AROUND THE PICNIC TABLE

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

IMPROVED AUDIT RESULTS

- Completed on schedule
- Unqualified or “clean” audit opinion
- No material weaknesses
- No significant deficiencies
- Only one recommendation (compared to seven last year)

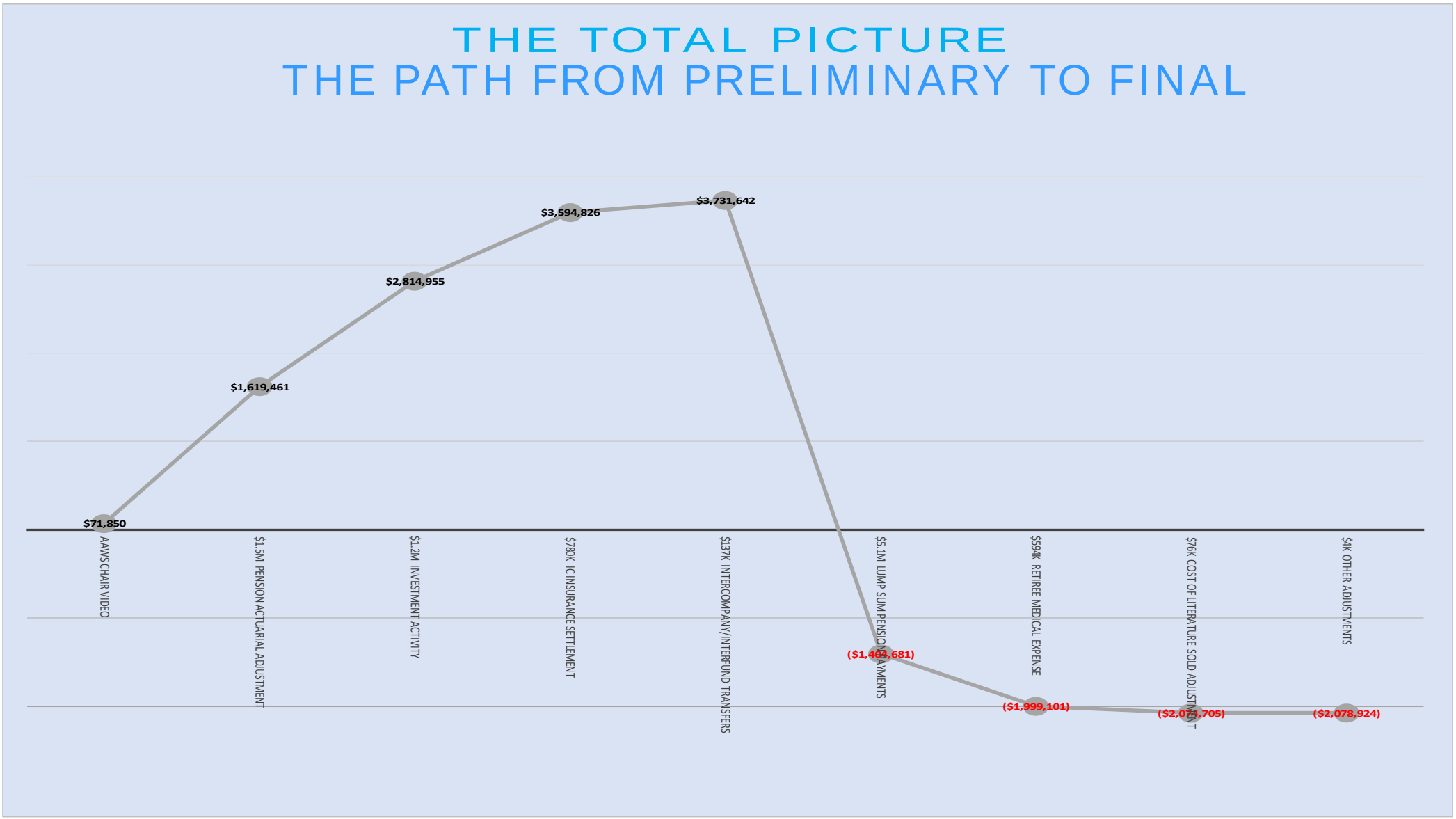
2020 GSO FINANCIAL HIGHLIGHTS

- 7th Tradition of Self-Support – $10.26 million set another record, up 15.80% from $8.86 million in 2019
- Cost of Services - $10.81 million down 14.9% from $12.70 million in 2019
- Self-Support - covered 94.9% of cost of services compared to 69.8% in 2019
- AAWS publishing gross profits – $6.58 million down 29.70% from $9.36 million in 2019, used to cover $550K shortfall between 7th Tradition Contributions and Cost of Services

SAVINGS ACHIEVED IN 2020

- Travel, Meals, and Accommodations $1.1 M less than 2019
- Total Non-Personnel savings (including travel) $1.5 M
- Lockbox saves 3 Full-time Equivalents (FTEs)
- Total staff savings since VRIP 5 FTEs

THE TOTAL PICTURE
THE PATH FROM PRELIMINARY TO FINAL



2020 GRAPEVINE FINANCIAL HIGHLIGHTS

- Grapevine paid print subscriptions decreased 4.5% in 2020. Subscriptions for the online and mobile app magazine increased 7.7%
- 2020 Grapevine results were a gross profit of $1.231 M on the magazine and a gross profit of $354,304 on other published items. Operating expenses of $1.914 M resulted in an overall loss of $298,699 compared to a loss of $27,303 in 2019.
- General Fund support of La Viña service activity was $385,771 in 2020 compared to $297,392 in 2019.
- La Viña magazine circulation decreased by 36.6% in 2020 after several years of growth.

2021 GSO BUDGET

- Total revenue $15,594,000 compared to $16,926,318 in 2020.
  - Contributions $9,725,000 compared to $10,256,687 in 2020.
  - Gross literature profit $5,639,400 compared to $6,582,266 in 2020.
- Total operating expense $15,652,814 compared to $16,446,727 in 2020.
- Operating deficit of $58,814 not including pension expenses compared to $479,571 surplus in 2020.

2021 GRAPEVINE BUDGET

- Magazine circulation to decline slightly to 62,124 from 63,397 in 2020.
- Online and e-Pub circulation to increase to 5,442 from 5,175 in 2020.
- Gross profit on subscriptions $1,133,715 compared to 1,003,700 in 2020.
- Grapevine net operating loss of $354,225 compared to $299,000 in 2020.
- La Viña magazine circulation to decrease to 5,605 compared to 6,435 in 2020.
- General Fund La Viña support of $401,970 compared to $385,771 in 2020.

2020 FINANCIAL HIGHLIGHTS

Amounts in $	2020 ACTUAL	2020 BUDGET	COMPARED TO 2020 BUDGET	2019 ACTUAL	COMPARED TO 2019 ACTUAL
GENERAL SERVICE OFFICE					
7th Tradition Contributions	10.26 M	9.0 M	1.26 M (14.0%) increase	8.86 M	1.40 M (15.80%) increase
Literature Gross Profit	6.58 M	9.8 M	3.22 M (32.9%) decrease	9.36 M	2.78 M (29.70%) decrease
Net Income	(2.1) M	1.0 K	2.1 M decrease	(0.3) M	1.8 M decrease
GRAPEVINE & LA VIÑA					
Average Circulation	68,572	67,802	770 increase	71,182	2,610 (3.67%) decrease
Net Income (Loss)	(299 K)	4.6 K	303 K decrease	(27) K	3 K (6.81%) better
General Fund support of La Viña service activity	386 K	317 K	69 K increase	297 K	89 K (29.96%) increase
RESERVE FUND					
Coverage Ratio	7.9 months	9.4 months	Decrease of 1.5 months (16.0%)	9.3 Months	Decrease of 1.4 months (15.1%)
M – millions; K – thousands					

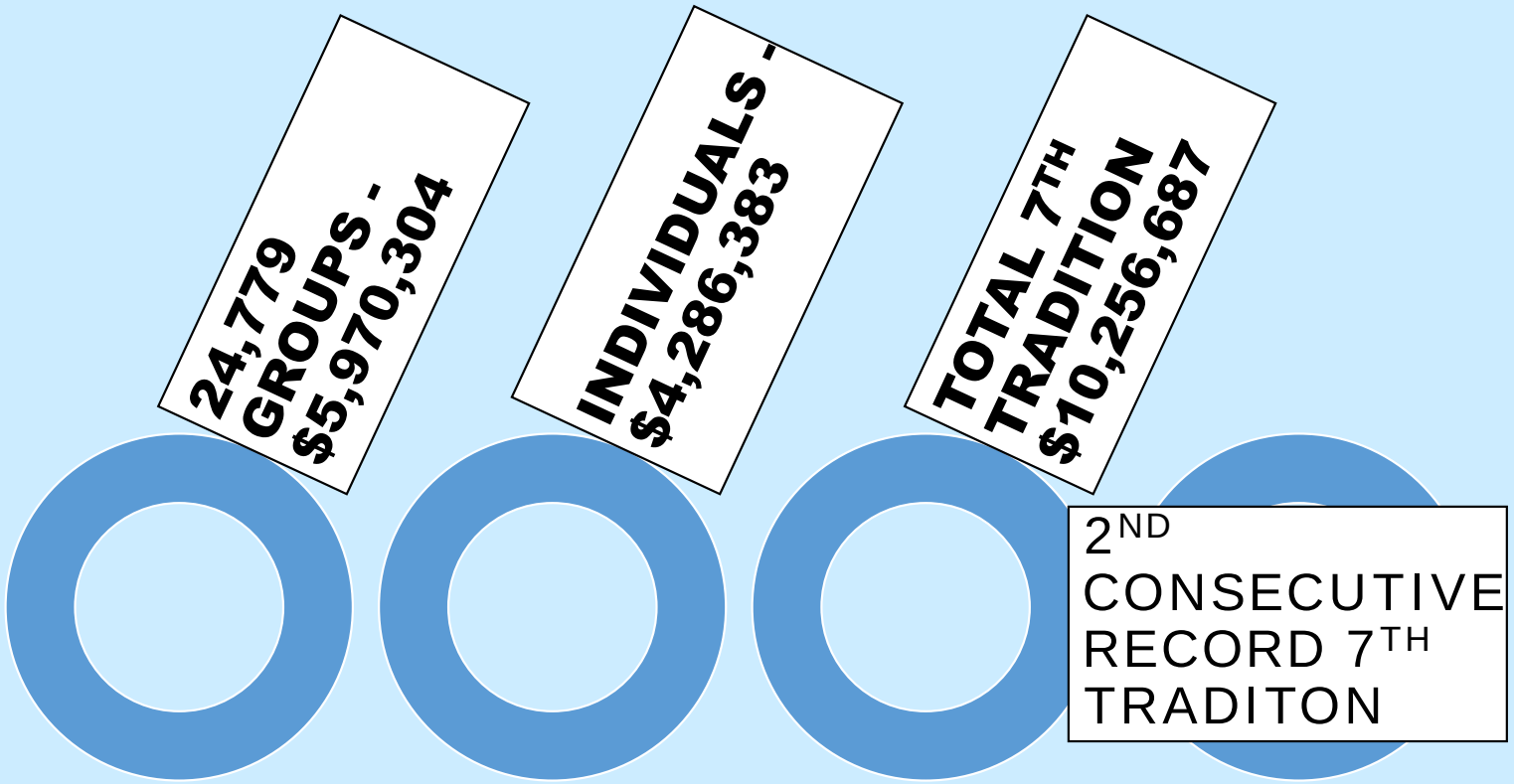
2020 Financial Results – What Happened?

- We are grateful to the fellowship for your generous response to our 7th tradition messages which increased contributions by $1.4 M compared to 2019.
- The pandemic caused literature gross profit to decline by $2.78M compared to 2019.
- $1.2 M in VRIP severance payments
- $3.6 M in pension related expenses.
  - $5.1 M VRIP pension payments for participants who elected a lump sum payment instead of payments spread over their lifespan. (paid from pension fund not general fund)
  - Less $1.5M savings in the amount needed to pay expected benefits over retiree lifetimes
- Travel, meals, and accommodations decreased by $1.1 M due to the pandemic.

