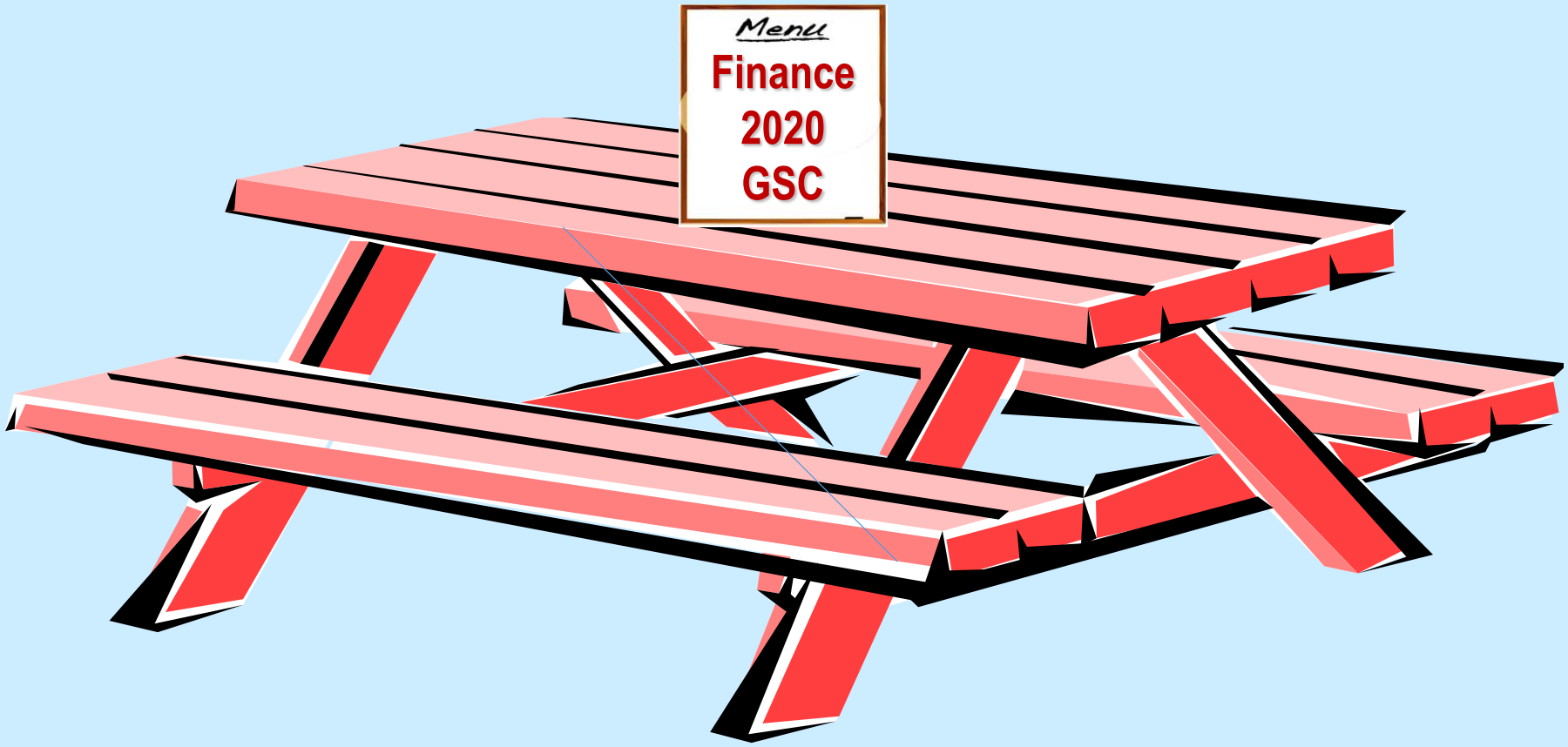
AROUND THE PICNIC TABLE



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

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 $379,665
- Grapevine subscription levels decreased 2% in 2019. 2019 results were a loss of $44,461 thousand
- General Fund support of La Viña service activity – $289,314 thousand
- 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.
- There may also be several versions of 2019 Income Statements for AAWS and the Grapevine. A final audited version of the financials will be included in the Final Conference Report.
- 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.

2020 Budgets – Where Are They?

- Budgets for 2020 are also being reviewed and updated
- COVID-19 has had such a dramatic effect on the economy and how we are doing business that the budgets that were prepared in January are no longer relevant
- NetSuite, the new ERP, will make future budgets easier to prepare, once we get the “bugs” out

2019 FINANCIAL HIGHLIGHTS - DRAFT

Amounts in $	2019 ACTUAL	2019 BUDGET	COMPARED TO 2019 BUDGET	2018 ACTUAL	COMPARED TO 2018 ACTUAL
GENERAL SERVICE OFFICE					
7th Tradition Contributions	**8.86 M**	8.38 M	$478,760 (5.71%) increase	8.39 M	$478,760 (5.71%) increase
Literature Profits	**9.36 M**	9.77 M	$416,250 (4.26%) decrease	9.45 M	$93,860 (1%) decrease
Net Income	**(0.3) M**	0.5 M	0.8 M (62%) decrease	.4 M	.1 M (20%) decrease
GRAPEVINE & LA VINA					
Average Circulation	**71,182**	76,086	4,904 (6.5%) decrease	72,300	1,126 (15%) decrease
Net Income (Loss)	**(44 K)**	(135 K)	91 K (67%) increase	(149) K	107 K (39%) better
General Fund support of **La Viña** service activity	**289 K**	166 K	123 K (74%) increase	148 K	141K (94%) increase
RESERVE FUND					
Coverage Ratio	**9.2 months**	9.4 month4	Decrease of 0.4 months (7%) months	9.7 Months	.2 months decrease
M – millions; K – thousands					

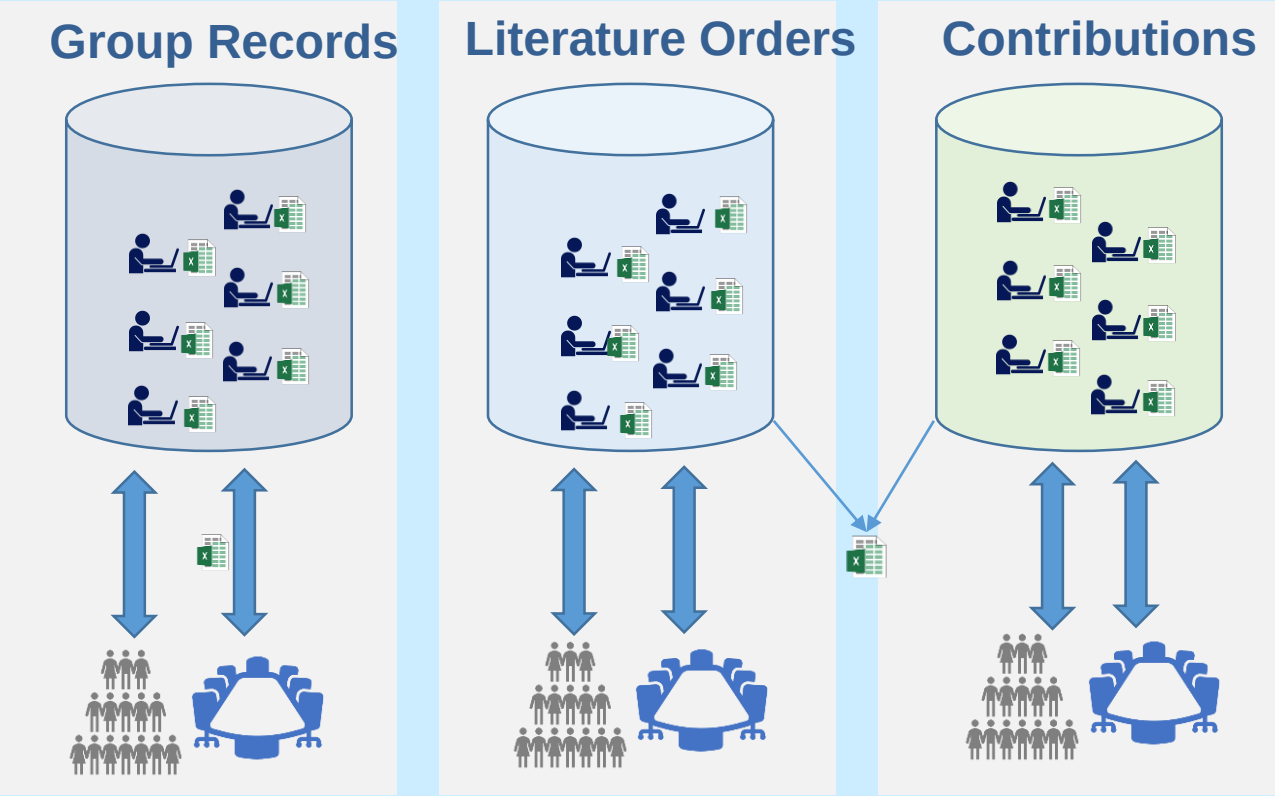
2019 Financial Results – What Happened?

- The 2019 GSO Budget showed a net profit of $501,221 but the actual for 2019 is a loss of $379,655
- Income was $62,512 less than budgeted and expenses were $943,388 more than budgeted
- Expenses for Contracted Services and Professional Fees were higher than expected
  - Professional Fees were $317,653 over budget, in large part due to contract reviews. AAWS is in the process of implementing a new way to review contracts which is both cost efficient and less time consuming
  - Contracted Services were $831,948 over budget, in large part due to the implementation of NetSuite, the new ERP System

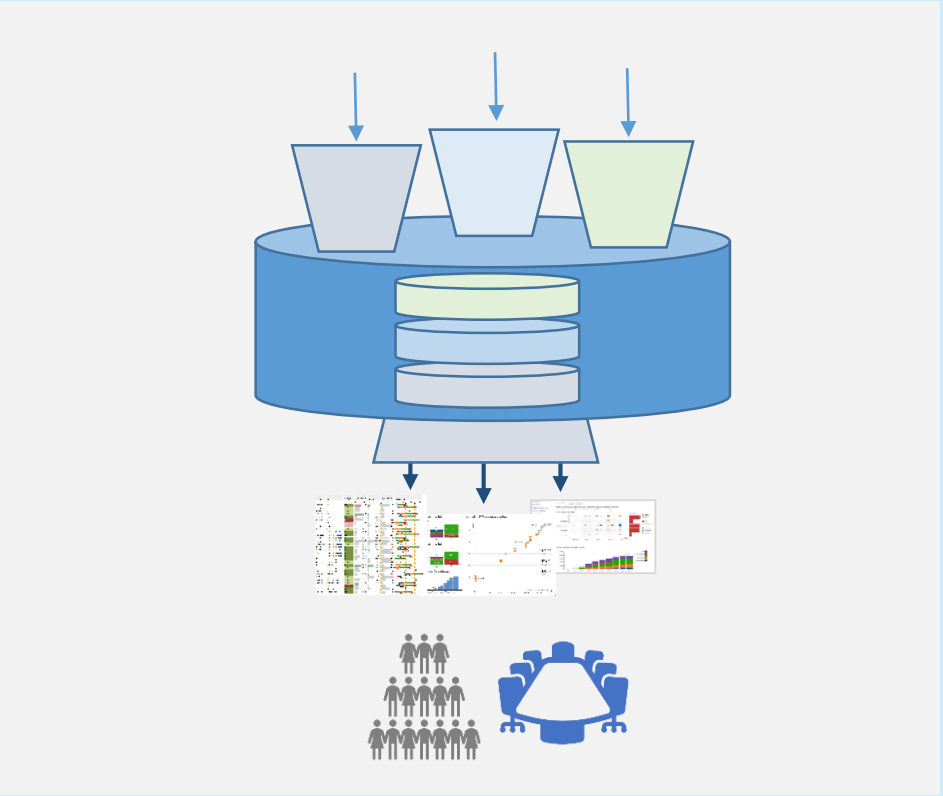
What is an ERP?

