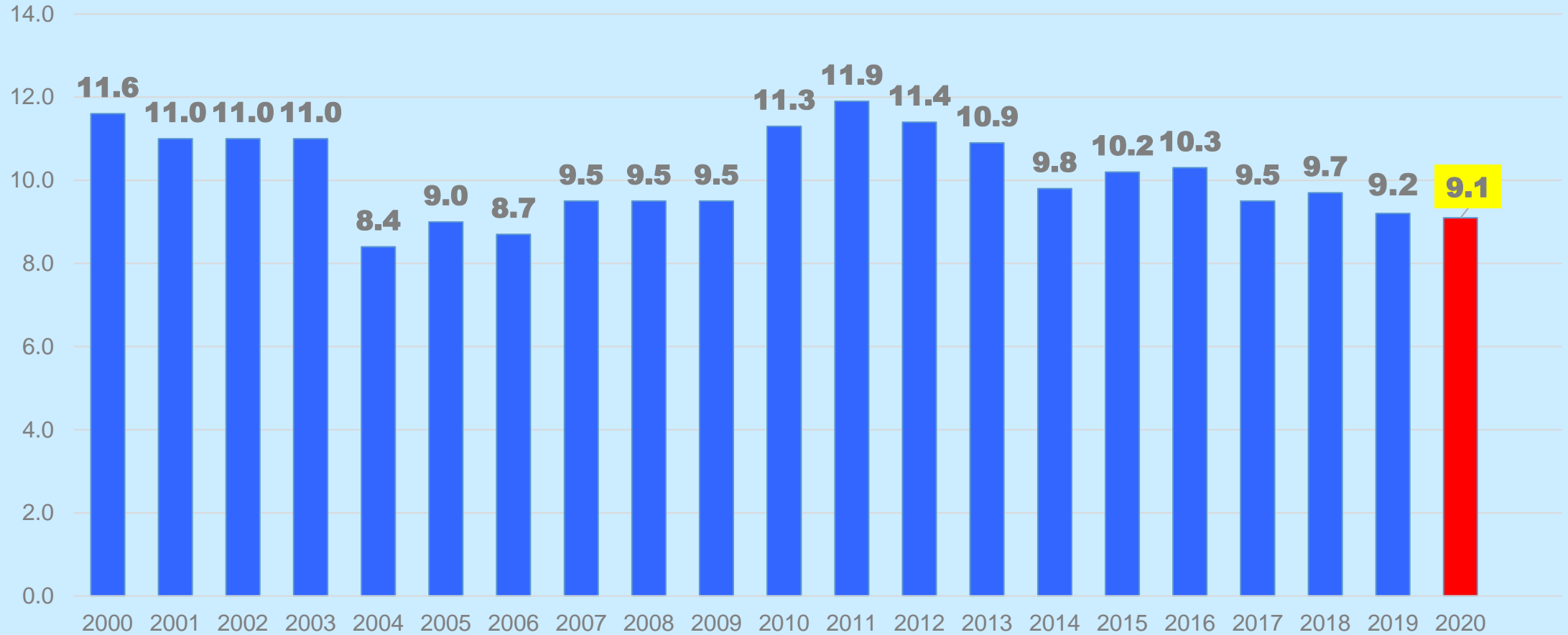
“No More Than”

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 31st.
- 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