GRATITUDE

7TH TRADITION

7TH TRADITION – 2020 – $10.26 MILLION



IMPACT OF PANDEMIC ON 7TH TRADITION

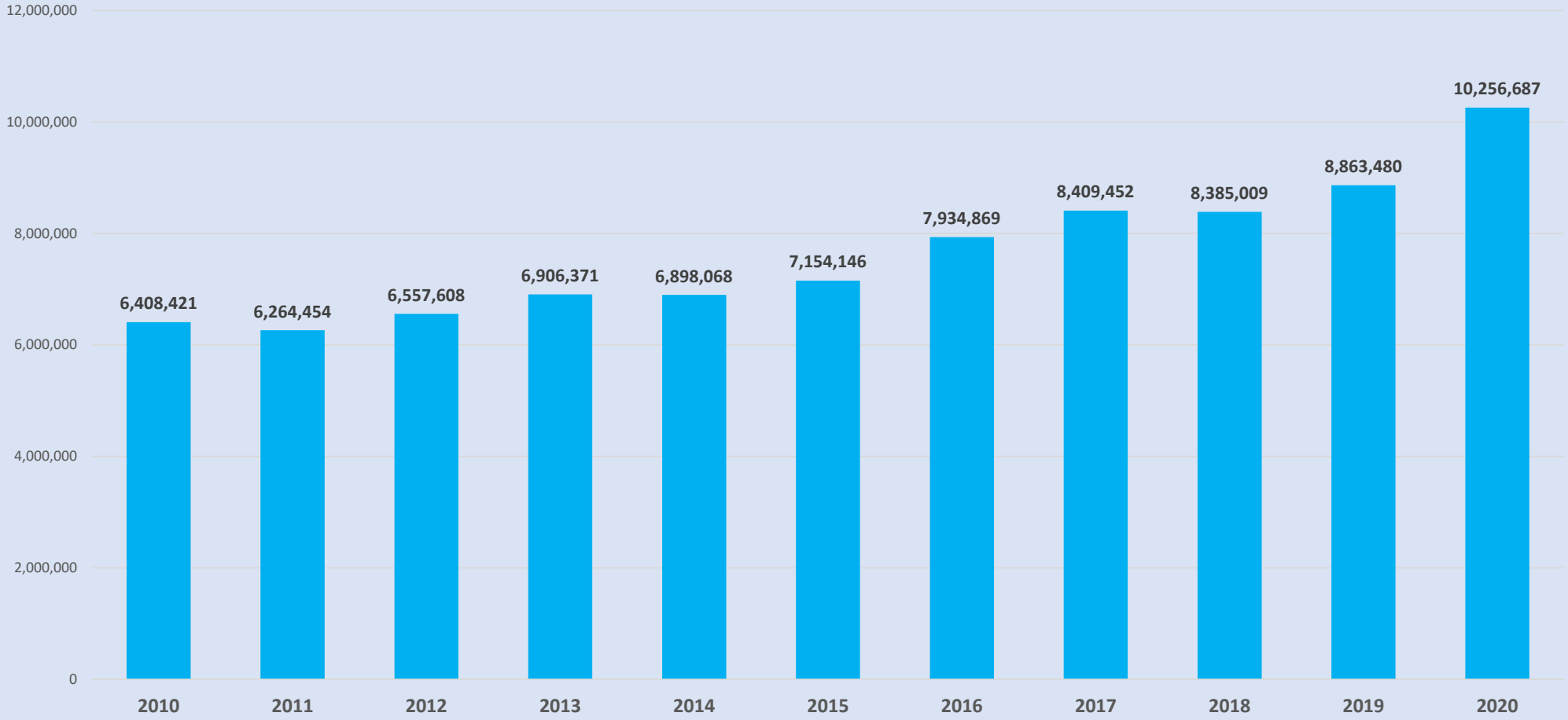
GROUP CONTRIBUTIONS	2020	2019
Amount contributed by groups	$6.0 million	$6.9 million
Number of groups contributing	24,779	28,180
Percent of groups contributing	34.8%	40.6%
Average group contribution	$238.95	$245.94

INDIVIDUAL CONTRIBUTIONS	2020	2019
Amount contributed by individuals	$4.3 million	$1.9 million
Per capita contribution	$6.81	$6.09

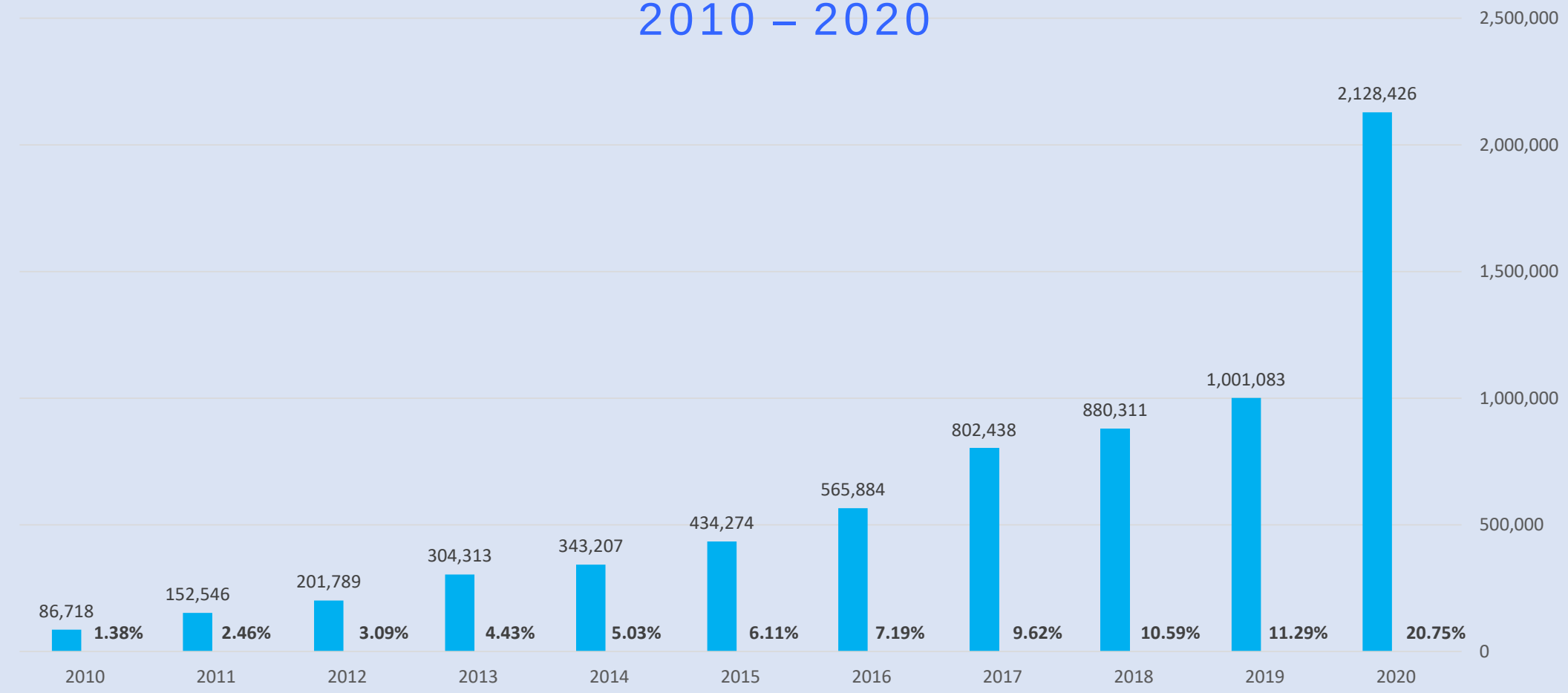
GRATITUDE: LARGEST CONTRIBUTIONS RECEIVED IN 2020

INCLUDED IN GROUP CONTRIBUTIONS	AMOUNT
District 87 – Southwest Québec Canada	$64,116.50
District 49 – Southeast New York	$50,000.00
District 15 – South Florida/ Bahamas/ US Virgin Islands/ Antigua	$46,223.23
Los Angeles Central Office	$44,000.00

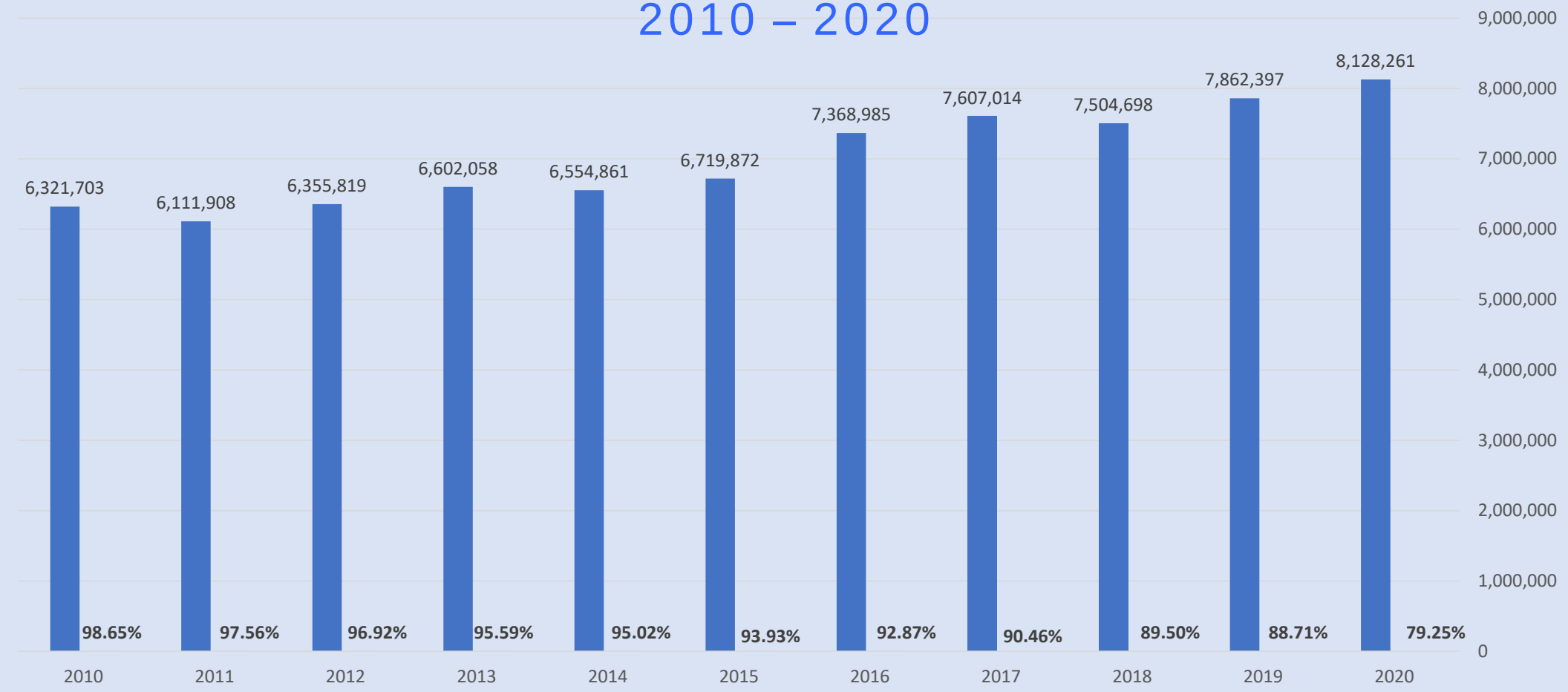
7TH TRADITION SELF-SUPPORT – 2010 – 2020