ENTERPRISE RESOURCE PLANNING SYSTEM BRINGING IT ALL TOGETHER

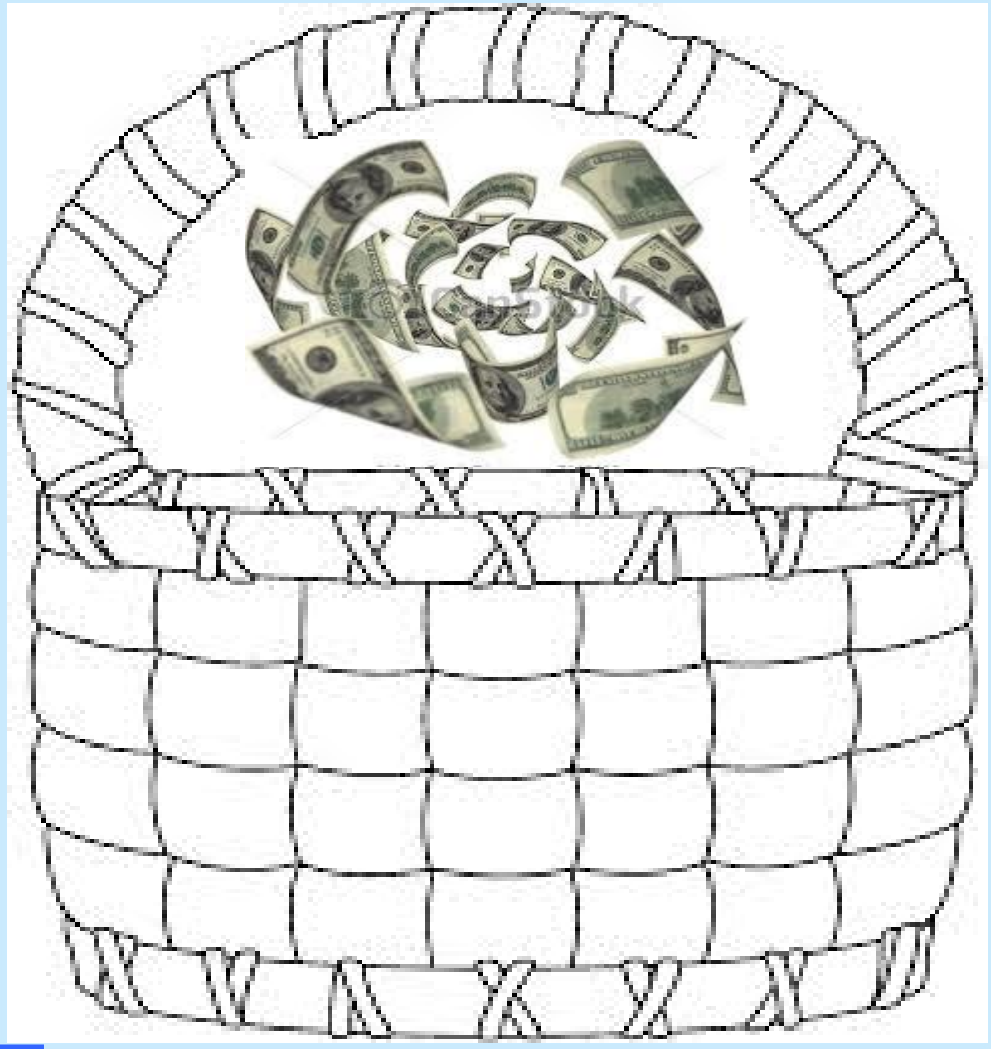
Our Traditional Approach



Enterprise Resource Planning System (ERP)

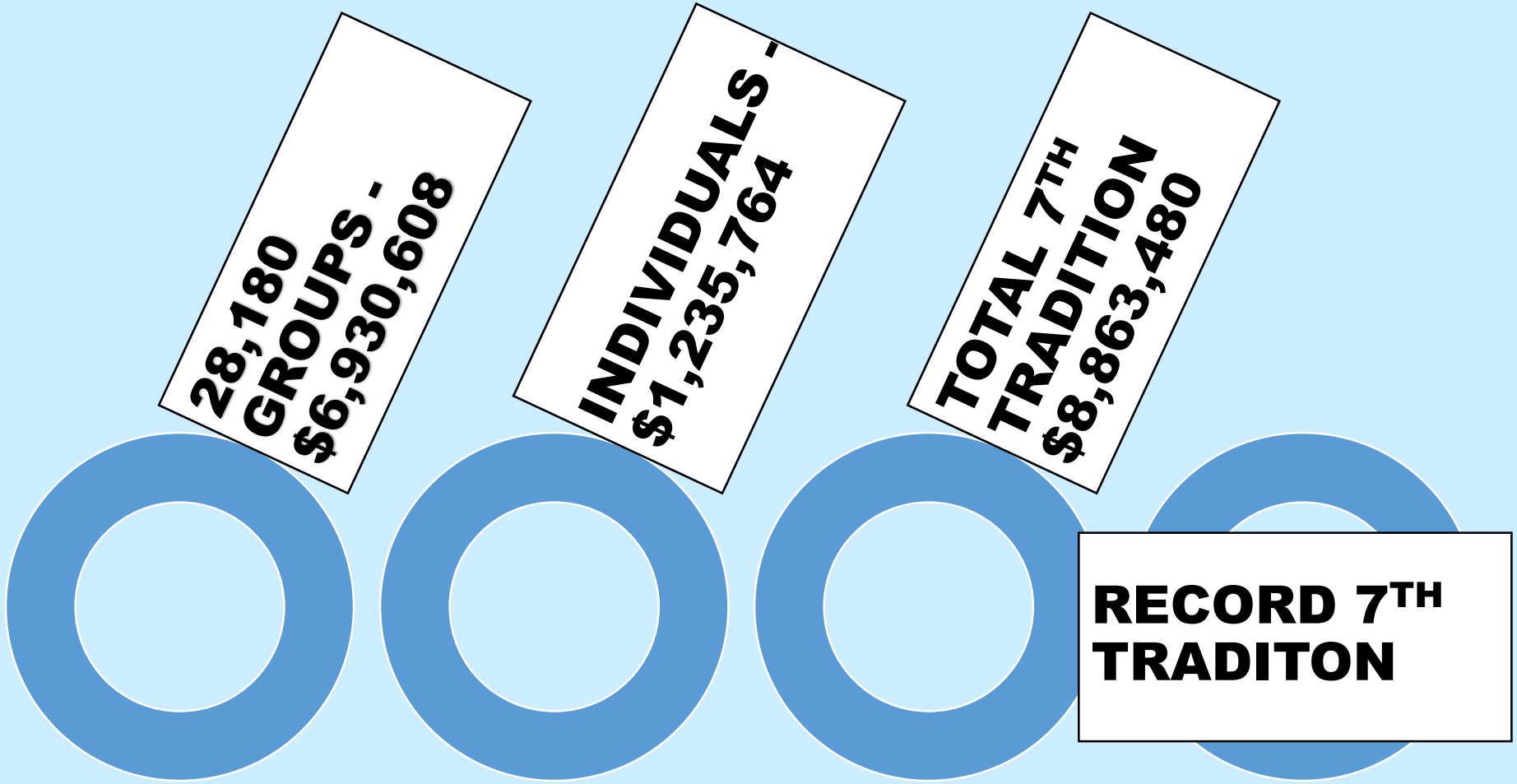


GRATITUDE



7TH TRADITION

7TH TRADITION – 2019 – $8.86 MILLION



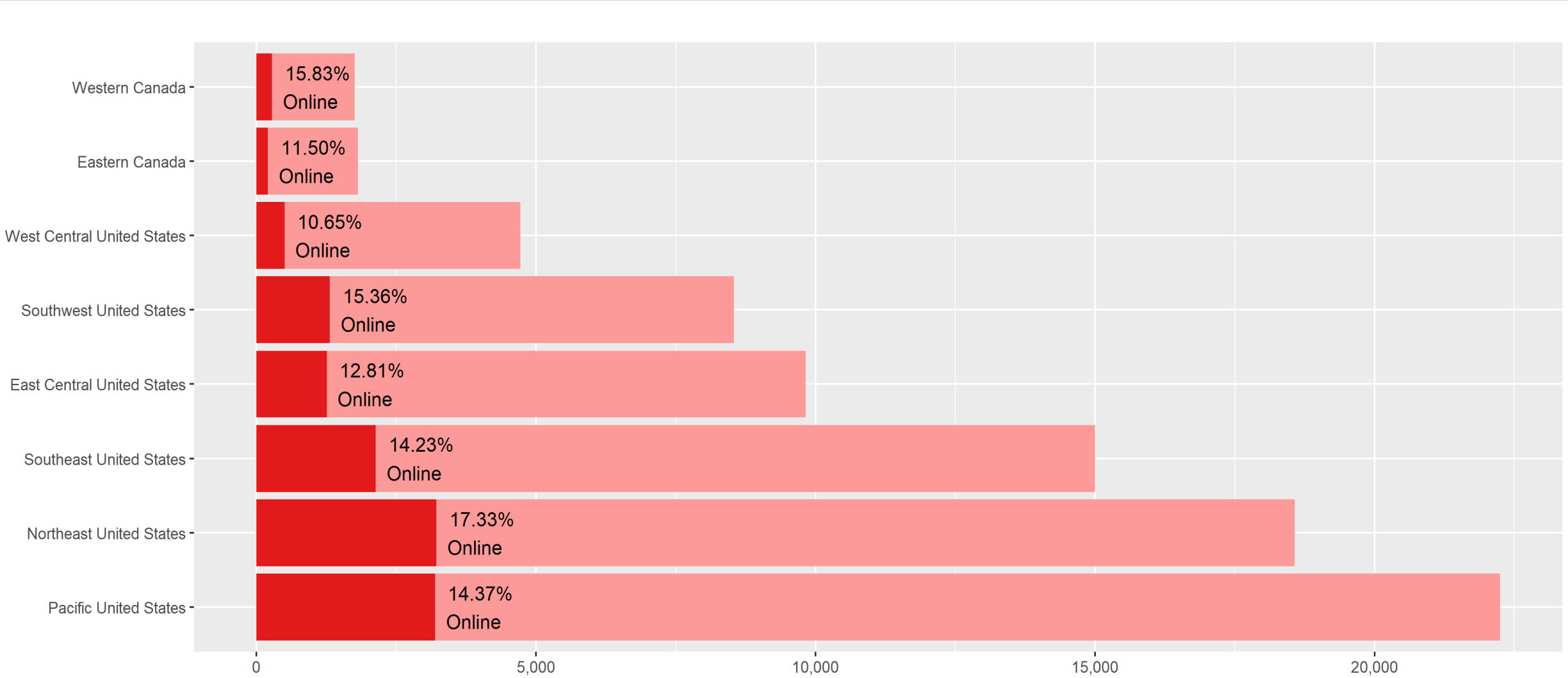
2019 HIGHLIGHTS

- 28,180 Groups made $6.9 million of 7th Tradition contributions
  - Represents 40.6% of total groups
  - $245.715 average group contribution

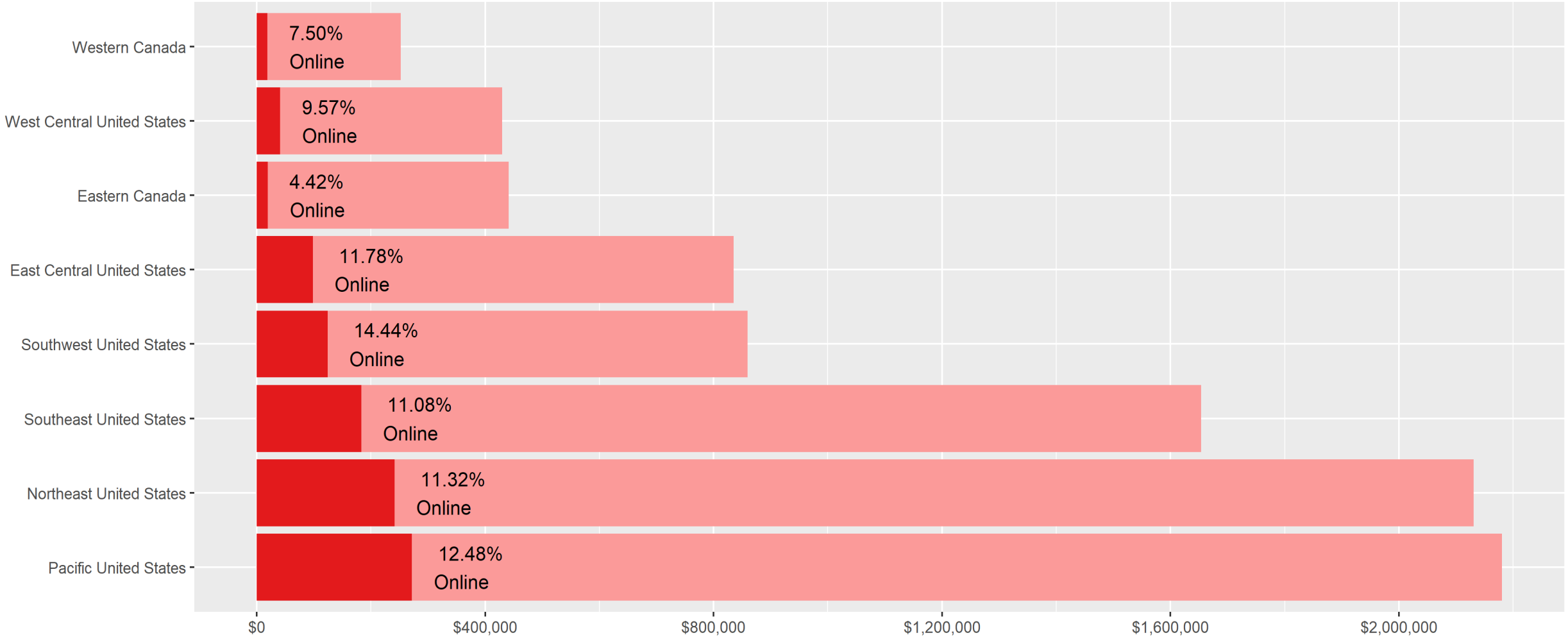
- Individuals, Memoriam & Special Meetings contributed $1.3 million of 7th Tradition contributions