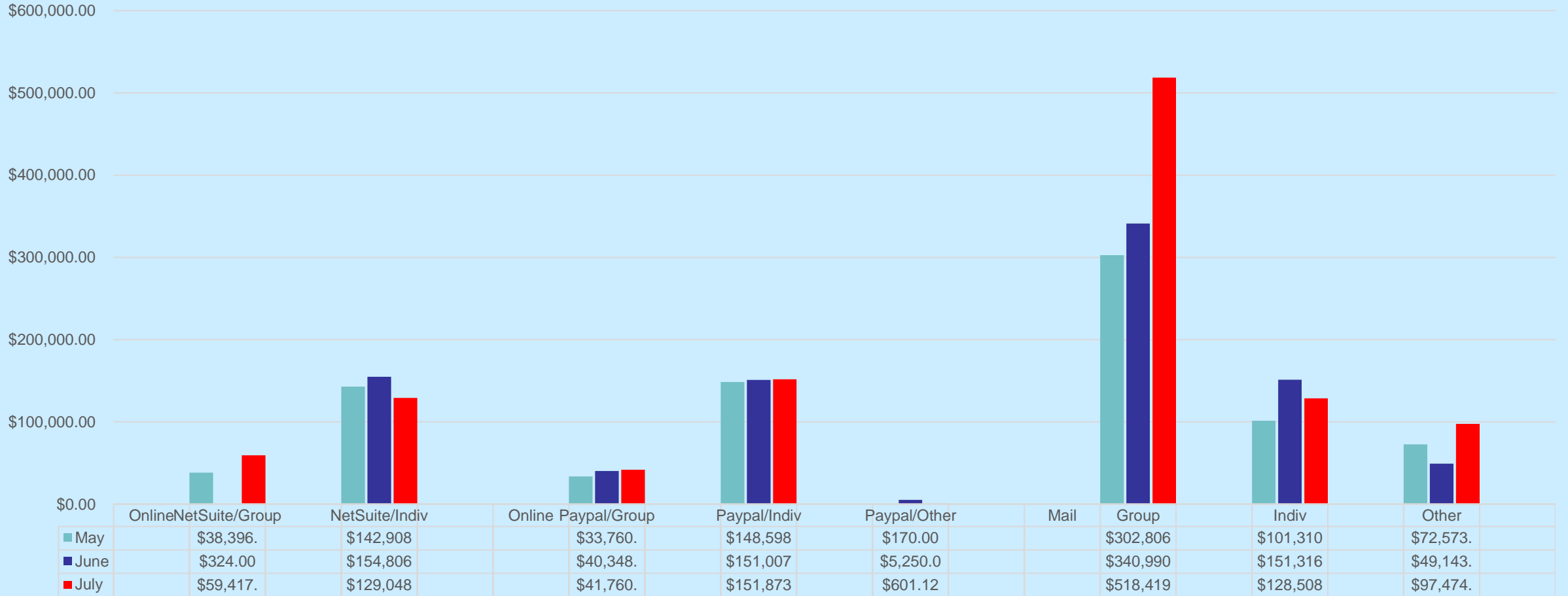


2020 Update COVID-19 Impact

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

7th Tradition Contributions During Fellowship Rally



■ May ■ June ■ July

AAWS NET SALES THROUGH JULY 2020

GL Account #		January	February	March	April	May	June	July	YTD
Account	Sales								
4199	Literature Sales	\$ 1,359,275	\$ 1,269,261	\$ 901,699	\$ 273,216	\$ 436,154	\$ 659,698	\$ 666,206	\$ 5,565,510
4180	Shipping Charge	\$ (23,312)	\$ 25,436	\$ 16,843	\$ 164	\$ 67	\$ (10)	\$ 30	\$ 19,218
4175	Misc. Over/Shorts	\$ (56)	\$ (75)	\$ (163)	\$ -	\$ (35)	\$ (43)	\$ (73)	\$ (445)
4400	Non-Operating Income	\$ 929	\$ 7,719	\$ (8,749)	\$ -	\$ -	\$ -	\$ -	\$ (100)
	Gross Sales	\$ 1,336,837	\$ 1,302,340	\$ 909,631	\$ 273,380	\$ 436,187	\$ 659,646	\$ 666,163	\$ 5,584,183
	Less: Discounts Allowed								
4176	Overseas	\$ (4,328)	\$ (2,055)	\$ (1,856)	\$ (17)	\$ (50)	\$ (752)	\$ (1,717)	\$ (10,775)
4177	External	\$ (16,119)	\$ (14,998)	\$ (8,299)	\$ (961)	\$ (56)	\$ (203)	\$ (40,211)	\$ (80,847)
	Net Sales	\$ 1,316,391	\$ 1,285,287	\$ 899,476	\$ 272,401	\$ 436,081	\$ 658,691	\$ 624,234	\$ 5,492,561
	Cost of Goods Sold:								
9100	Manufacturing	\$ (286,202)	\$ (393,239)	\$ (170,264)	\$ (136,337)	\$ (114,513)	\$ (115,167)	\$ (179,160)	\$ (1,394,880)
6100/6300 (AAWS)	Shipping/Warehouse/Supplies	\$ (124,937)	\$ (120,274)	\$ (204,733)	\$ (68,709)	\$ (10,789)	\$ (105,375)	\$ (33,651)	\$ (668,467)
	Gross Profit	\$ 905,252	\$ 771,774	\$ 524,479	\$ 67,355	\$ 310,780	\$ 438,150	\$ 411,424	\$ 3,429,214
	Cummulative		\$ 1,677,026	\$ 2,201,505	\$ 2,268,860	\$ 2,579,640	\$ 3,017,790	\$ 3,429,214	