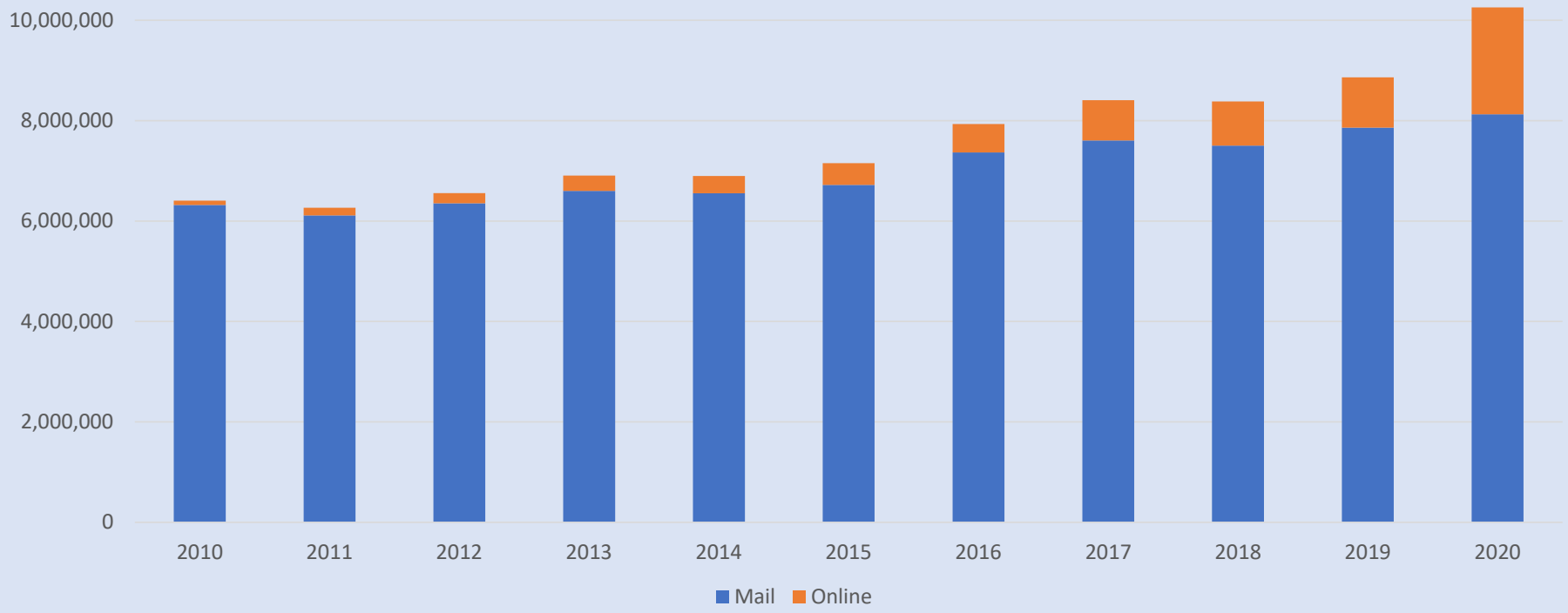
GROWTH OF ON-LINE CONTRIBUTIONS
2010 – 2020