- Total 7th Tradition contributions were $8.86 million

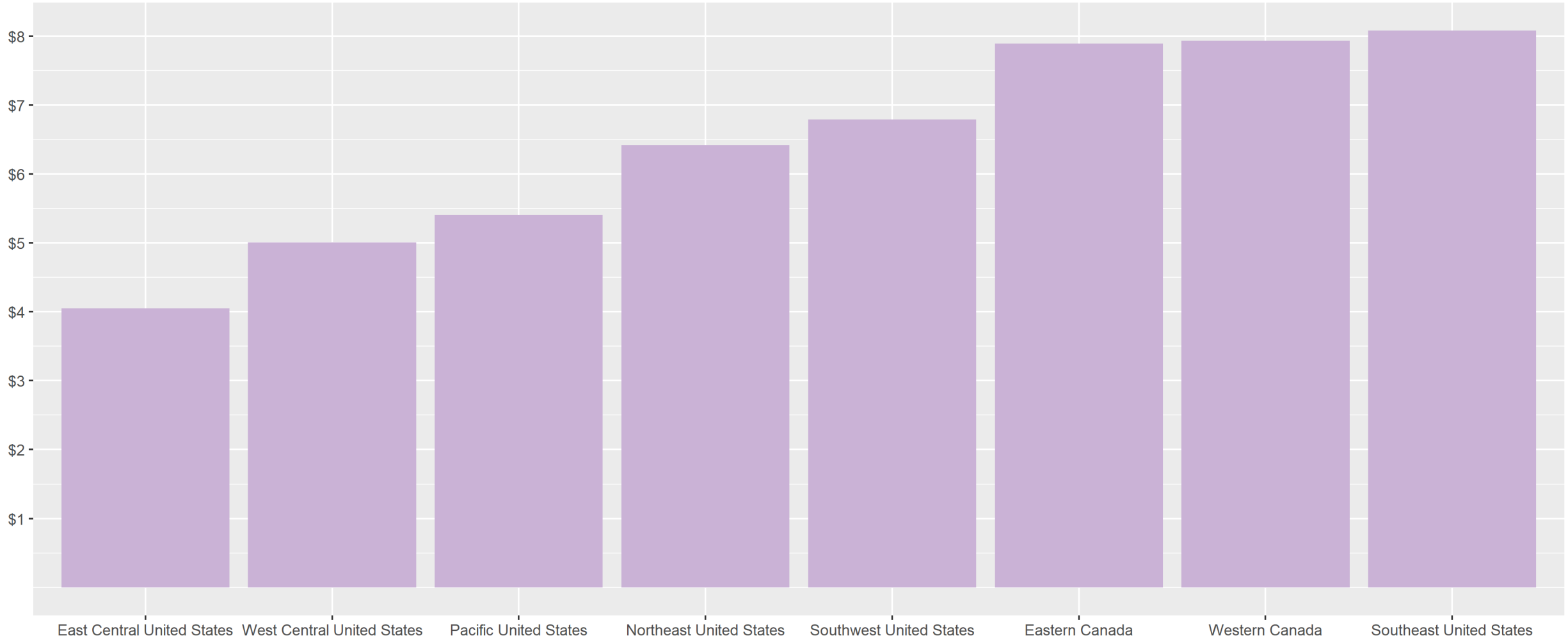
7th Tradition Contributions Number Received by Region



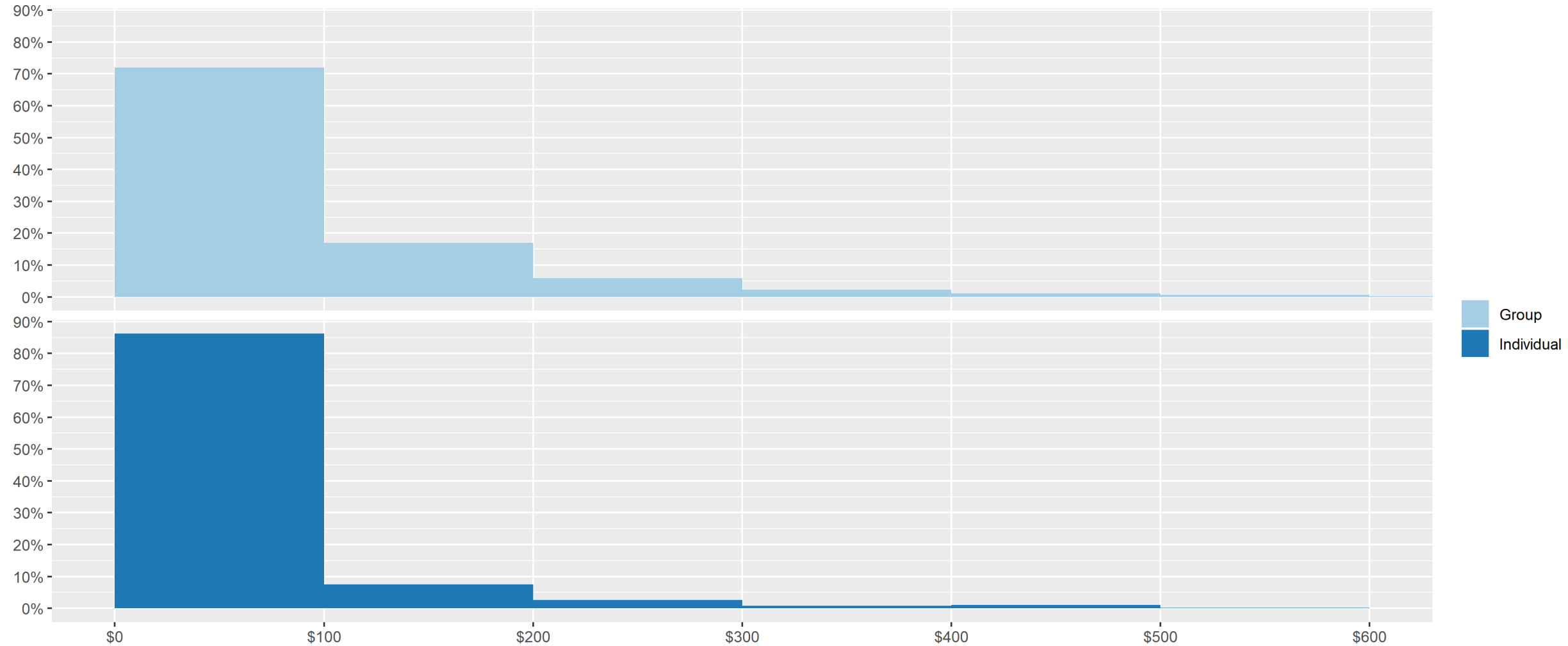
7th Tradition Contributions
Regional Impact by Value (USD)



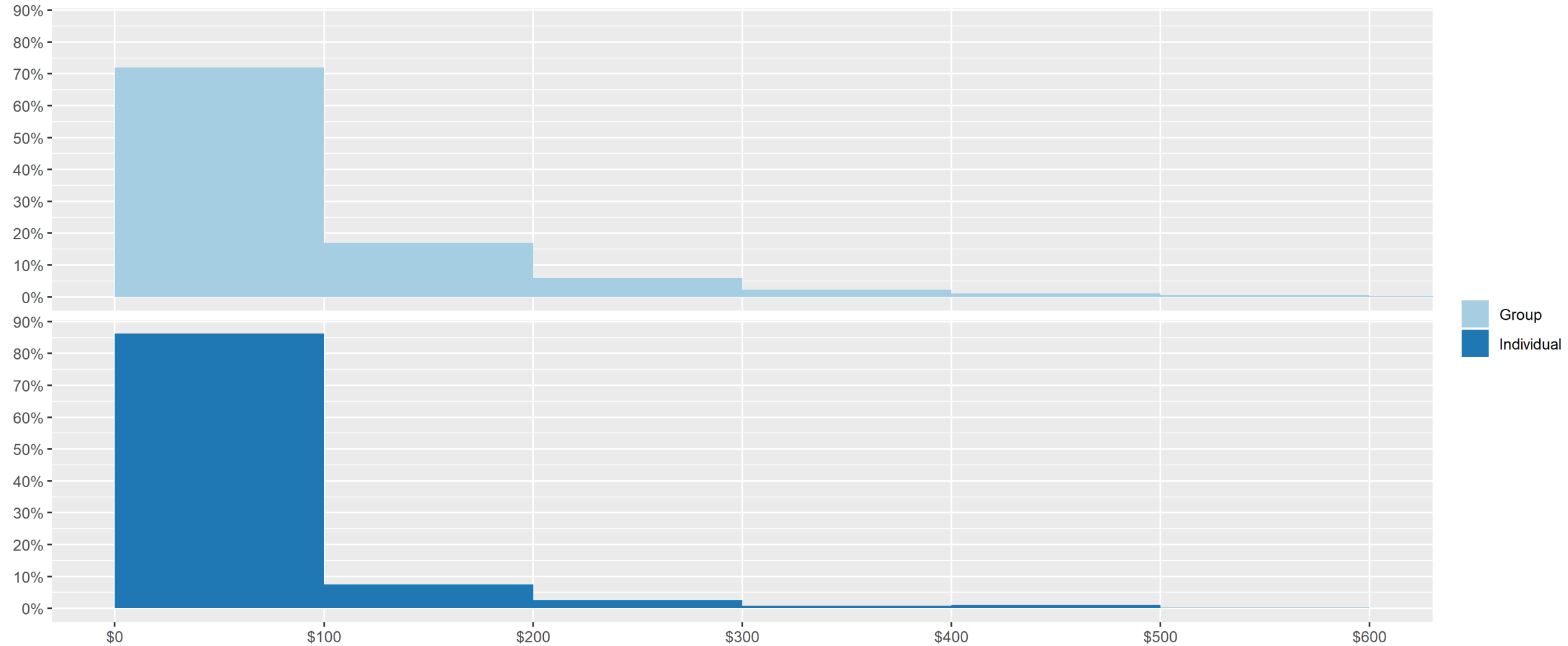
7th Tradition Contributions
Regional Per Capita