Grapevine

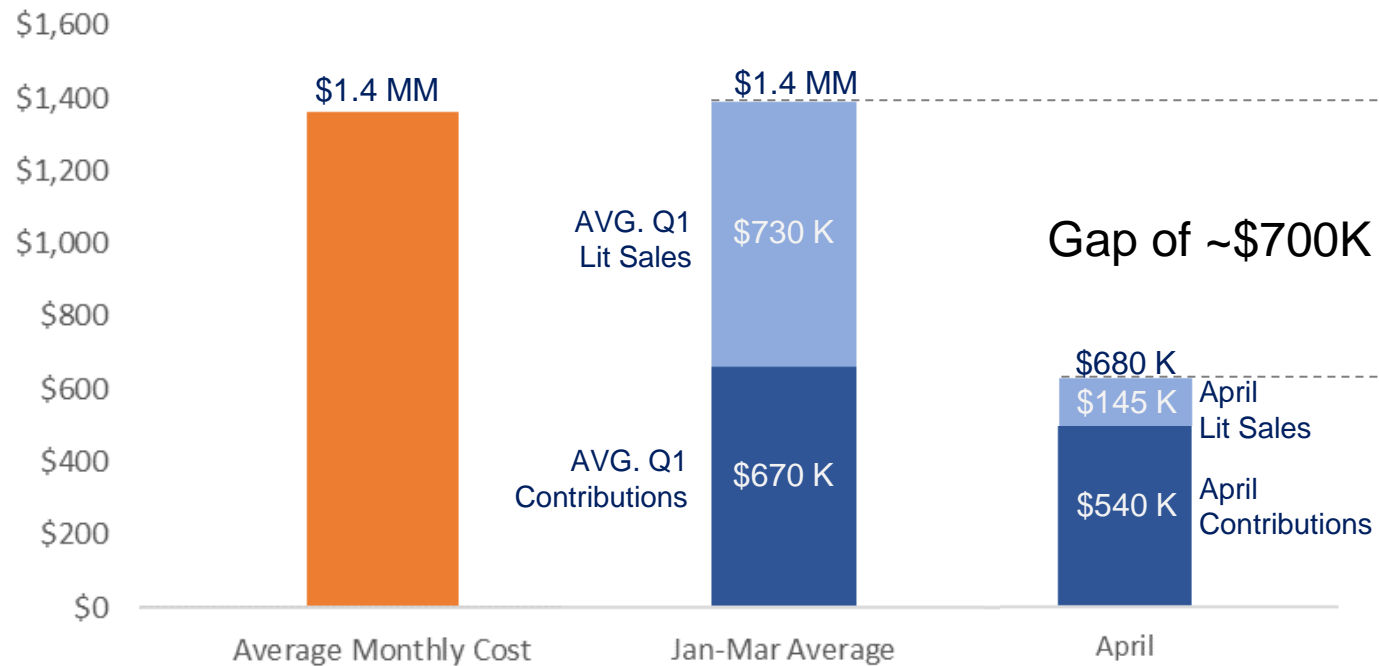
<u>Circulation</u>	June 2020 <u>Actual YTD</u>	June 2020 <u>Budget YTD</u>	Variance <u>Actual vs Budget</u>	June 2019 <u>Actual YTD</u>
GV Magazine	67,635	67,828	(193)	66,765
GV Online	3,865	4,070	(206)	3,006
GV Sub APP	<u>856</u>	<u>1,543</u>	<u>(687)</u>	<u>2,151</u>
Total Circulation	72,355	73,441	(1,086)	71,922
<u>Financial Activity</u>				
<u>Revenue</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>
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
<u>Expenses</u>				
<u>Expenses</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>
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

	June 2020	June 2020	Variance	June 2019
<u>Circulation</u>	<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>				
	June 2020	June 2020	Variance	June 2019
<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