MAIL CONTRIBUTION TREND
2010 – 2020

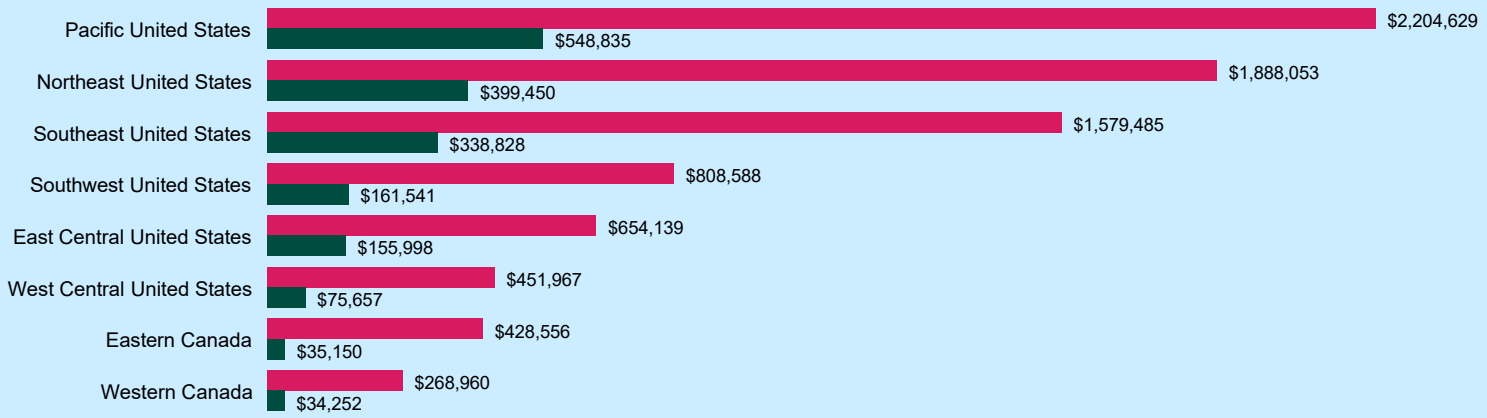


GROWTH IN PERCENTAGE OF CONTRIBUTIONS MADE ONLINE

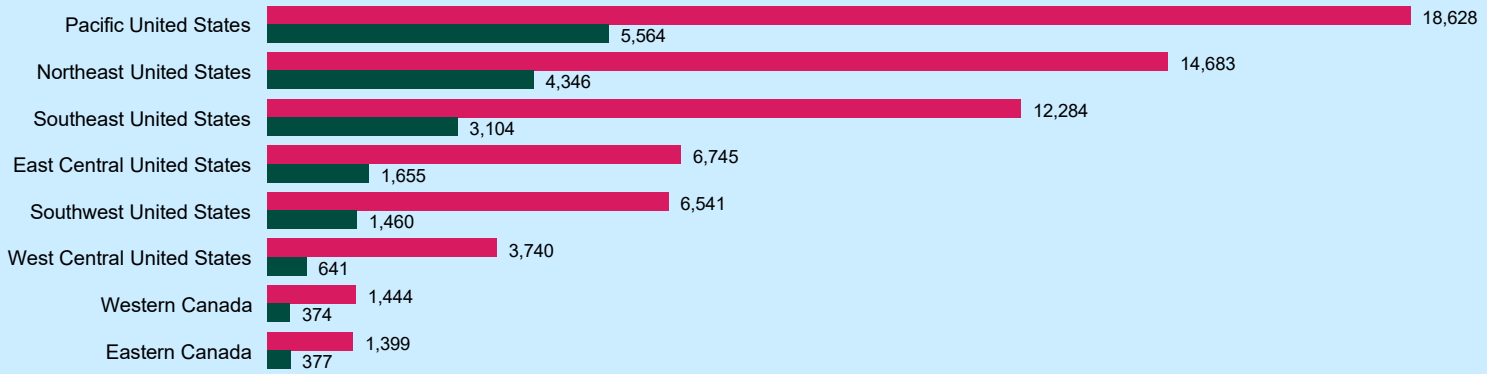


2020 CONTRIBUTIONS BY REGION

Contribution Totals



Number of Contributions



Contribution Method Mail Online

Contributions Per Capita

Western Canada
$9.47

Southeast United States
$9.00

Eastern Canada
$8.28

Southwest United States
$7.30

Pacific United States
$6.85

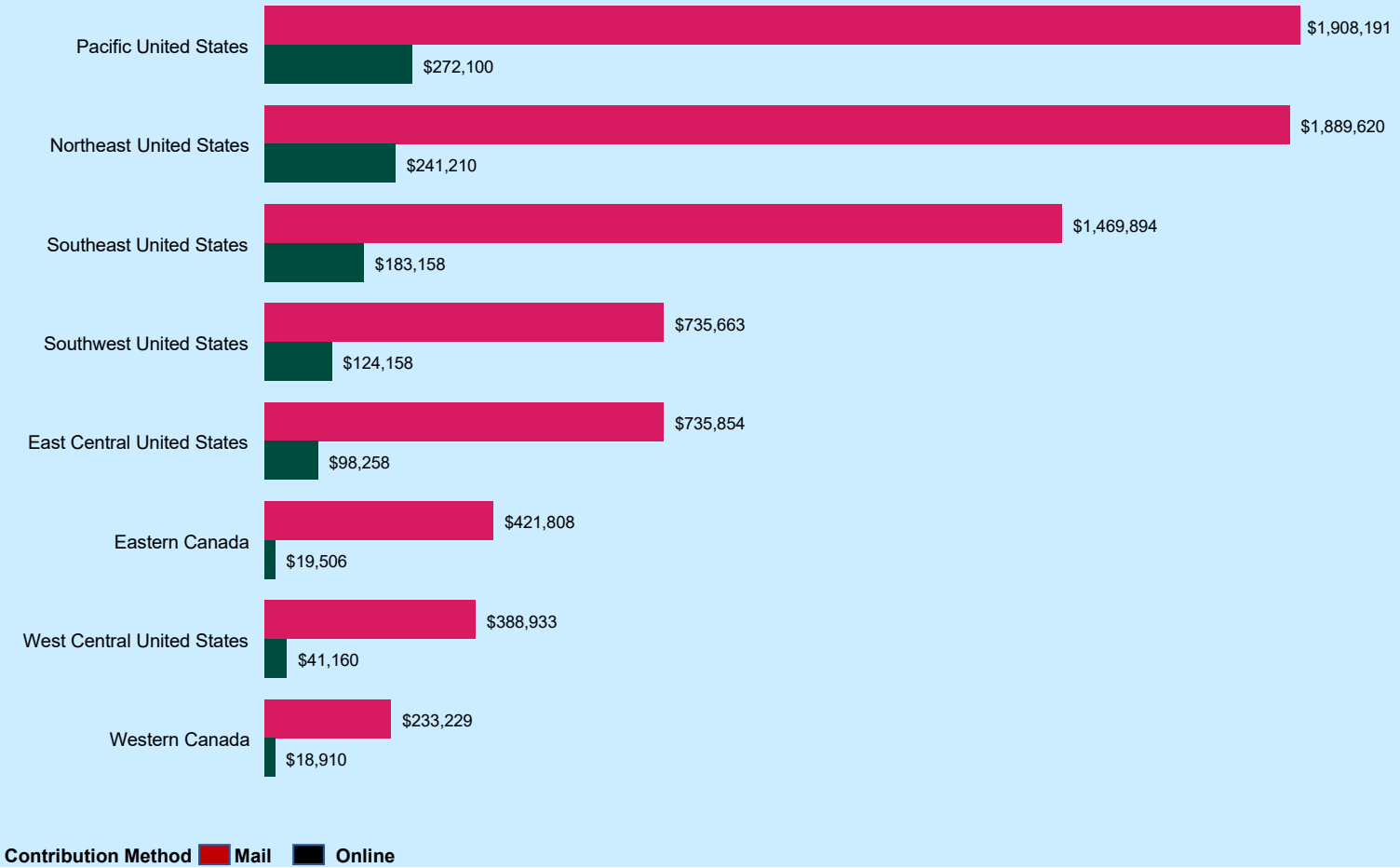
Northeast United States
$6.71

West Central United States
$6.28

East Central United States
$3.82

2019 CONTRIBUTIONS BY REGION

Contribution Totals



Contributions Per Capita

Southeast United States
$8.08

Western Canada
$7.93

Eastern Canada
$7.89

Southwest United States
$6.79

Northeast United States
$6.42

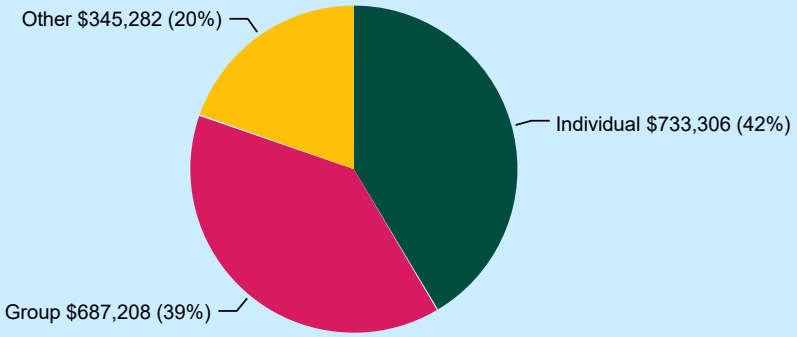
Pacific United States
$5.40

West Central United States
$5.01

East Central United States
$4.04

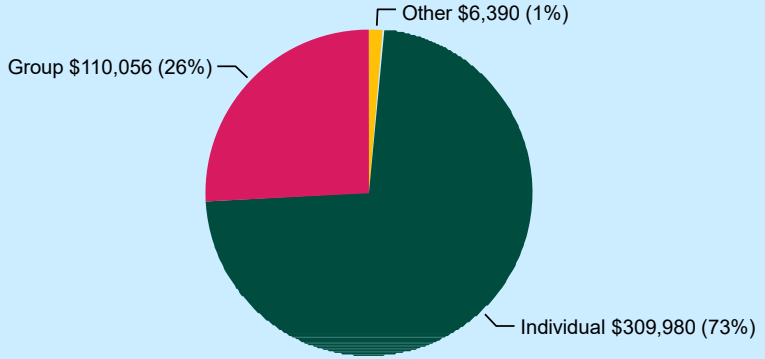
COMPOSITION OF 2020 CONTRIBUTIONS

Online Contributions



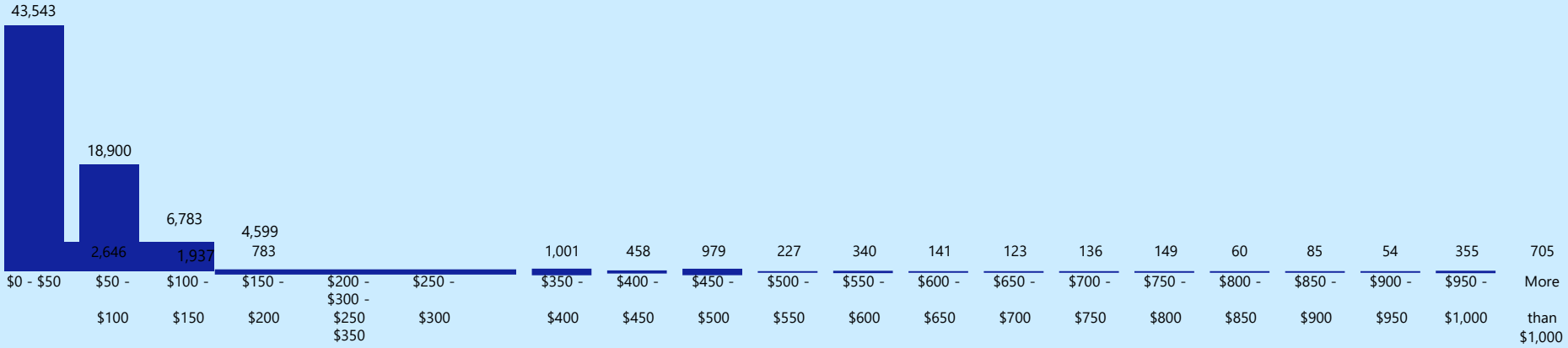
Total: $1,765,795

Birthday Contributions

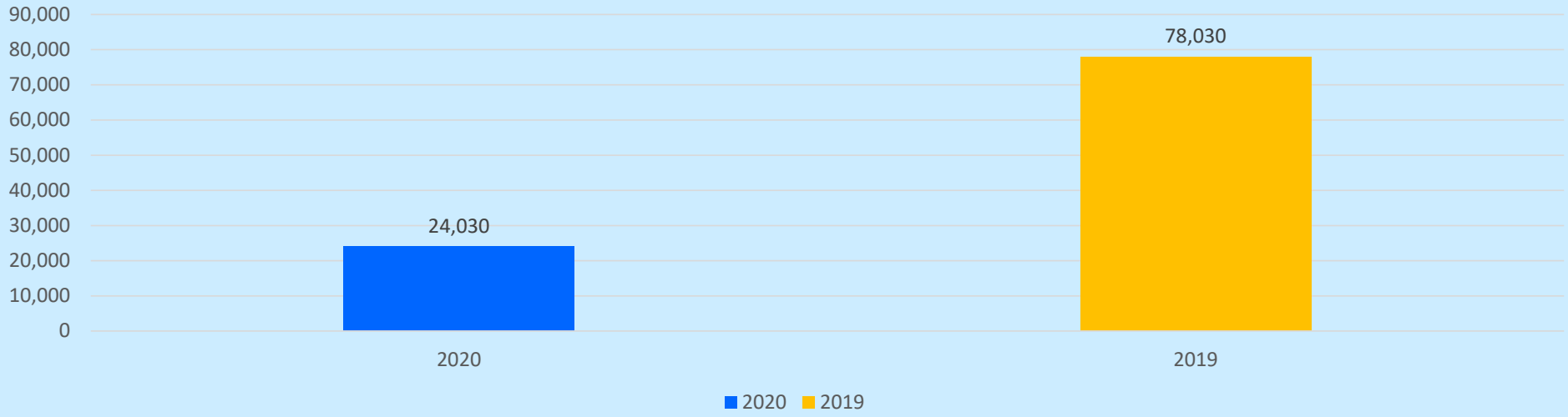


Total: $426,426

All Contributions Distributed by Dollar Value



CHALLENGE CONTRIBUTIONS



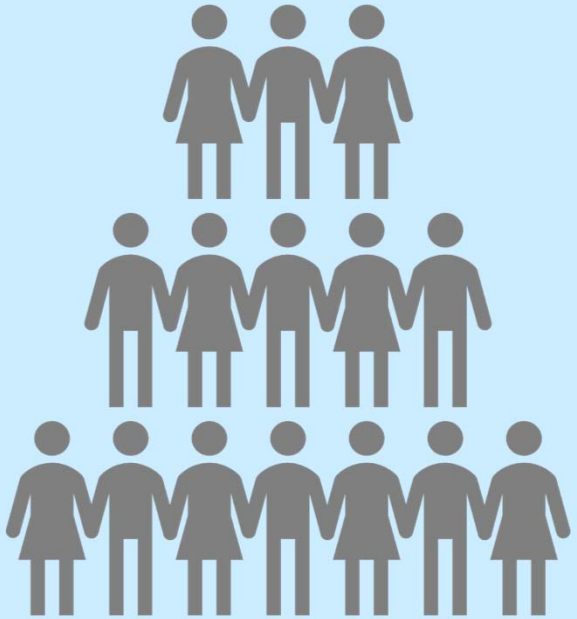
A DOLLAR IS NOT WHAT IT USED TO BE

1935: $1.00

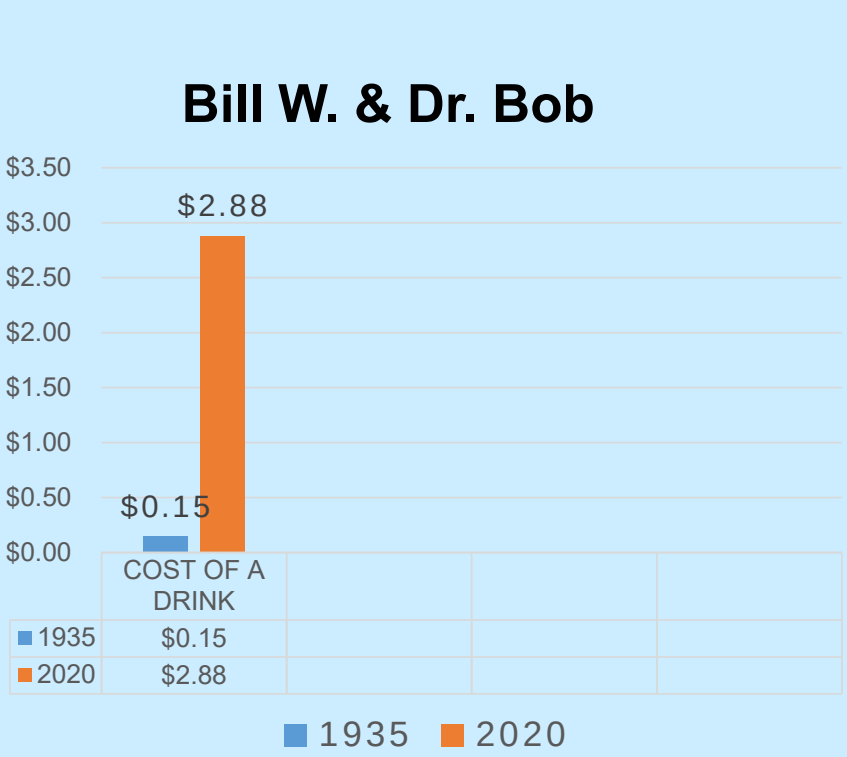
Remember inflation when deciding upon your 7th Tradition Self-Support Contributions for:

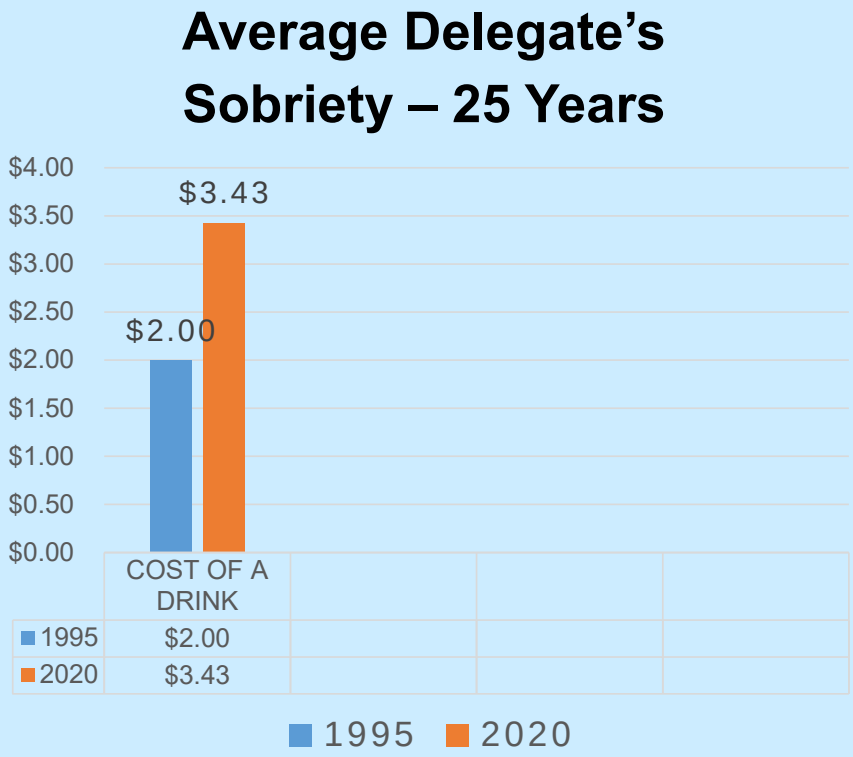
- Group Meetings
- Online Recurring Contributions
- Birthday Gifts
- November Gratitude Month