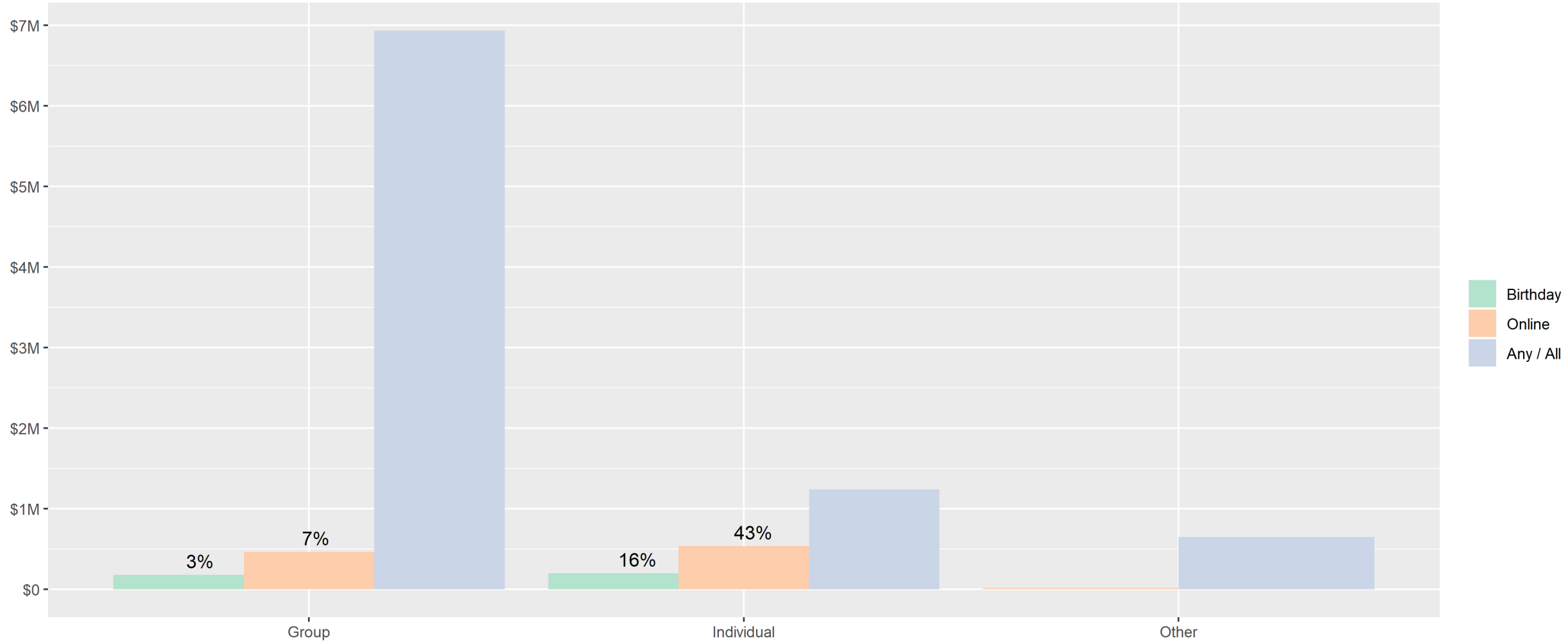
Distribution of Received Contributions



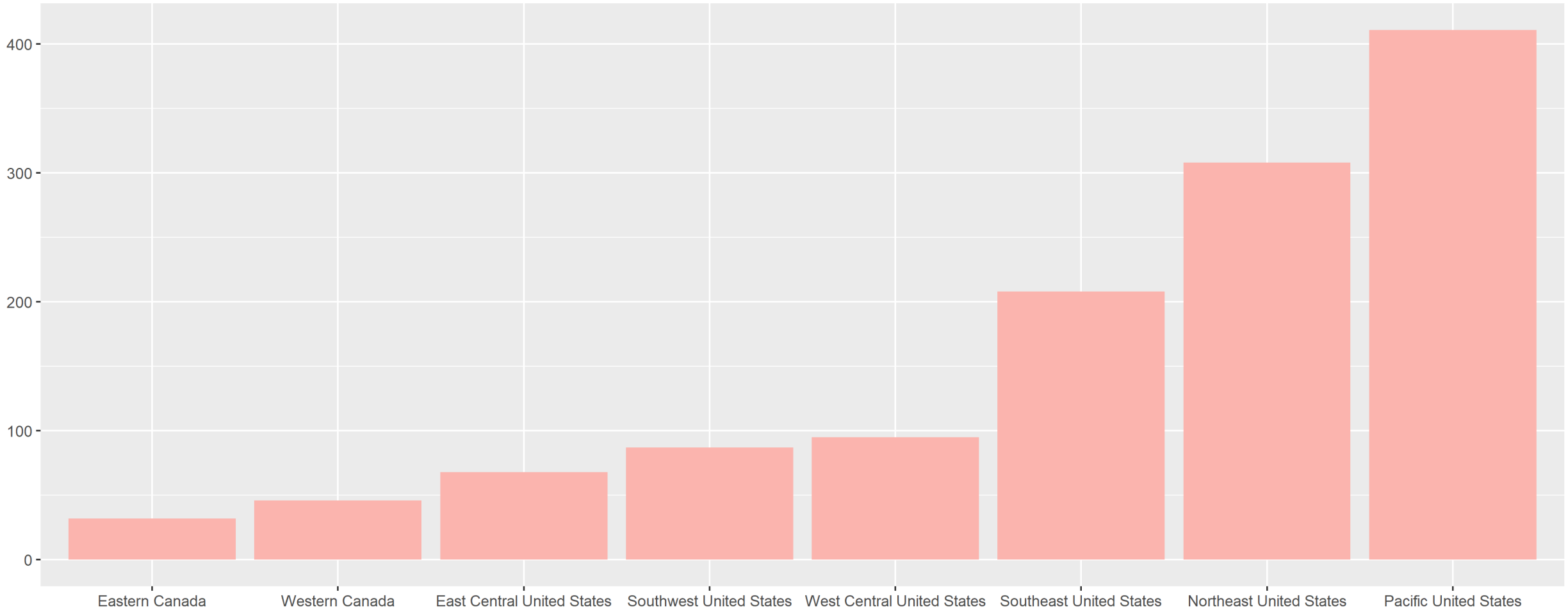
Distribution of Received Contributions



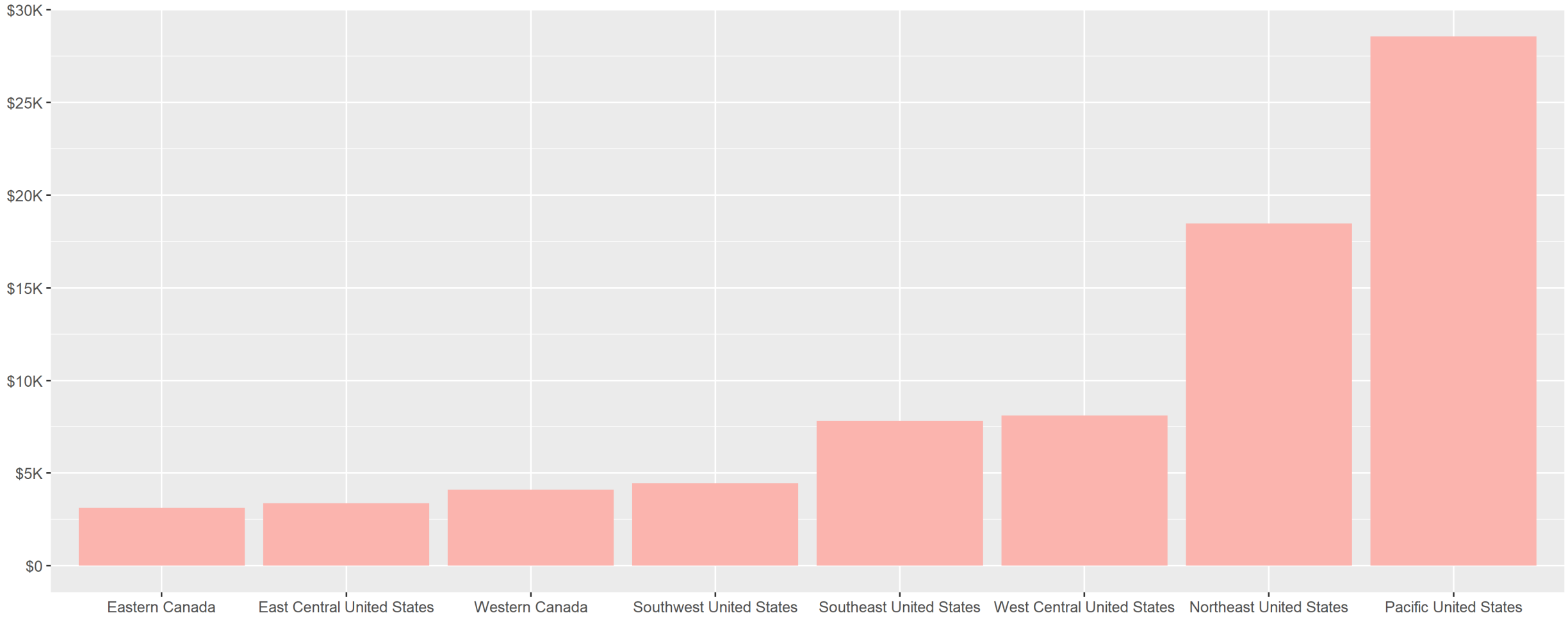
7th Tradition Contributions Impact by Value (USD)



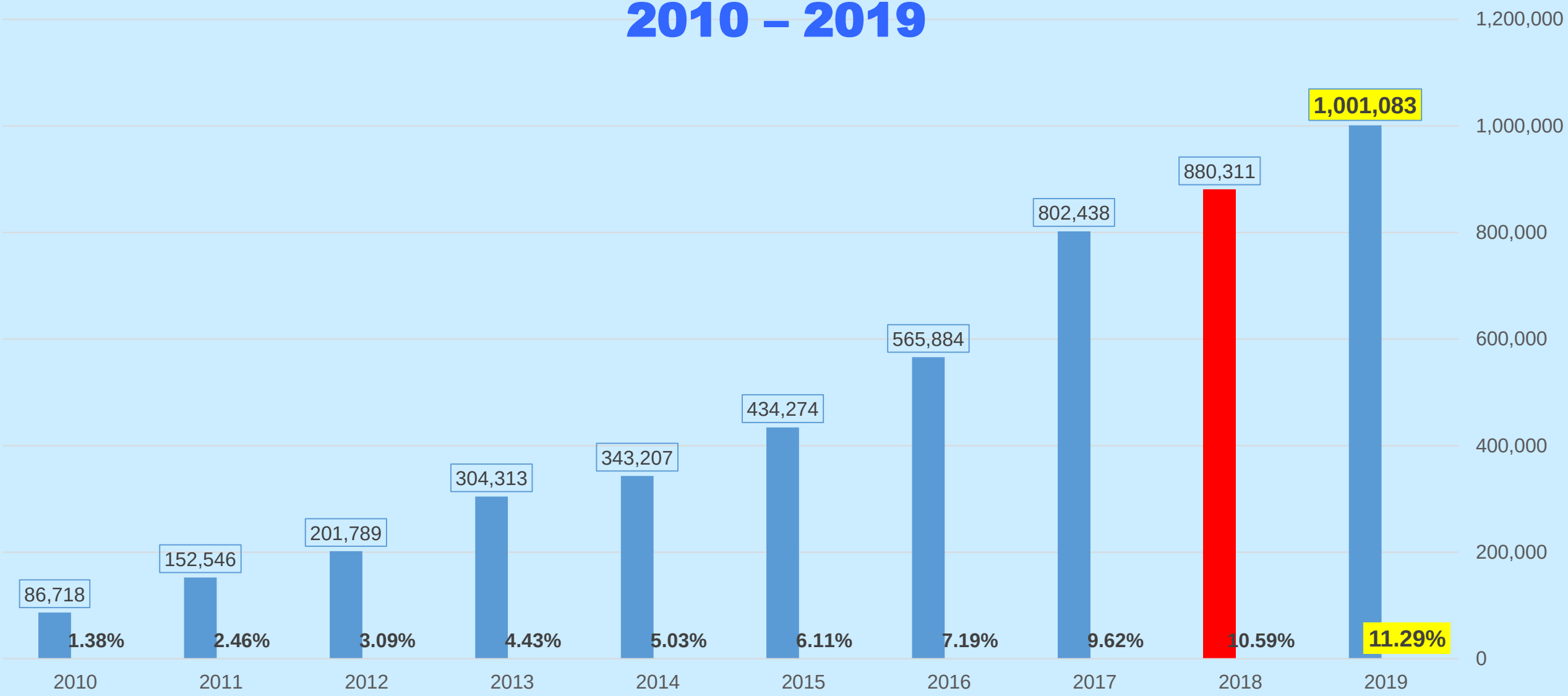
“$8.04” Contributions
Number Received by Region



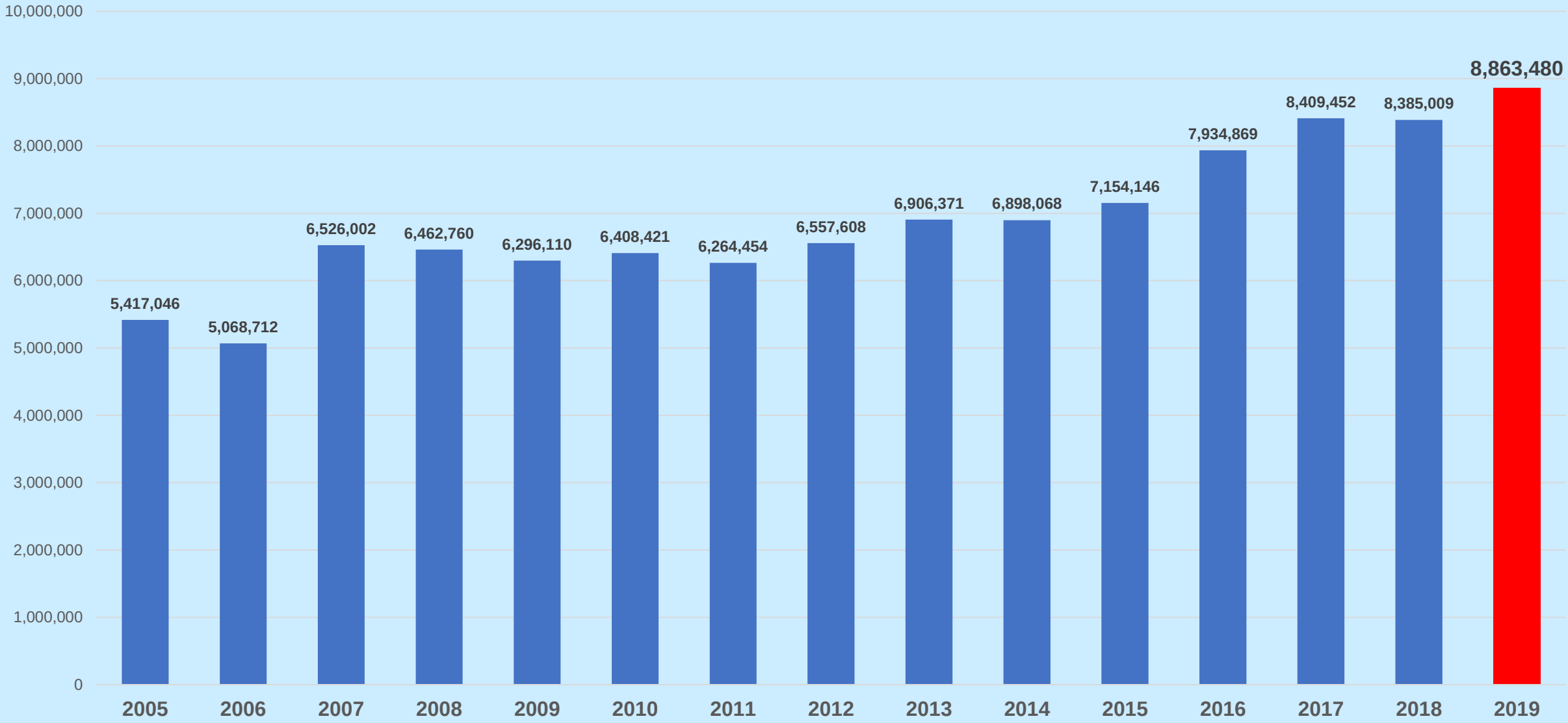
“$8.04” Contributions
Regional Impact by Value (USD)