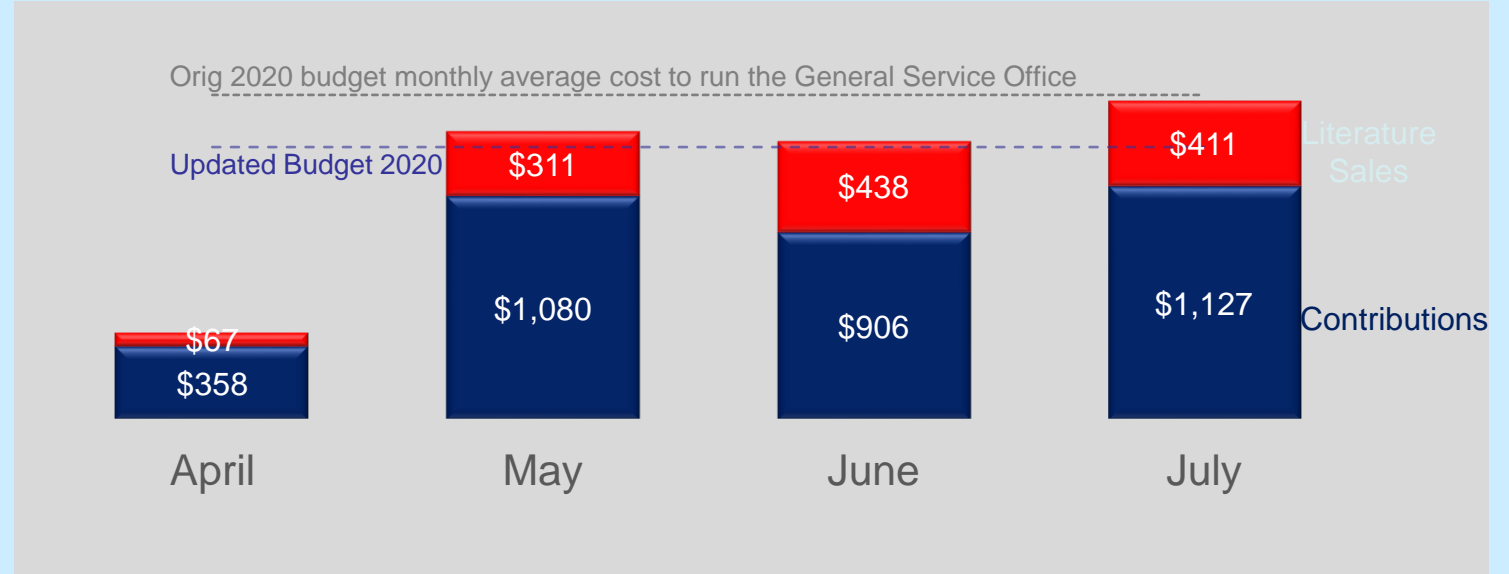
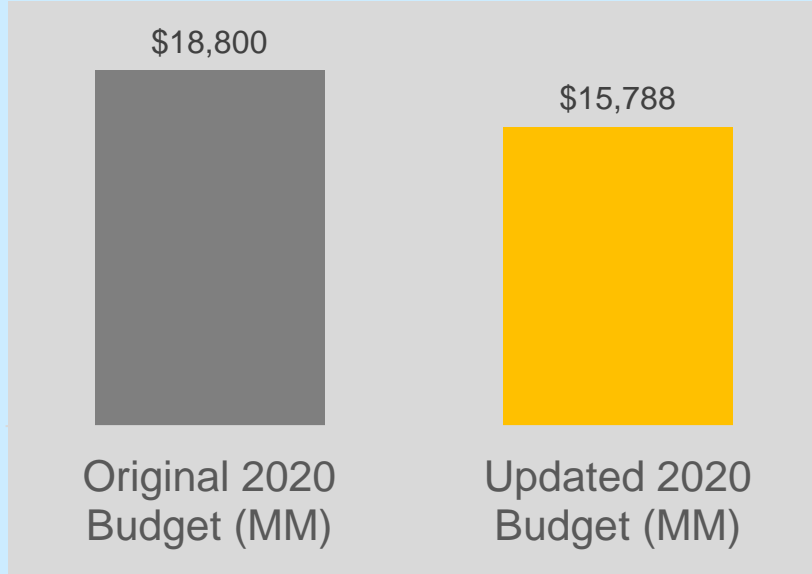
This gap is further increased by remaining Convention costs and Capitol expenses (ERP, eighth floor renovation)

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

Monthly Income vs. Monthly Budgeted Costs



New budget cuts costs by \$3MM

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

Any questions – Please feel free to contact me at – lesbackus50@gmail.com