2020: $19.18
3.54% annual inflation



INFLATION CALCULATOR
COST OF A DRINK OVER TIME

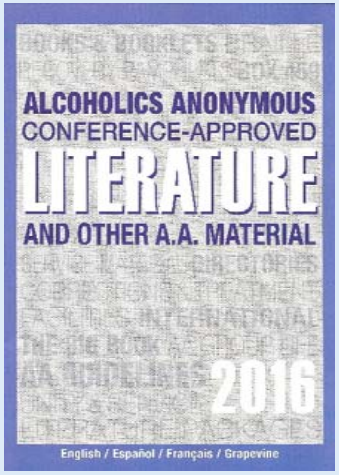


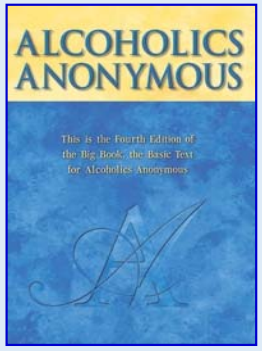


THROUGH OUR OWN SELF-SUPPORT

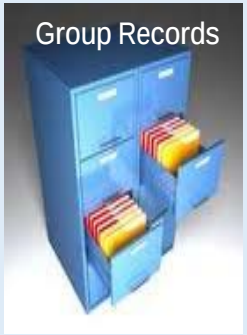
G.S.O.'s TWO BASIC FUNCTIONS

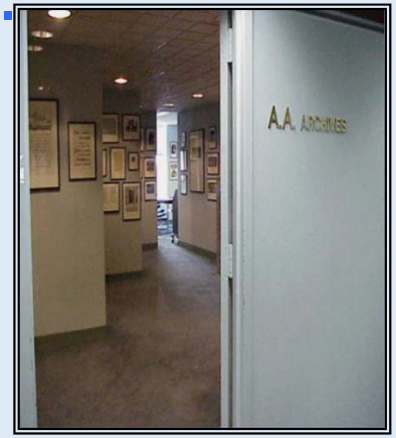
- Publishing





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

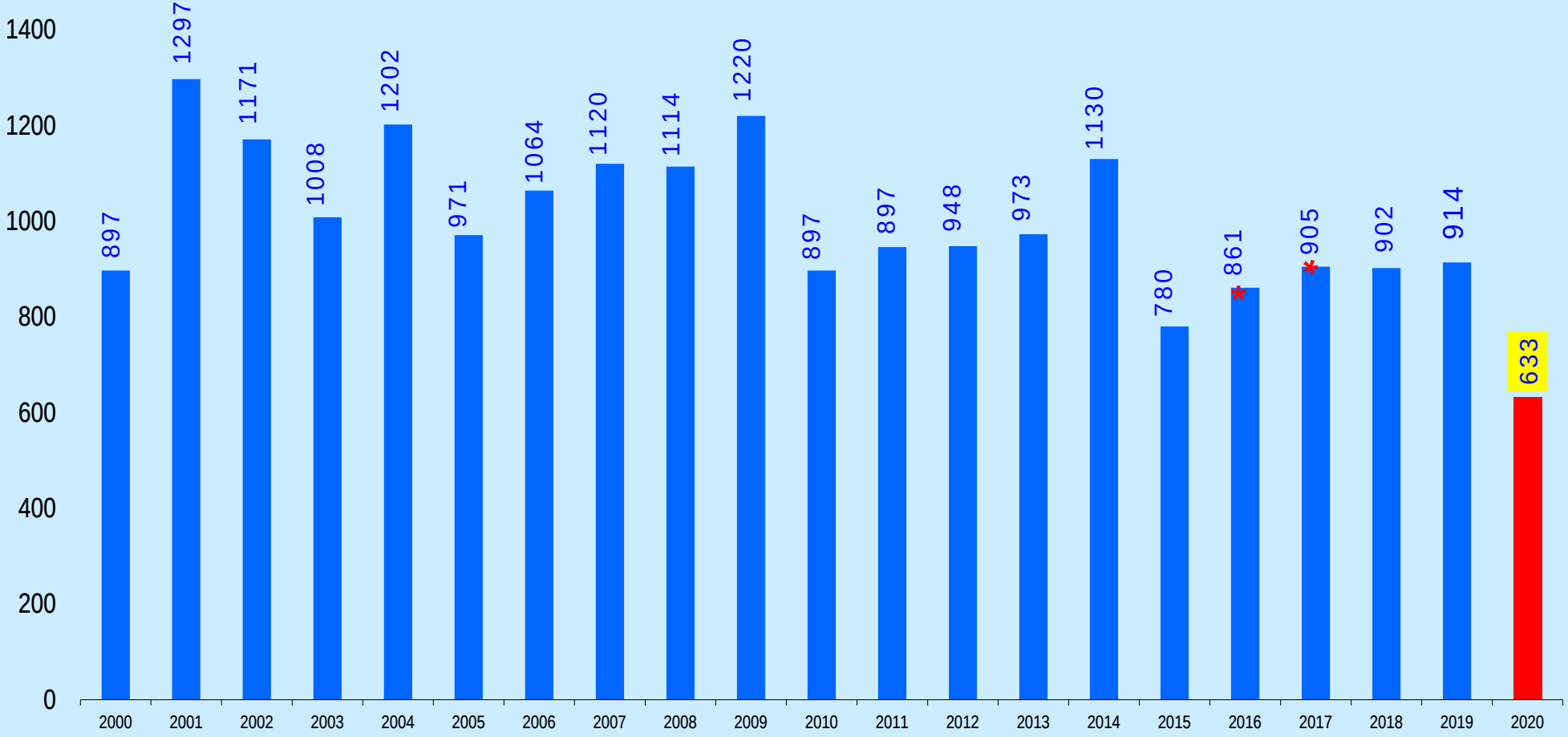




AAWS – PUBLISHING – 2020 ACTUAL vs 2020 BUDGET

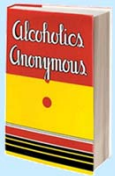
$ in Thousands	2020 ACTUAL	2020 BUDGET	INCREASE (DECREASE)
Gross Sales – Literature	9,098	14,750	(5,652)
Discounts	(275)	(200)	75
Net Sales - Literature	8,823	14,550	(5,727)
Cost of Literature Sold - Printing	1,609	2,750	(1,141)
Direct Shipping and Warehousing	633	2,000	(1,367)
Gross Profit	6,582	9,800	(3,218)
Gross Profit Percentage	72.3%	67.4%	4.9%

BIG BOOK – UNITS SOLD (thousands) – 2000– 2020



*Excludes 75th Anniversary Edition

BIG BOOK PRICING

	Year Published	Original Price	2020 Inflation Adjusted Price
First 	1939	$3.50	$64.24
Second	1955	$4.50	$43.31
Third	1976	$5.65	$26.16
Fourth	2001	$6.00	$8.86

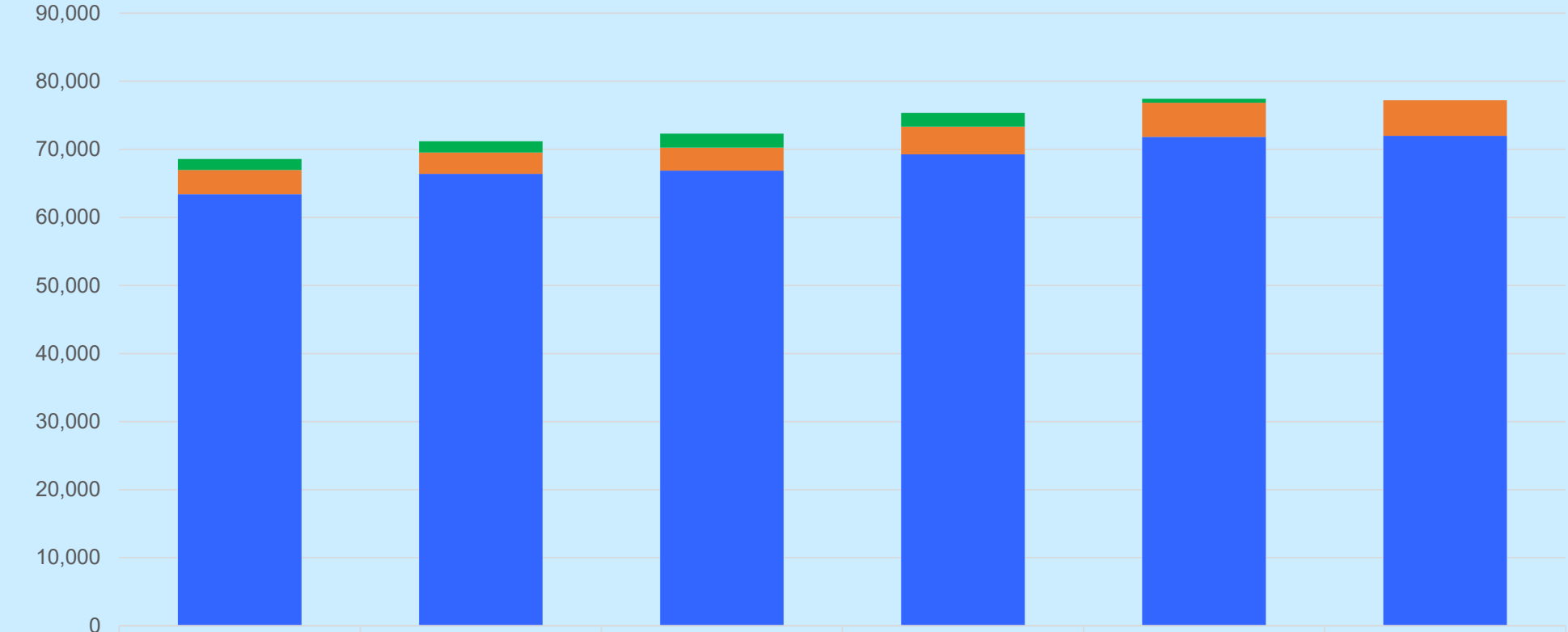
SELF-SUPPORT OF THE WORLD SERVICES OF ALCOHOLICS ANONYMOUS

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 – 2008 – 2020

GRAPEVINE – AVERAGE CIRCULATION – 2015 - 2020

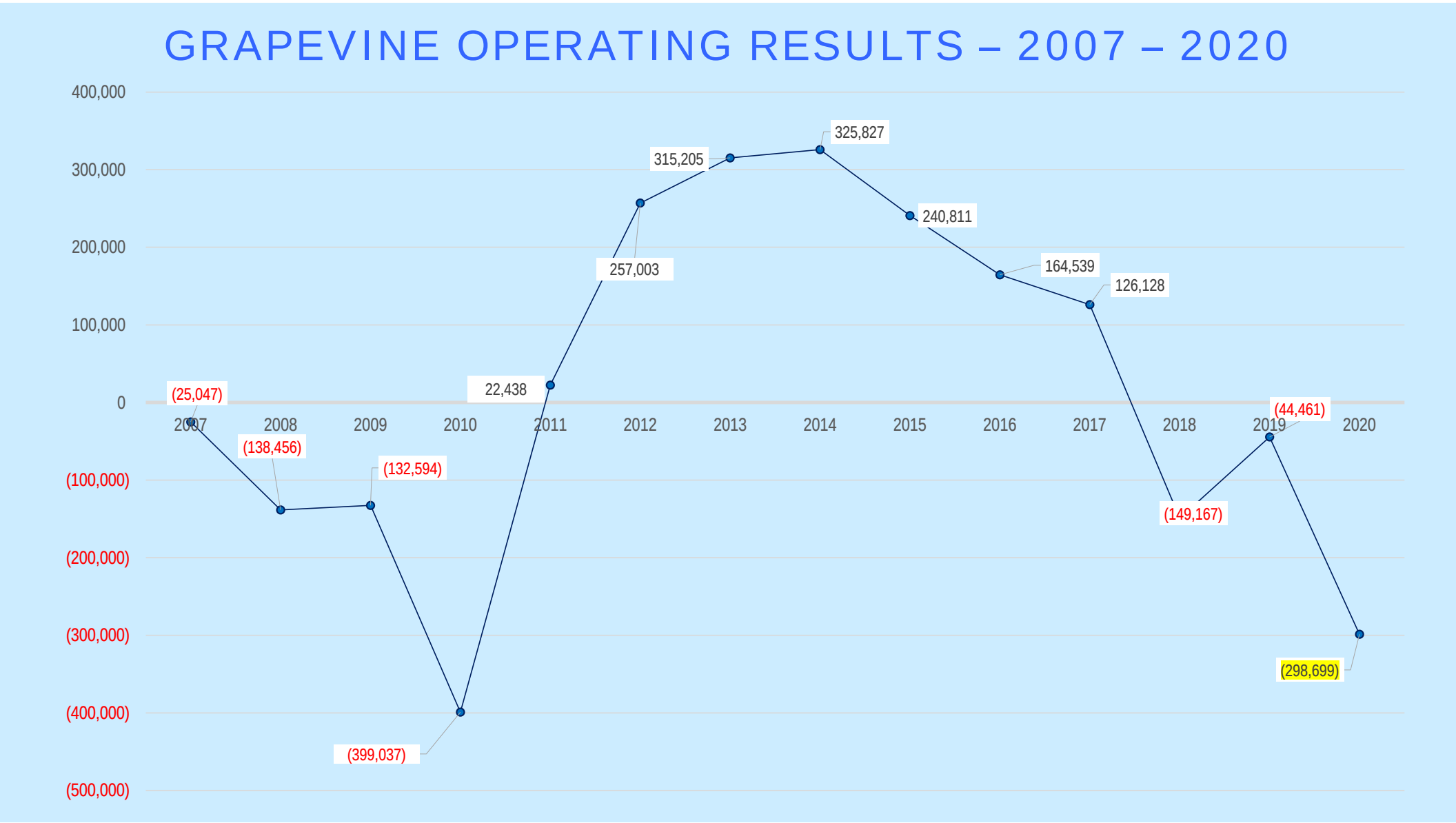


	2020	2019	2018	2017	2016	2015
APP	1,617	1,654	2,053	2,003	588	
ON-LINE	3,558	3,152	3,390	4,077	5,030	5,233
PRINT	63,397	66,376	66,857	69,249	71,811	71,966