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

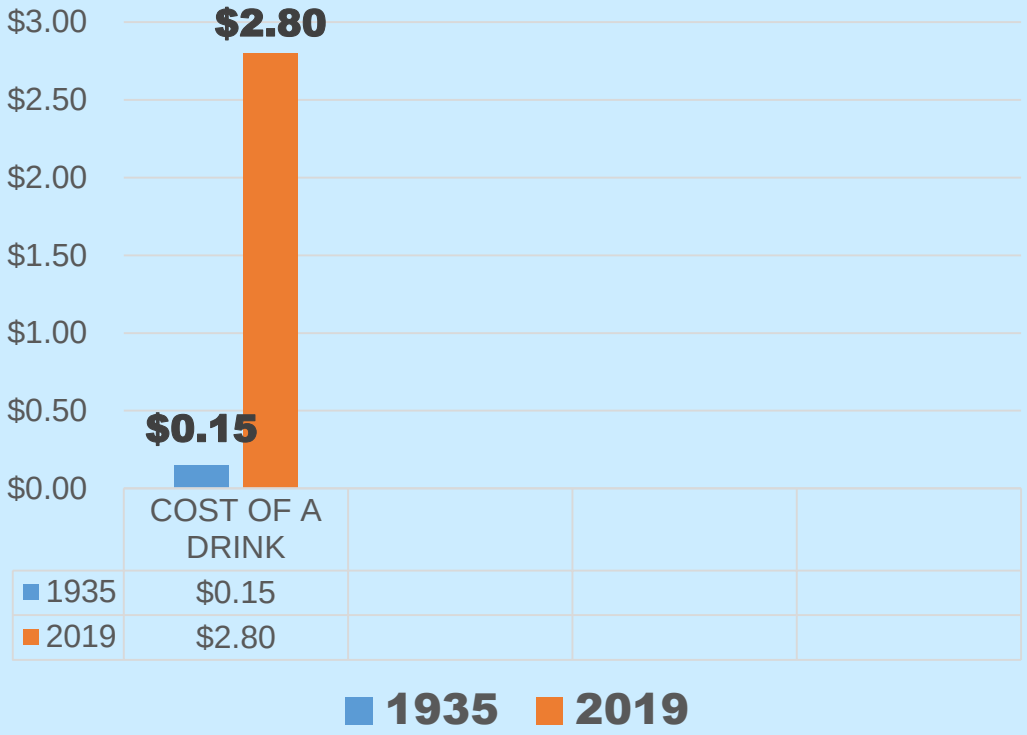
Remember inflation when deciding upon your 7th Tradition Self-Support Contributions for:

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

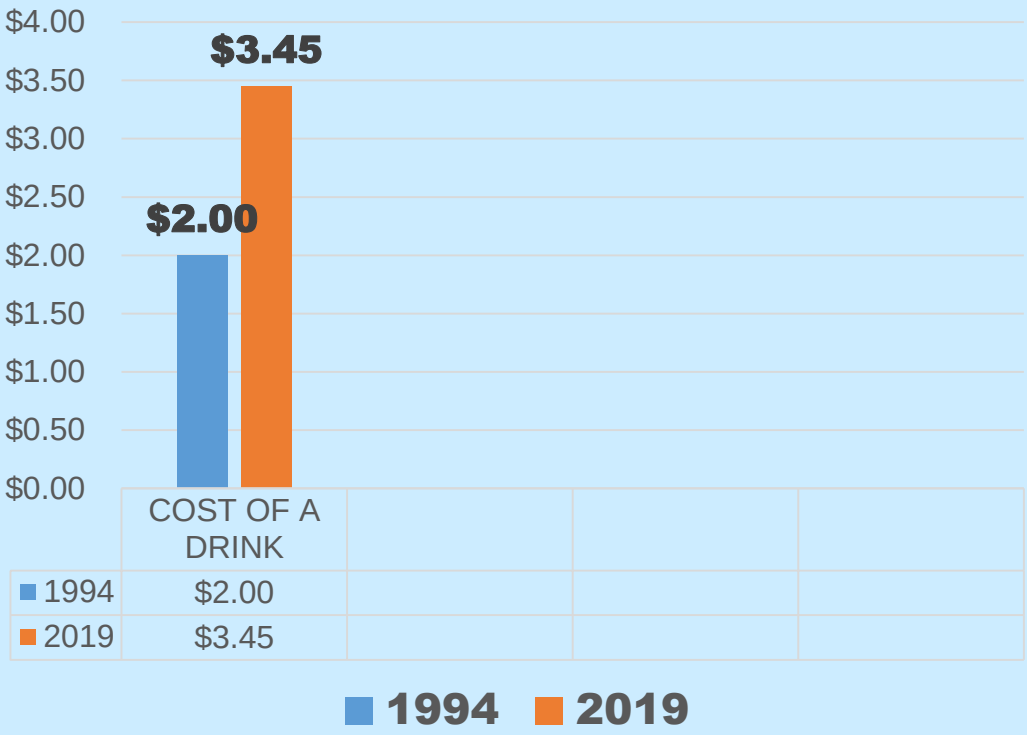
2019: $18.84

INFLATION CALCULATOR
COST OF A DRINK OVER TIME

Bill W. & Dr. Bob



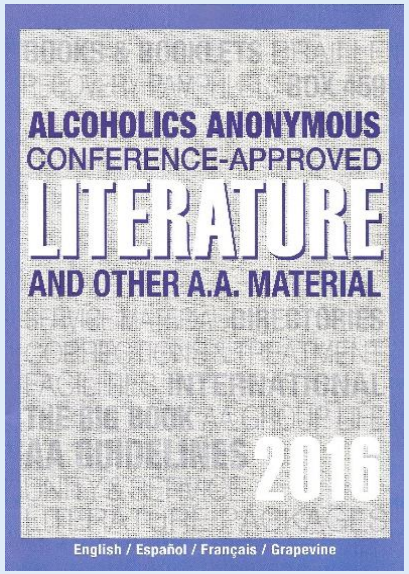
Average Delegate's Sobriety – 25 Years

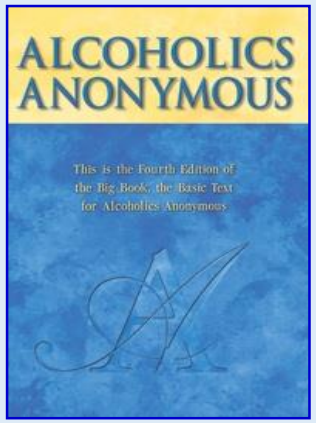


THROUGH OUR OWN SELF-SUPPORT

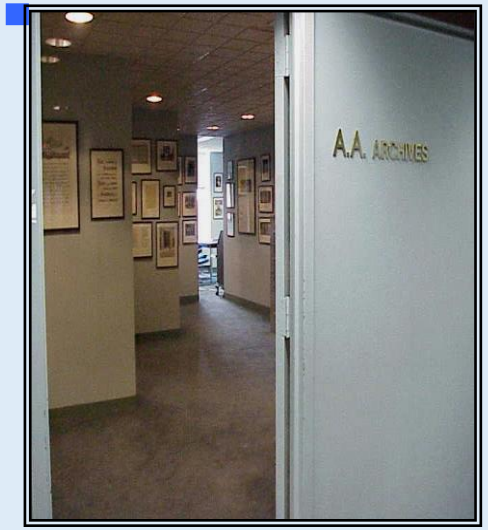
G.S.O.'s TWO BASIC FUNCTIONS

- **Publishing**





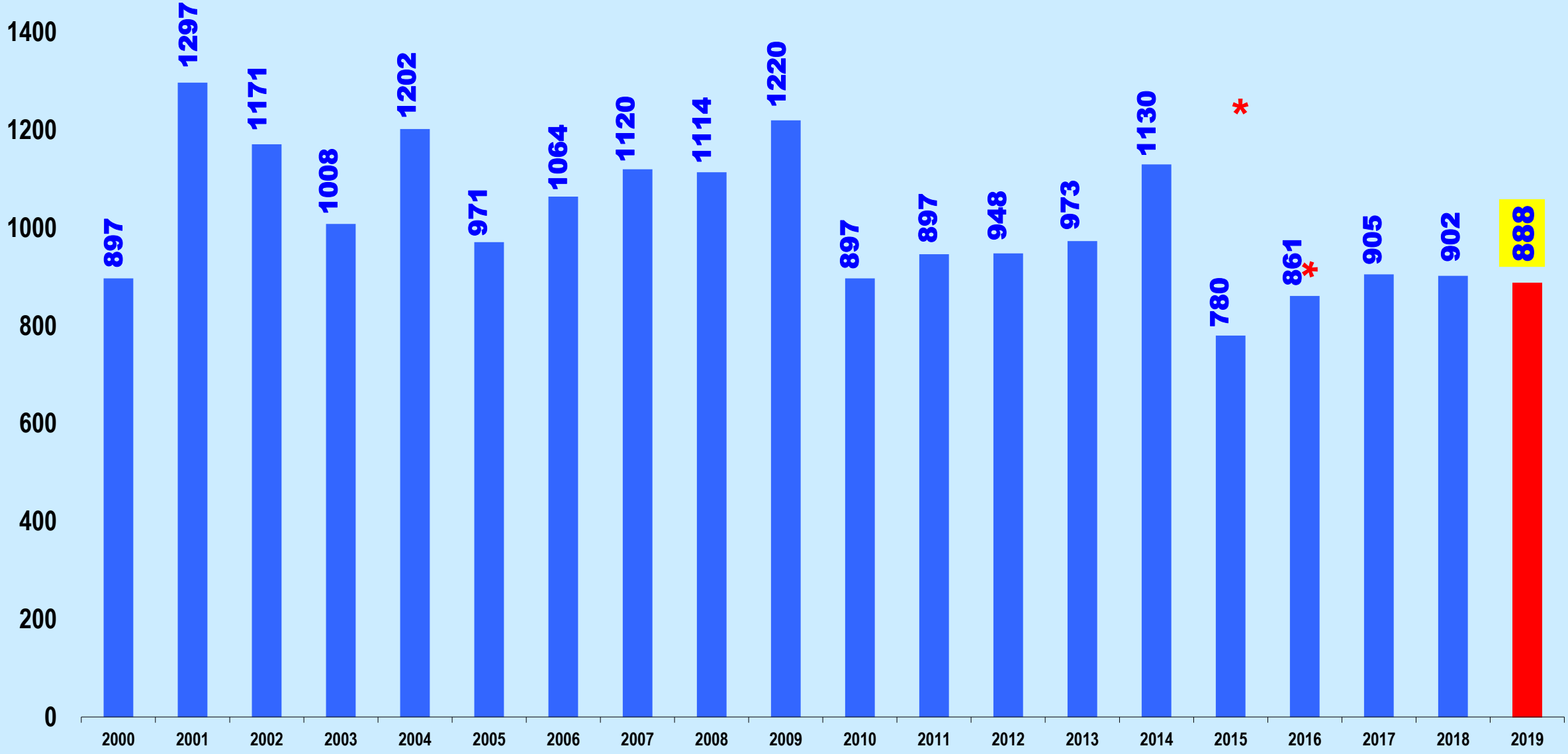
- **Services on Behalf of the G.S.B.**



AAWS – PUBLISHING – 2019 ACTUAL vs 2019 BUDGET

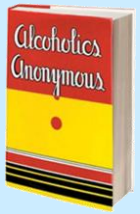
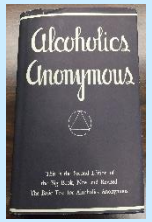
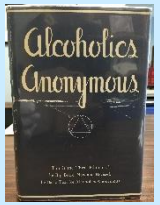
$ in Thousands	2019 ACTUAL	2019 BUDGET	INCREASE (DECREASE)
Net Sales – Literature	14,259	14,775	(516)
Cost of Literature Sold	2,646	3,100	(454)
Direct Shipping and Warehousing	1,956	1,900	56
Gross Profit	9,657	9,775	(118)
Gross Profit Percentage	67.7%	66.2%	1.5%
The YTD sales to budget variance was largely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

BIG BOOK – UNITS SOLD – 2000– 2019



*Excludes 75th Anniversary Edition

BIG BOOK PRICING

	Year Published	Original Price	2019 Inflation Adjusted Price
First 	1939	$3.50	$64.24
Second 	1955	$4.50	$43.31
Third 	1976	$5.65	$26.11
Fourth	2001	$6.00	$8.81

HISTORY OF LITERATURE PRICING ACTIONS

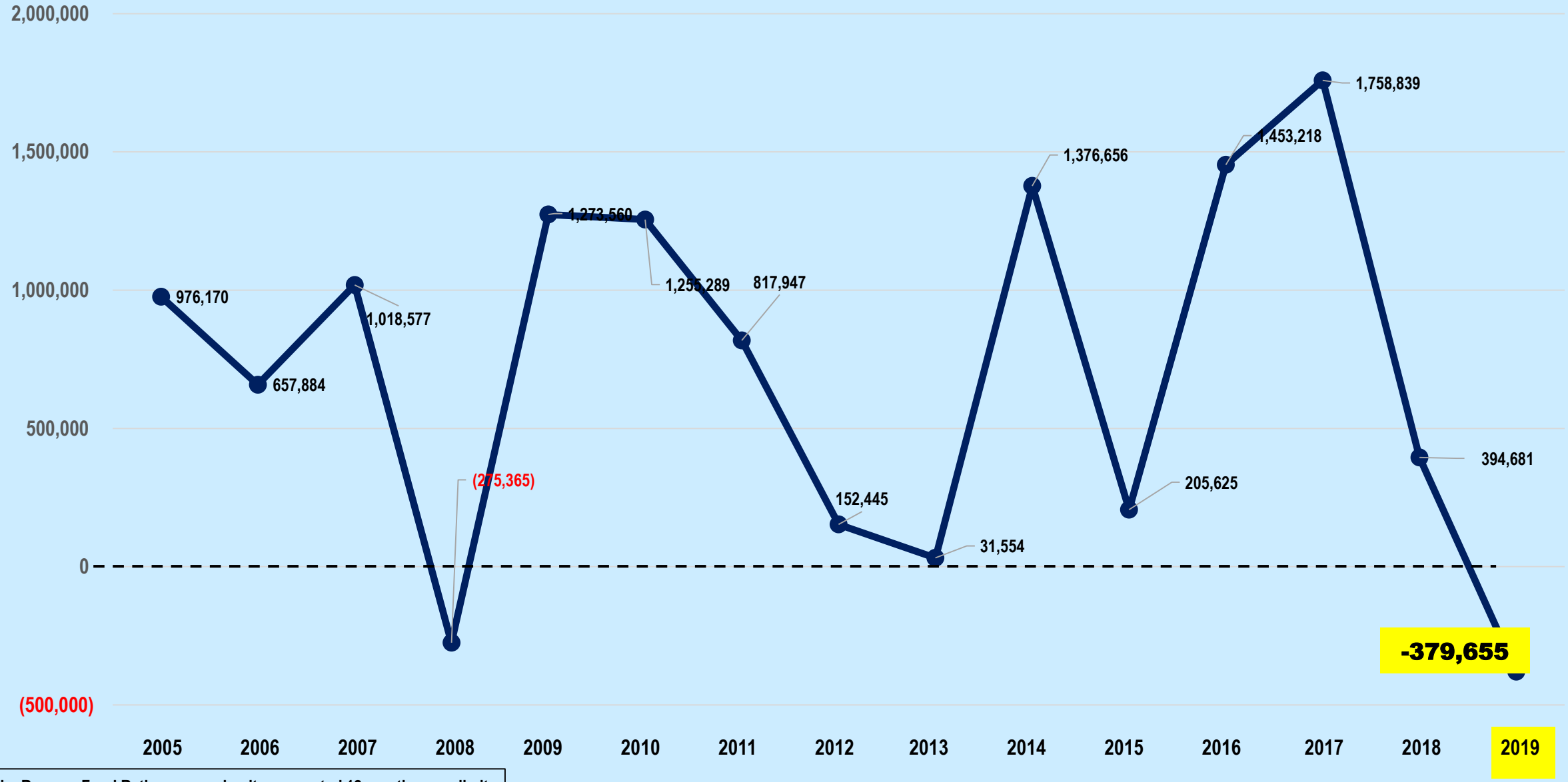
- Restored the price of the Big Book in July 2004 by raising the price by $1.
- Announced increases in certain book prices and handling charges effective July 1, 2005.
- Price increases July 2009 and October 2014 for long-term fiscal health.
- Decision made that there will be no general literature price increase in 2019.

SELF-SUPPORT OF THE WORLD SERVICES OF ALCOHOLICS ANONYMOUS

The A.A. spiritual principle of self-support enables us to pursue our primary purpose of carrying the message to the still-suffering alcoholic with a shared sense of responsibility for our lifesaving work and without interference or financial dependence on outsiders. From our Fellowship's earliest days, the expenses of the General Service Office, and the world services provided by it, have exceeded the amount derived from contributions of A.A. groups and members. As a result, providing these needed services has necessarily been supported in part by income from the sale of A.A. literature. It is the policy of the General Service Board that income from literature sales should only be in amounts required to allow continued provision of vitally needed services and maintenance of a Reserve Fund. We hope that the day will come when A.A. groups and members, through their contributions, will be able to fund fully the services provided by the General Service Office. If that is achieved, revenues from literature sales will only be needed in amounts necessary to cover the actual costs associated with literature production and to maintain a Reserve Fund.

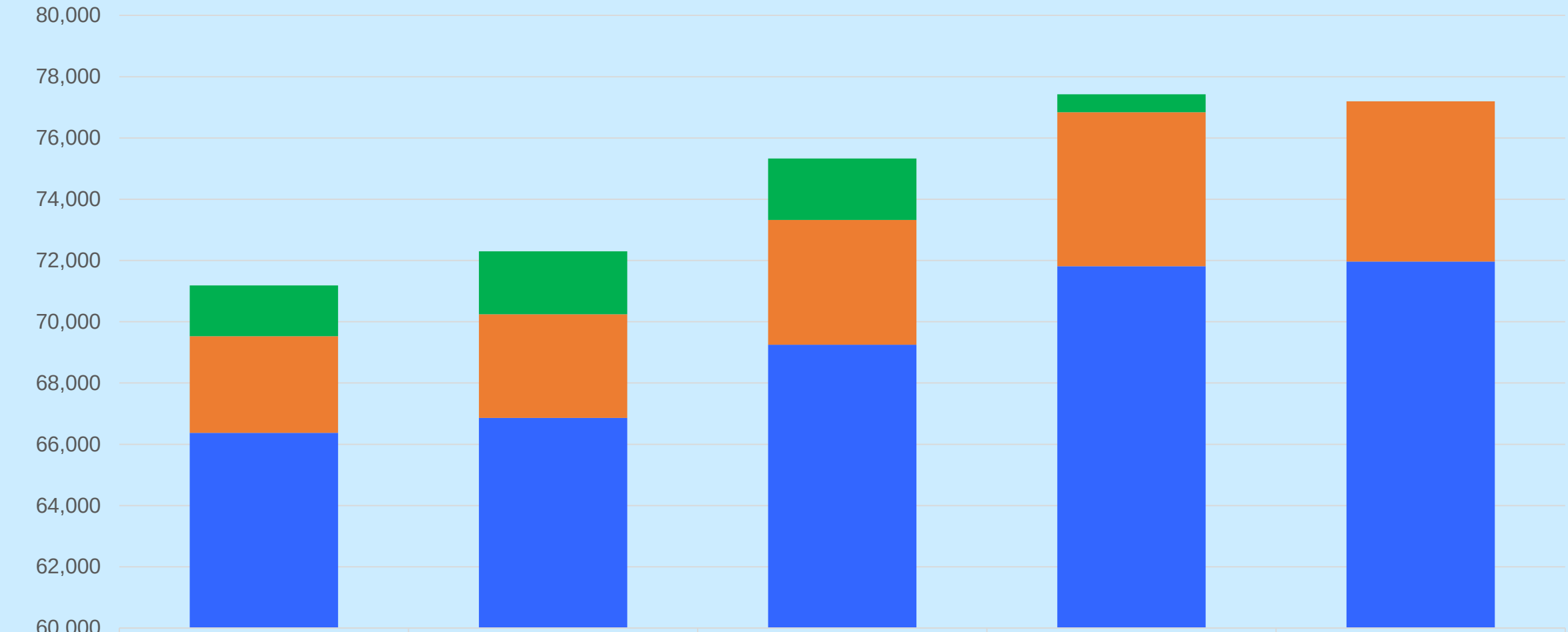
Approved by the General Service Board February 3, 2014

GSO & AAWS – OPERATING RESULTS – 2005 – 2019



Since the Reserve Fund Ratio was nearing its suggested 12 month upper limit in the early part of the decade, A.A.W.S., consistent with established policy, lowered literature prices to incur an operating loss as the way of reducing the Reserve Fund.

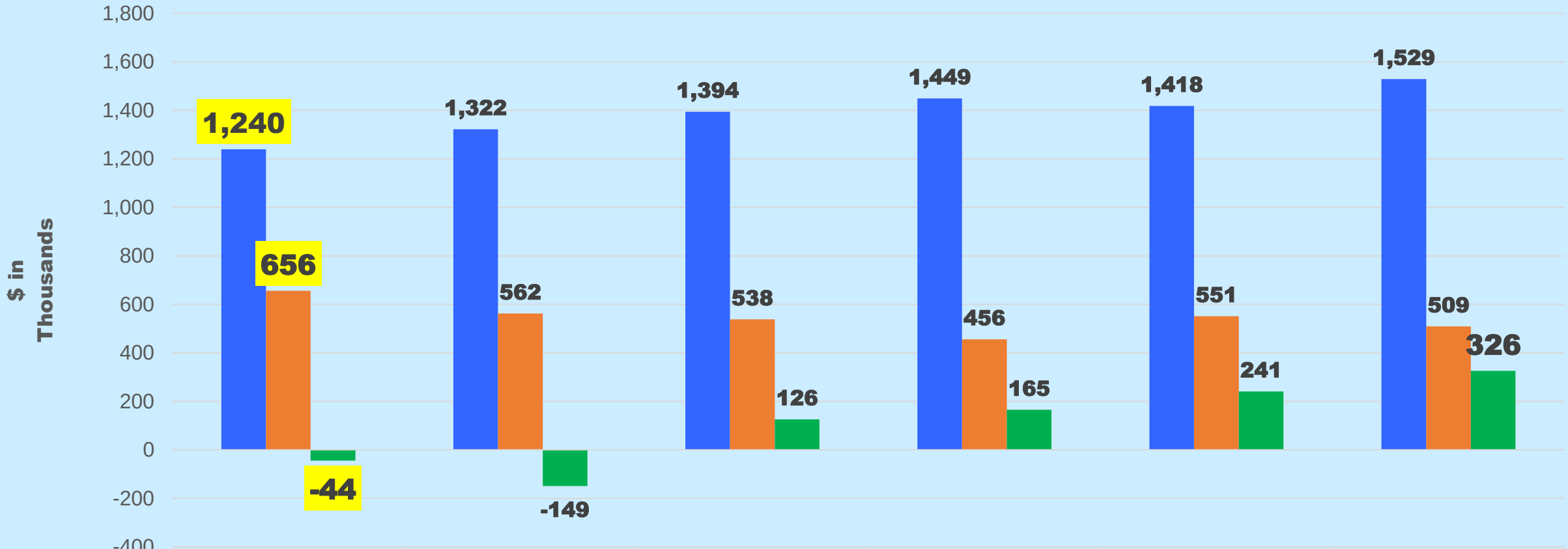
GRAPEVINE – AVERAGE CIRCULATION – 5 YEAR HISTORY



	2019	2018	2017	2016	2015
APP	1,654	2,053	2,003	588	
ON-LINE	3,152	3,390	4,077	5,030	5,233
PRINT	66,376	66,857	69,249	71,811	71,966

GRAPEVINE – KEY AMOUNTS – 5 YEAR HISTORY

GROSS PROFIT & NET PROFIT



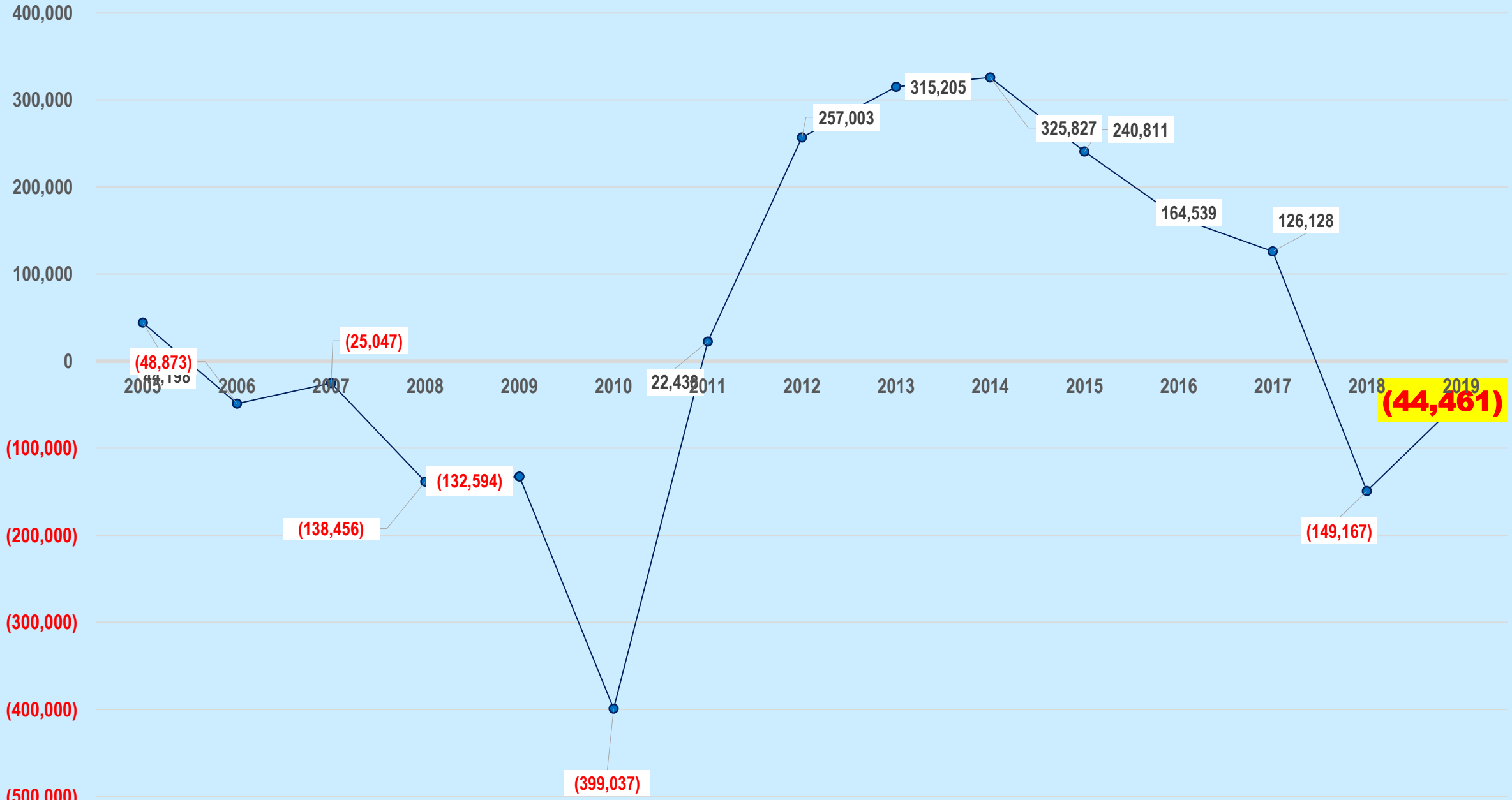
	2019	2018	2017	2016	2015	2014
Grapevine	1,240	1,322	1,394	1,449	1,418	1,529
Other Content	656	562	538	456	551	509
Net Profit	-44	-149	126	165	241	326