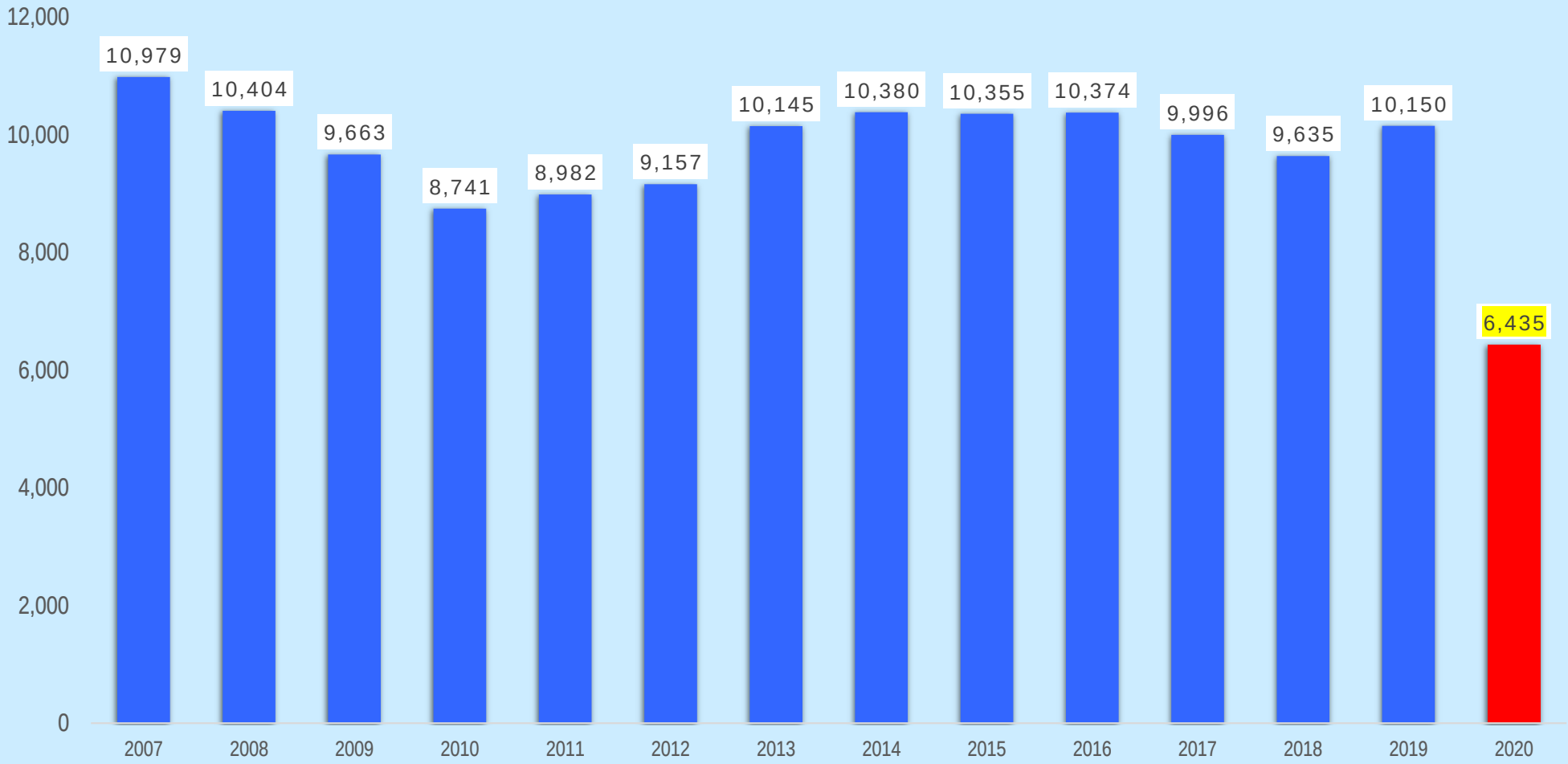
GRAPEVINE – 2020 ACTUAL VS 2020 BUDGET

AVERAGE CIRCULATION – PRINT	63,397		
ONLINE & APP	5,175		
	2020 ACTUAL	2020 BUDGET	Increase (Decrease)
Magazine Revenue	$1,874	$1,983	($119)
Magazine Direct Costs	($643)	($773)	($130)
Gross Profit on Magazine	$1,231	$1,210	($12)
Other Publishing Revenue	$582	$1,103	($522)
Cost of Goods Sold	($227)	($314)	($86)
Gross Profit on Other Publishing Items	$354	$790	($436)
Total Gross Profit	$1,585	$1,999	($424)
Costs and Expenses			
Editorial Costs	$870	$769	$101
Circulation and Business	$961	$1,066	($105)
General and Administrative	$84	$190	($106)
Total Costs and Expenses	$1,915	$2,025	($110)
Interest Income	$30	$30	
Net Income	($299)	$4	($303)

GRAPEVINE OPERATING RESULTS – 2007 – 2020



LA VIÑA – AVERAGE CIRCULATION – 2007 – 2020

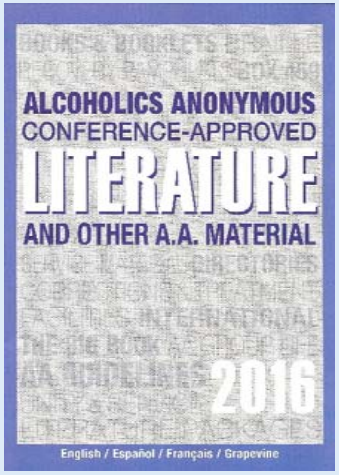


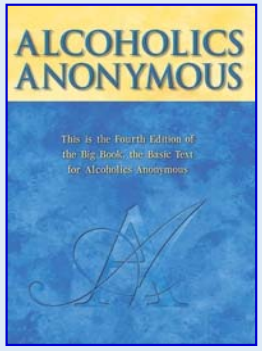
LA VIÑA – STATEMENT OF ACTIVITIES 2017 - 2020

Average Circulation	6,435	10,150	9,635	9,996
	2020	2019	2018	2017
REVENUE				
Magazine	75,352	129,734	120,520	121,973
Related Items	26,137	21,051	20,305	29,118
Total Revenue	101,489	150,785	140,825	151,091
Cost of Goods Sold	(52,064)	(61,443)	(60,090)	(56,603)
Gross Profit	49,425	81,877	80,735	94,488
COSTS AND EXPENSES				
Editorial Costs	241,881	219,236	142,252	133,985
Circulation and Business	193,315	148,482	80,968	81,896
General and Administrative	0	5,683	5,982	5,047
Total Costs and Expenses	435,196	373,401	229,202	220,928
Shortfall between Revenue and Expenses	(385,771)	(289,314)	(148,467)	(126,440)
Support from GSB General Fund	385,771	289,314	148,467	126,440
NET		- 0 -	- 0 -	- 0 -

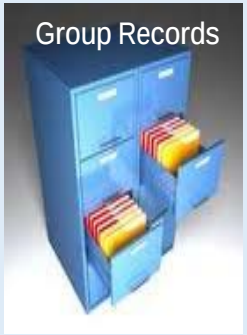
G.S.O.'s TWO BASIC FUNCTIONS

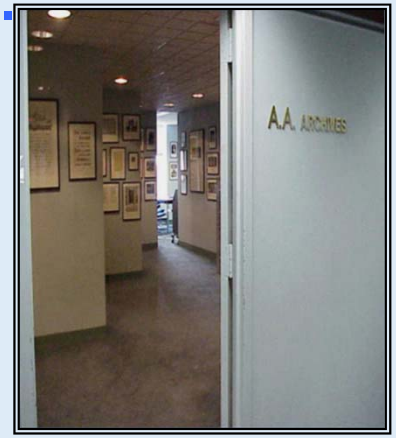
- Publishing



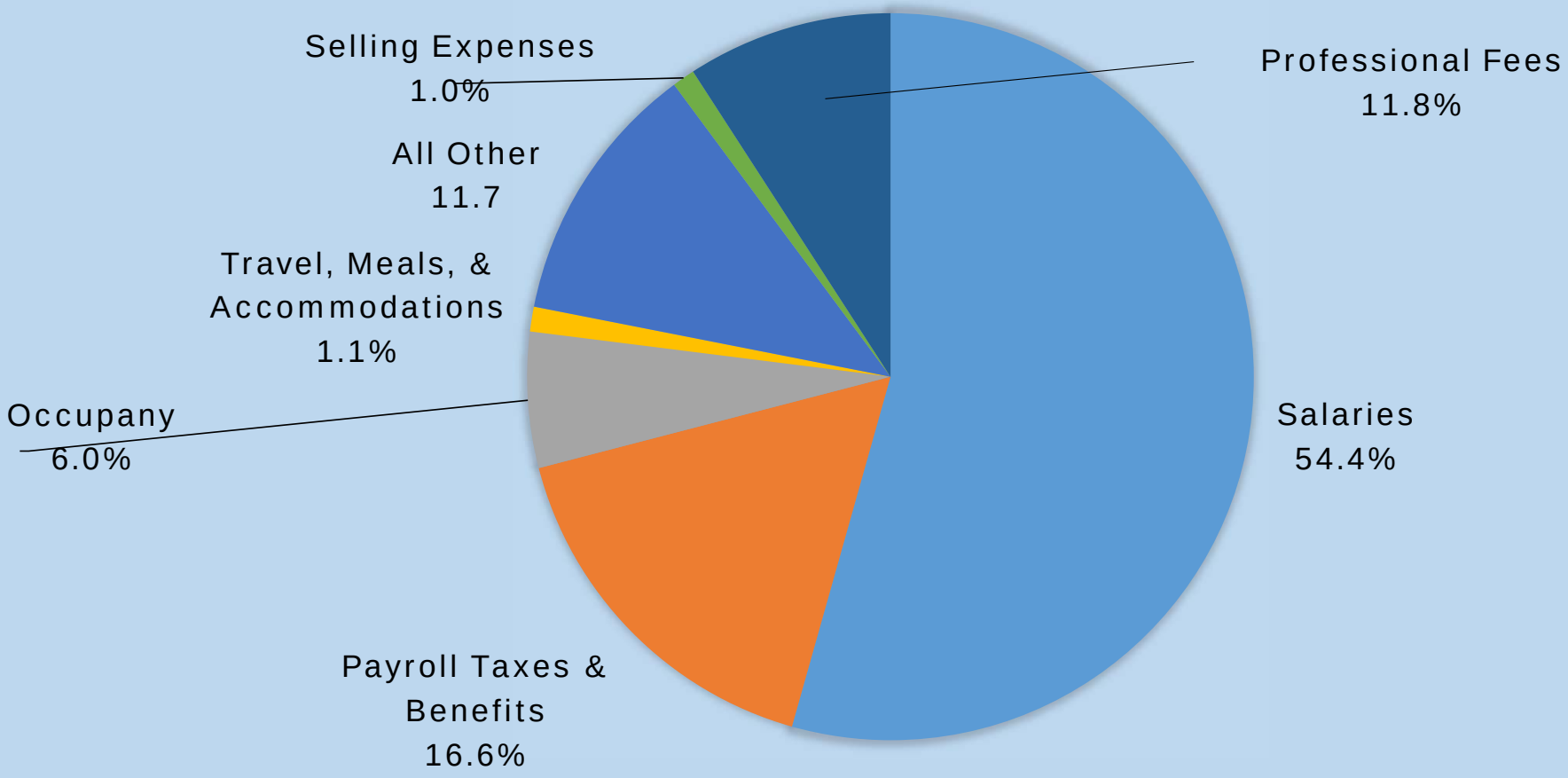


- Services on Behalf of the G.S.B.