GRAPEVINE – 2019 ACTUAL VS 2019 BUDGET - DRAFT

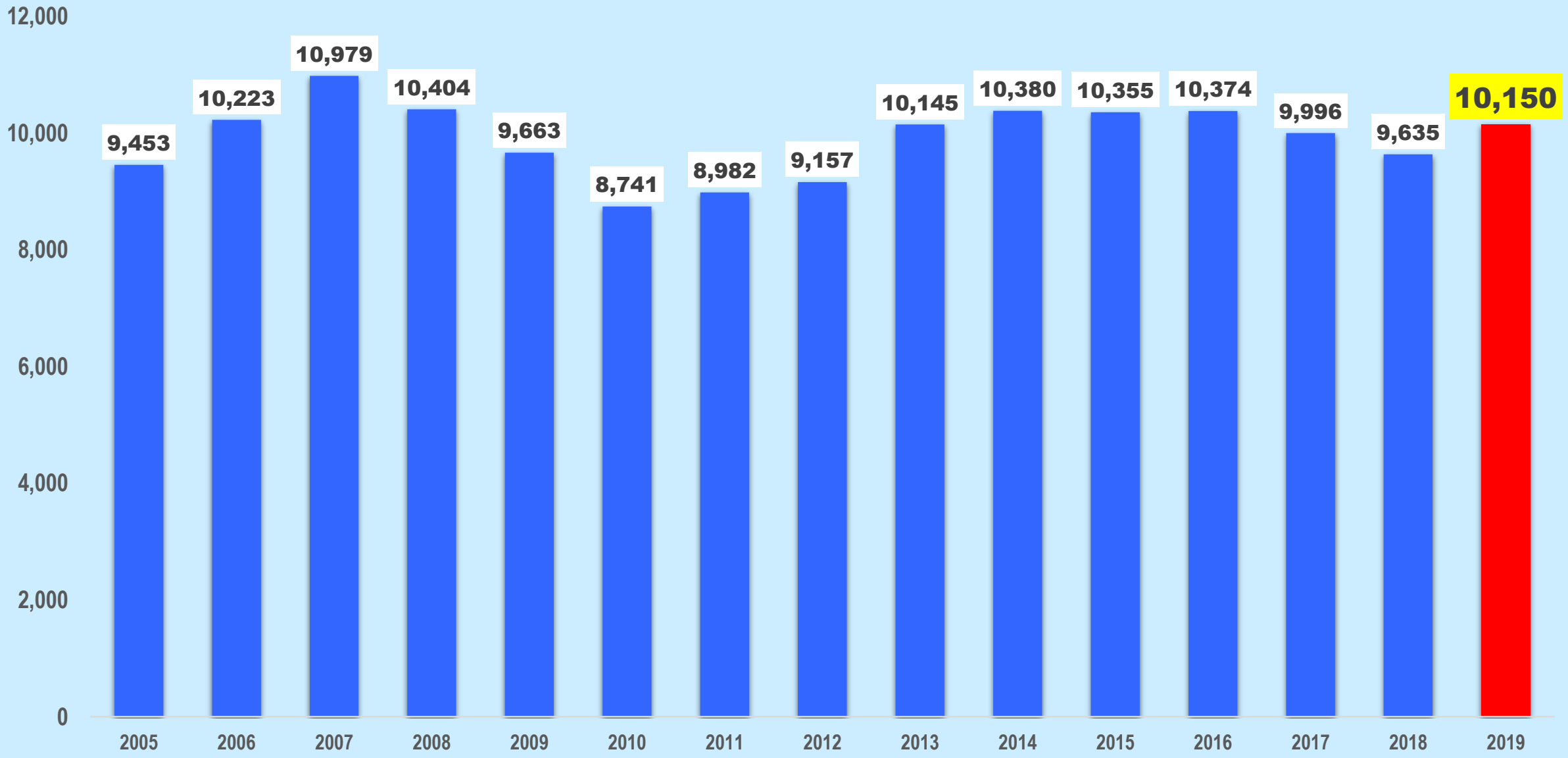
AVERAGE CIRCULATION – PRINT	66,376	69,139	(2763)
ONLINE & APP	4,806	6,947	(2141)

$ in Thousands	2019 ACTUAL	2019 BUDGET	Increase (Decrease)
Magazine Revenue	1,938	2,096	137
Magazine Direct Costs	(698)	(683)	56
Gross Profit on Magazine	1,240	1,413	81
Other Publishing Revenue	938	957	104
Cost of Goods Sold	(282)	(304)	52
Gross Profit on Other Publishing Items	656	653	52
Total Gross Profit	1,896	2,066	133
Costs and Expenses			
Editorial Costs	632	801	(96)
Circulation and Business	1,008	1,183	(7)
General and Administrative	330	236	125
Total Costs and Expenses	1,972	2,220	22
Interest Income	31	20	11
Net Income	**(44)**	(135)	122

GRAPEVINE OPERATING RESULTS – 2005 – 2019



LA VIÑA – AVERAGE CIRCULATION – 2005 – 2019



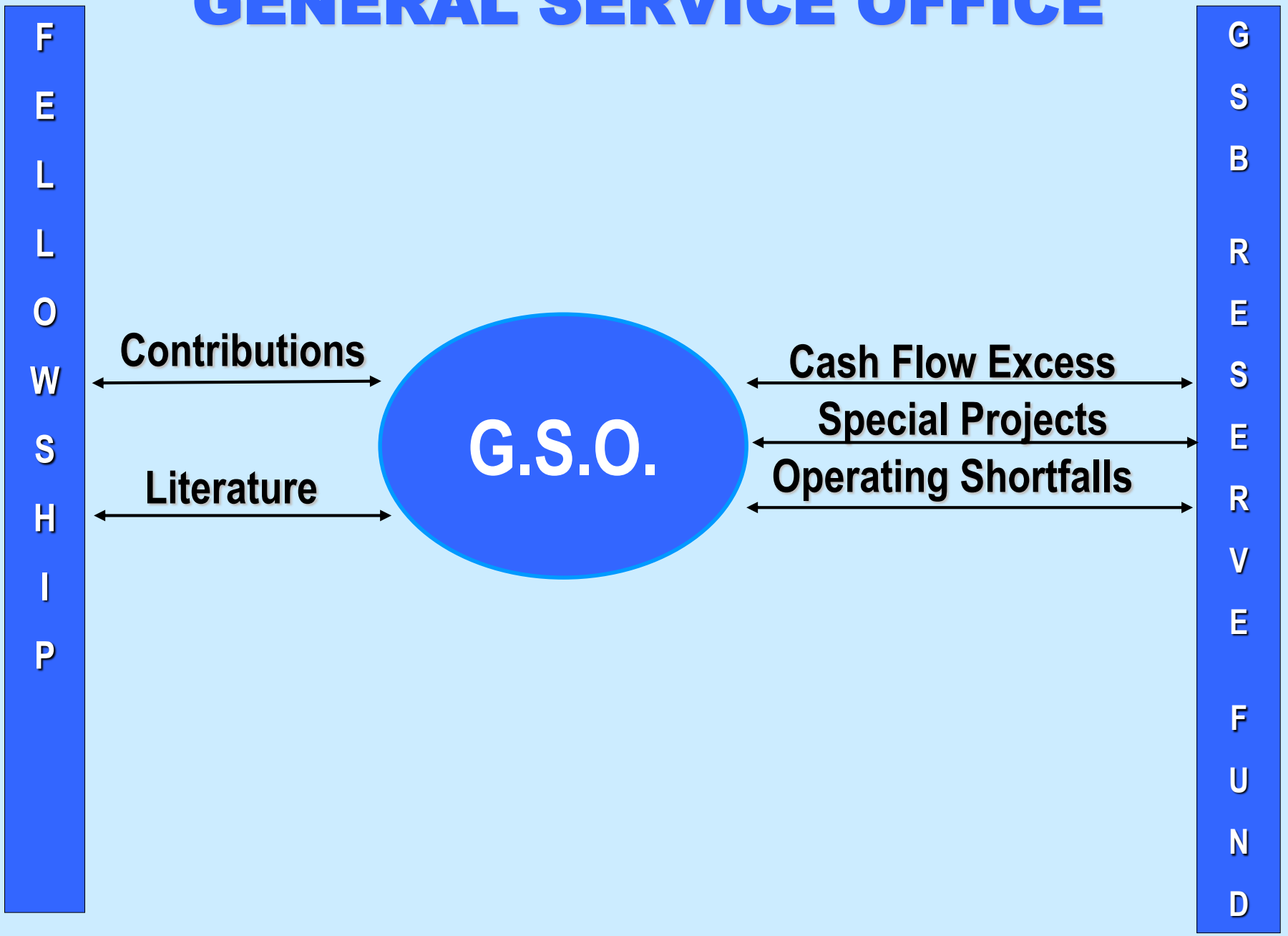
LA VIÑA – STATEMENT OF ACTIVITIES - DRAFT

Average Circulation	**10,150**	**9,635**	**9,996**
	2019	**2018**	**2017**
REVENUE			
Magazine	129,734	120,520	121,973
Related Items	21,051	20,305	29,118
Total Revenue	150,785	140,825	151,091
Cost of Goods Sold	(61,443)	(60,090)	(56,603)
Gross Profit	81,877	80,735	94,488
COSTS AND EXPENSES			
Editorial Costs	219,236	142,252	133,985
Circulation and Business	148,482	80,968	81,896
General and Administrative	5,683	5,982	5,047
Total Costs and Expenses	373,401	229,202	220,928
Shortfall between Revenue and Expenses	**(289,314)**	**(148,467)**	(126,440)
Support from GSB General Fund	**289,314**	**148,467**	126,440
NET	**- 0 -**	**- 0 -**	- 0 -

RESERVE FUND RATIO

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

GENERAL SERVICE OFFICE



GRAPEVINE

FELLOWSHIP
Subscriptions
Other Publishing
G.V.
Cash Flow Excess
Special Projects
Operating Shortfalls
GSB RESERVE FUND

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 - DRAFT

	2019 Budget	2018	2017	2016	2015
Reserved Fund – ($ in Thousands)	$15,832	$15,935	$14,353	$14,959	$14,584
Recurring Operating Expenses ($ in Thousands)	20,127	19,736	18,059	$17,410	$17,075
Number of months covered	9.4	9.7	9.5	10.3	10.2

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.