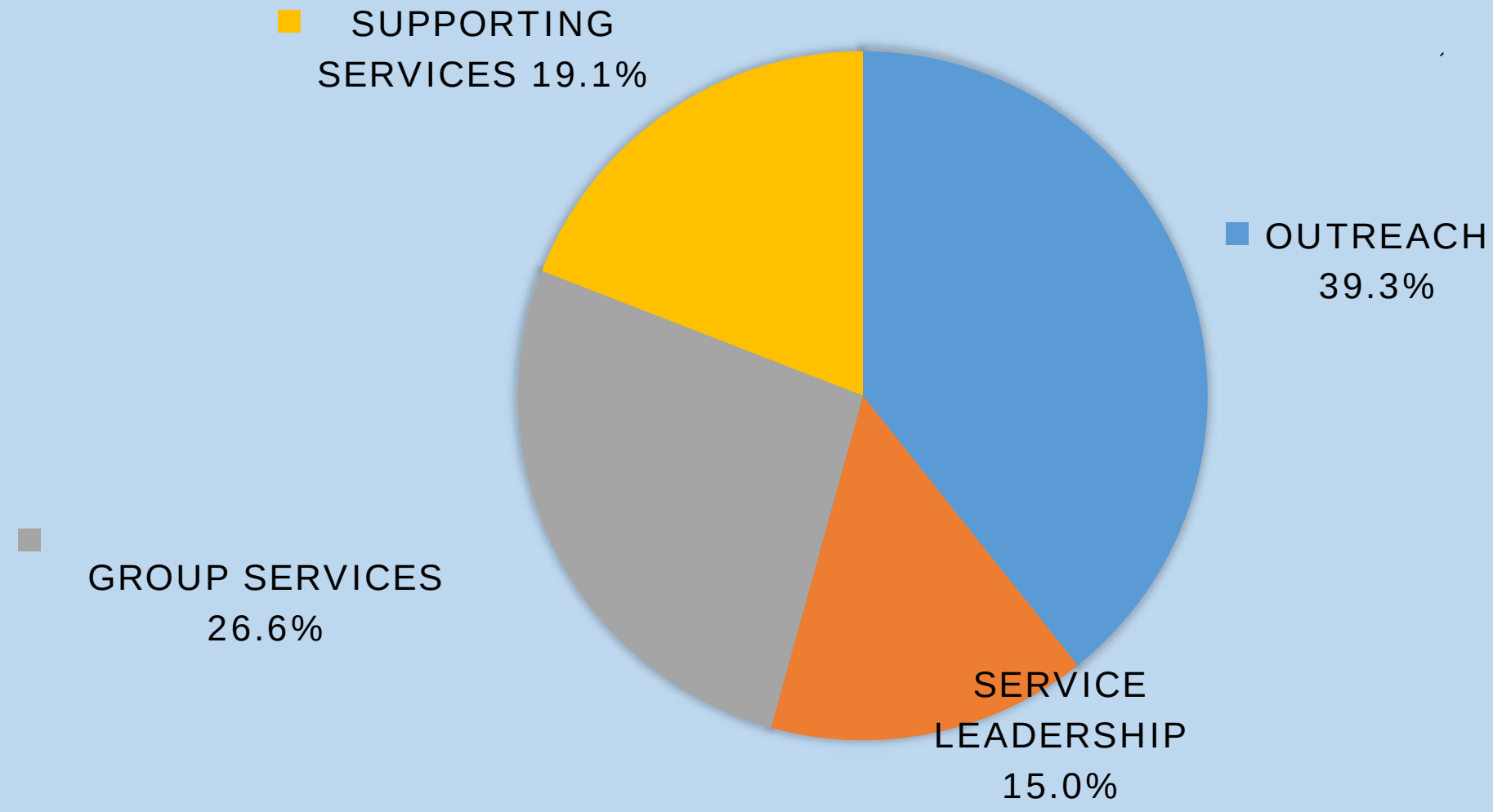
RECURRING OPERATING EXPENSES – 2020 – $16.6 M
FINANCIAL STATEMENT EXPENSE CATEGORIES
PERCENTAGE BREAKDOWN



FELLOWSHIP SERVICES – DIRECT COSTS & PERCENTAGES

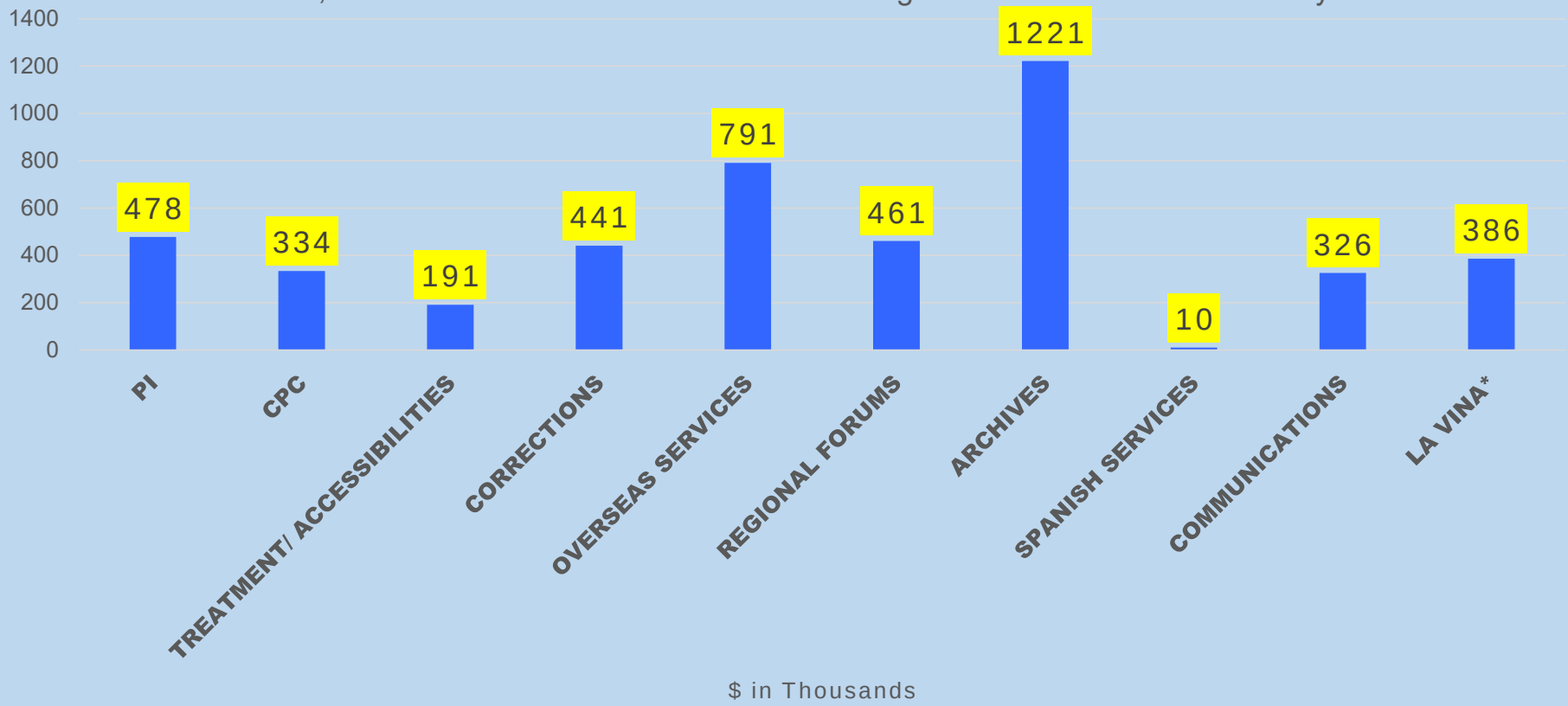
$ in Thousands	2020	% of Total	2019	% of Total	2018	% of Total
Public Information	478	4.1	327	2.9	336	2.9
Cooperation with Professional Community	334	3.1	292	2.6	297	2.6
Treatment Facilities	191	1.8	132	1.2	131	1.1
Corrections	441	4.1	294	2.6	329	2.9
Overseas Services (Literature Assistance) & Loners	791	7.3	526	4.6	501	4.4
Regional Forums	461	4.3	532	4.7	453	4.0
Archives	1,221	11.3	800	7.0	791	6.9
Spanish Services	10	0.1	27	0.1	0	0
Communications	326	3.0	189	1.6	0	0
Sub-Total – Outreach	4,252	39.3	3,109	25.4	2,838	24.8
General Service Conference	573	5.63	1,114	9.5	1,092	9.6
Trustees & Directors Activities	104	1.	577	4.9	601	5.2
Nominating	428	4.0	259	2.2	269	2.3
International Convention	309	2.9	190	1.6	-	-
World Service Meeting	208	1.9	203	1.8	203	1.8
Sub –Total – Service Leadership	1,622	15.0	2,164	18.3	2,165	18.9
Group Services	2,873	26.6	2,202	18.7	2,235	19.6
Supporting Services (Technology, Finance, etc.)	2,062	19.1	4,329	37.9	4,189	36.7
Total Costs of Services Provided	10,810	100	11,804	100.0	11,427	100.0
$ increase over prior year – % increase over prior year	-994	-1.09	377	3.3	1,205	11.8%
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.	386	n/a	297	n/a	148	n/a