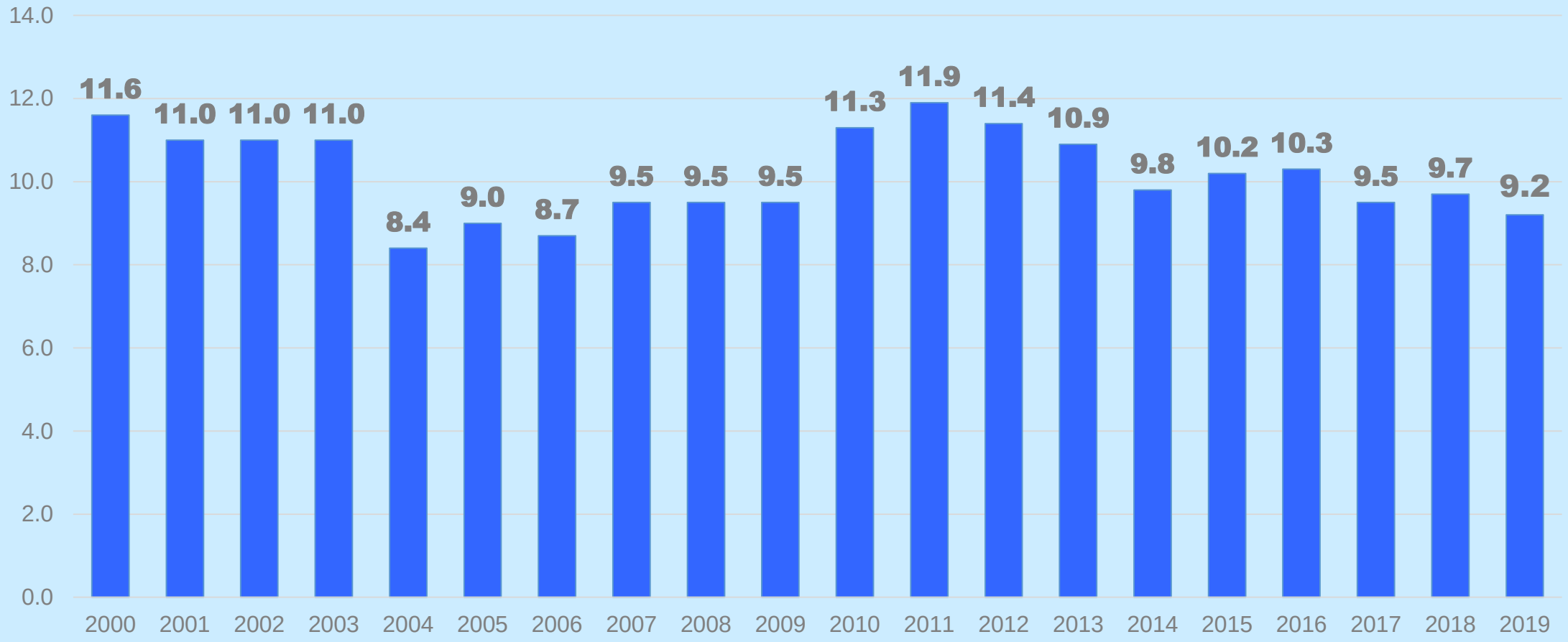
"No More Than"

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 – 2019



2020 INTERNATIONAL CONVENTION - CANCELLED

	Detroit 2020 Budget	Atlanta 2015	San Antonio 2010	Toronto 2005
Attendees	47,500	56,900	52,383	42,500
Advanced Registration Fee per Person (U.S. $)	$115	$100	$95	$85
Revenue	5,583,218	5,929,138	5,212,650	3,919,332
Stadium	1,446,571	1,372,060	1,030,473	783,089
Convention Center	1,267,830	1,175,341	650,570	682,308
Busing		1,548,869	939,693	820,115
All other	2,804,119	2,043,299	1,747369	1,672,860
Total costs	5,518,520	6,139,569	4,368,105	3,958,372
Net	64,698	(210,431)	844,545	(39,040)

THE CONVENTION FUND

A separate fund established to record the direct income and expenses of international A.A. Conventions held every five years. These events are separate from the regular operations of the General Service Office, but the General Fund receives any excess of income, or pay any excess of expense, resulting from the activity. From a historical perspective, the net direct results of all Conventions held to date is approximately an excess of income of $1,350,000, and presently resides with all other income not required in the Reserve Fund.

YEAR	LOCATION	PROFIT/(LOSS)
2015	Atlanta	(210,431)
2010	San Antonio	844,545
2005	Toronto	(39,040)
2000	Minneapolis	997,580
1995	San Diego	(632,027)
1990	Seattle	181,029
1985	Montreal	315,940
1980	New Orleans	(202,950)
1975	Denver	82,991
1970	Miami	15,809
1965	Toronto	12,948
1960	Long Beach	(456)
1955	St. Louis	(15,994)
	Total	1,349,944

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 not known at this time.
- Individuals who registered for the convention will receive refunds
- Individuals are responsible for cancelling their hotel and travel reservations.

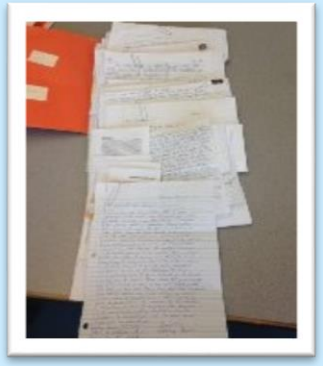
2020 Update COVID-19 Impact

SERVICES CONTINUE AT AAWS AND GRAPEVINE

March 2020

Over 125,000

Alcoholics provided with digital Grapevine subscriptions free of charge



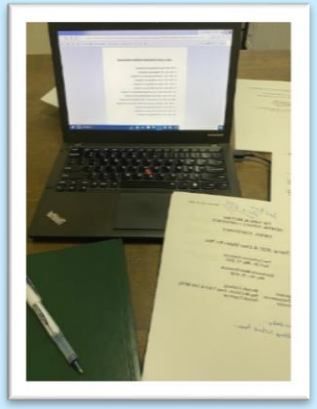
475

Pieces of inmate correspondence

364 members behind the walls connected to members outside

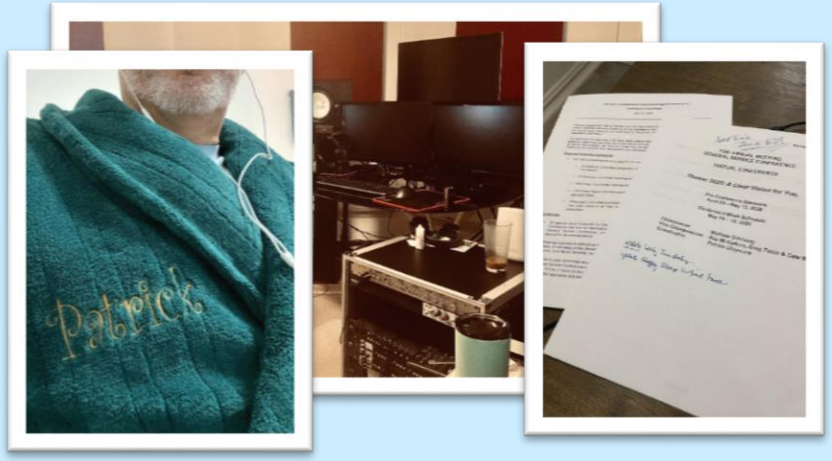
More than 15,000

emails/phone calls answered requesting information or help from GSO, since the office physically closed on March 20.



One

Completely virtual General Service Conference designed from the kitchens, living rooms and home offices across the US and Canada



2020 Update COVID-19 Impact

CARRYING THE MESSAGE CONTINUES DESPITE THE PANDEMIC

Over 5,500 pieces of mail delivered to PO Box 459 and 475 Riverside were collected, disinfected, sorted and distributed to the homes of the service assignments, records and contributions.

This is Aubrey's home a.k.a. Alcoholics Anonymous mail sorting room

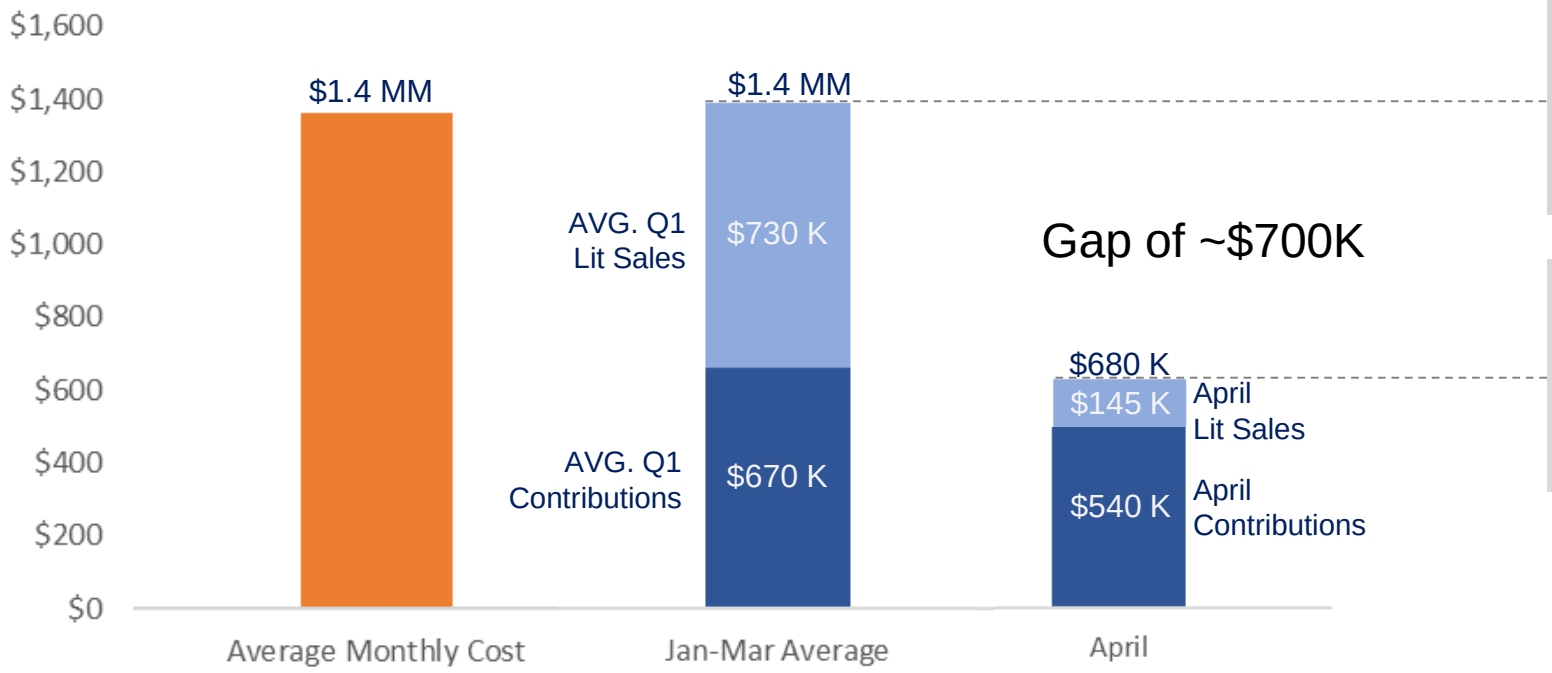
90 the number of responses to the media/public outlets about how AA has adapted to virtual meeting space/5th Tradition online efforts.

150 the number of A.A. related articles published around the world during COVID-19

The subject of the article above got sober during COVID-19 and has never been to an in-person A.A. meeting

2020 Update COVID-19 Impact

CURRENT FINANCIAL SITUATION COSTS AND INCOME BASED ON AVERAGES

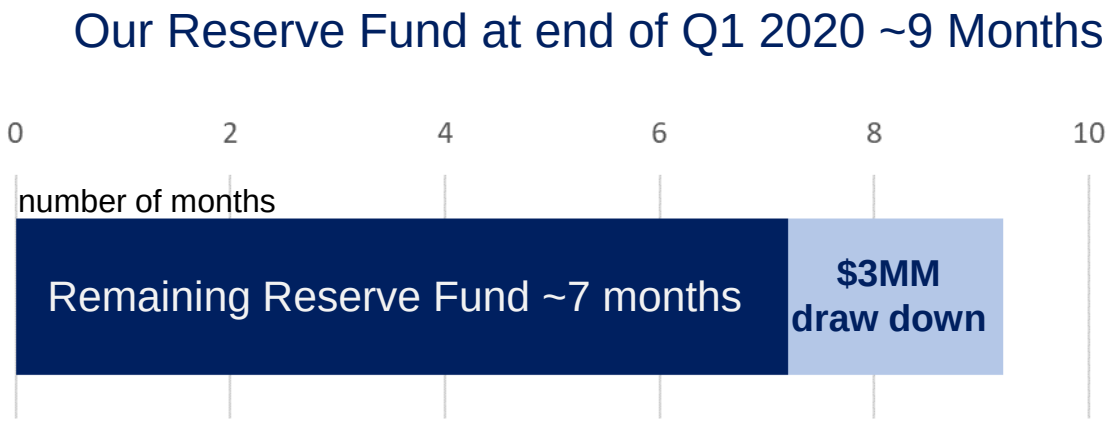


Gap of ~$700K expected for the next 3 to 4 months without a significant call out to the fellowship for contributions

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

2020 Update COVID-19 Impact

OUR RESERVE FUND – DESIGNED FOR EXACTLY THIS TYPE OF SITUATION



The General Service Board Reserve Fund

In 1954, the Board of Trustees established a Reserve Fund whose principal purpose is to provide the financial resources necessary to continue the essential services of G.S.O. and the Grapevine in the event of emergency or disaster, to fund costs beyond the means of the G.S.O. and the Grapevine, such as major leasehold improvements or technical upgrades, and to allow the General Service Board and its two operating affiliates time to formulate and implement plans needed to adjust to changed economic or other conditions.

S76

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

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

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
- Patrick for his patience!
- Our Independent Auditors – Marks Paneth, LLP

****

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