COST OF SERVICES PROVIDED TO THE FELLOWSHIP – 2020– $10.8 M



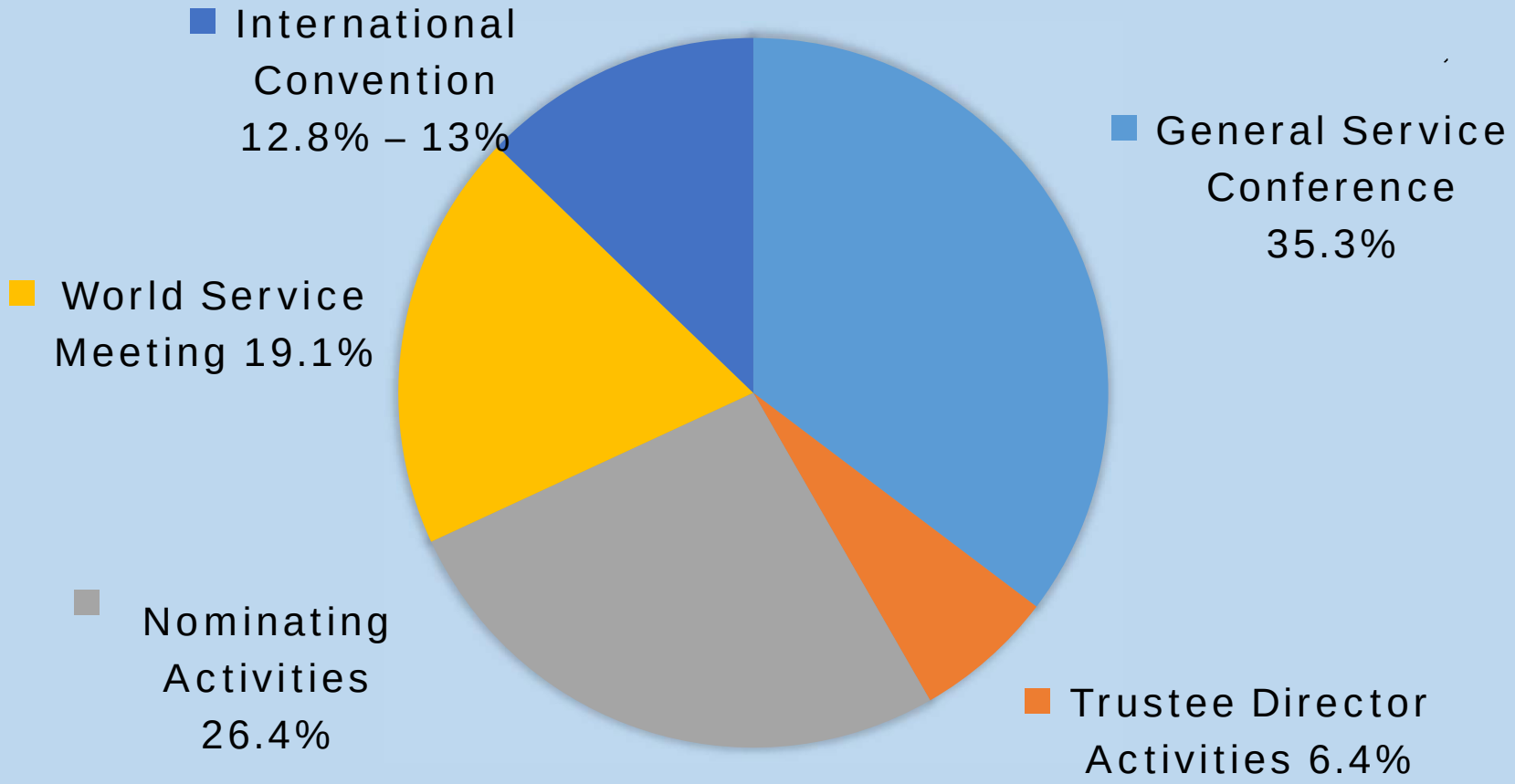
OUTREACH SERVICES PROVIDED TO FELLOWSHIP 2020

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.



$ in Thousands

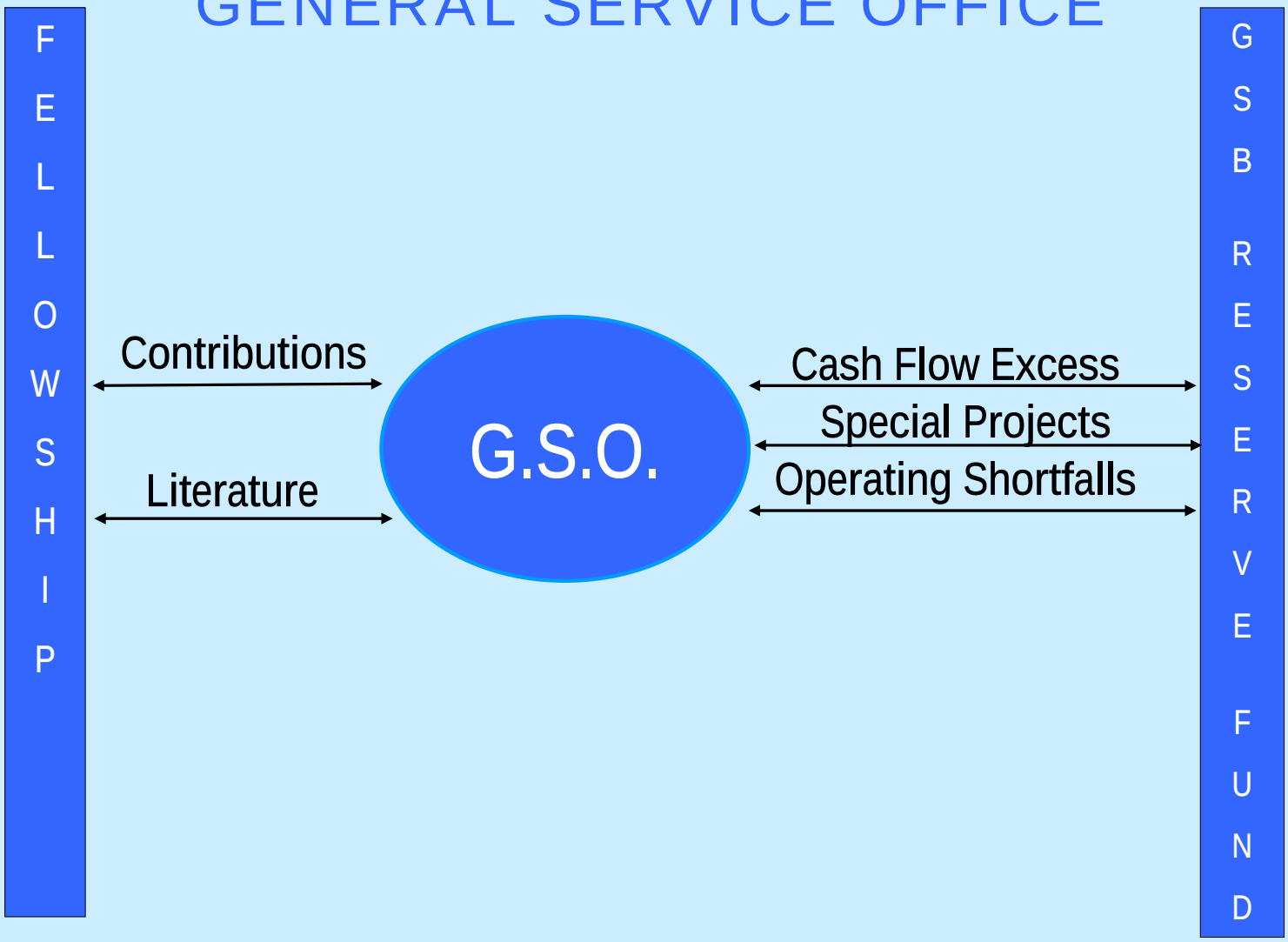
2020 SERVICE LEADERSHIP ACTIVITIES



MEMBER SERVICES & STATISTICS 2020

2020	
Number of Members	1,473,390
Cost of Services per Member	7.34
7th Tradition Self-Support Contributions per Member	6. 81
Cost of Services NOT covered by Self-Support	.53
Number of Groups	71,190
Cost of Services per Group	$151.85
7th Tradition Self-Support Contributions per Group	144.12
Cost of Services NOT covered by Self-Support	7.73
Percentage of Groups Contributing	34.8%
Number of Groups that Contributed	24,779
7th Tradition Self-Support of Groups that contributed	$238.95

GENERAL SERVICE OFFICE



GRAPEVINE

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

2020 PRUDENT RESERVE

Beginning Balance January 1, 2020	**16,204,773**
Investment Earnings	245,191
Drawdowns	4,000,000
Ending Balance December 31, 2020	**12,449,964**

Composition of Ending Balance	
Cash	1,063,149
Certificates of Deposit (CDARs)	12,610,224
Accrued Interest	250,091
Less Grapevine subscription liability	(1,473,500)
Ending Balance	**12,449,964**

2020 PRUDENT RESERVE

- Why did we need $4 million from the Reserve Fund?
- The simplest answer is that we had many items which required cash and there was not enough cash on hand.
- The longer answer is that literature sales were down significantly at a time when there was a need for cash to meet our obligations.
- At year end gross profit from literature sales was $6.58 M, 32.9% less than a budget of $9.8 M and 29.7% less than 2019 gross profit of $9.36 M.

2020 PRUDENT RESERVE

- Several long term projects were moving toward completion, including the Voluntary Retirement Incentive Program, the completion of the 8th floor, Netsuite Implementation and the work on the new website.

- In addition we needed the cash to refund registration fees and pay vendors for the International Convention prior to receiving the insurance settlement.

2020 PRUDENT RESERVE

Number of Months Expenses Held	
January 1, 2020	9.27
December 31, 2020	7.90
Target	9 to 12

Use of Drawdown	
International Convention registration refunds	3,727,864
Voluntary Retirement Incentive Program (partially funded by reserve fund drawdown)	272,136
TOTAL	**4,000,000**

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 2015 – 2020

	2020	2019	2018	2017	2016	2015
Reserve Fund – ($ in Thousands)	$12,450	$15,832	$15,935	$14,353	$14,959	$14,584
Expenses ($ in Thousands)	18,911	20,127	19,736	18,059	$17,410	$17,075
Number of months covered	7.9	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, 2020 - $12,449,964 – Annual earnings - $245,191
  - 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
2006– 2020

RESERVE FUND

Cut Costs

- In 2020 expenses were reduced by 1.5M in non personnel cost
- Find more innovative ways to keep costs down

Increase 7th Tradition Support

- Continue to let the fellowship know what is happening at GSO and show how the work to carry the message continues

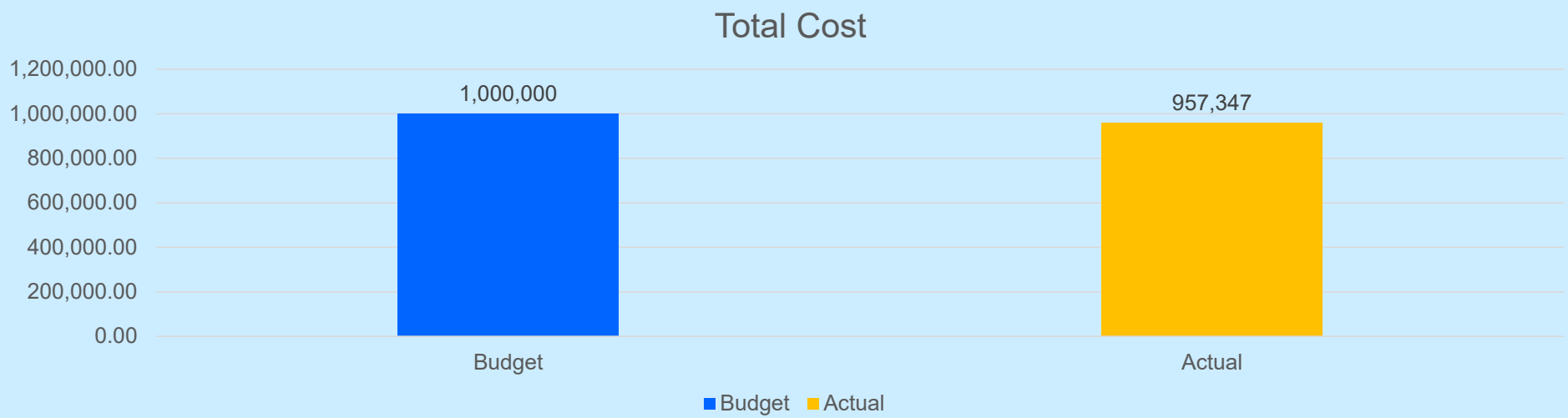
Increase the Reserve

- Develop a plan to insure the reserve fund is adequately funded for future needs

2020 INTERNATIONAL CONVENTION - CANCELLED

	Detroit 2020 Budget	Detroit 2020 Actual
Attendees	47,500	0
Registration Revenue	5,583,218	0
Cancellation Donations		40,324
Insurance Payment – Net of $180,000 shared with Grapevine		1,972,134
Total revenue	5,583,218	2,012,458
Stadium	1,446,571	
Convention Center	1,267,830	
Busing		70,500
All other	2,804,119	2,152,581
Total costs	5,518,520	2,223,081
Net	64,698	(210,624)

8TH FLOOR CONSTRUCTION



ERP ACTUAL VS BUDGET

PROJECT PHASE	BUDGET	ACTUAL THRU 12/31/20	VARIANCE
Software Selection and Design Consultant	172,217	146,456	25,761
Initial Implementation Vendor	256,933	840,786	(583,853)
Program & Project Management Consultant	670,421	649,885	20,536
Reimplementation & Ongoing Support Vendor	598,710	560,558	38,152
TOTAL	**1,698,281**	**2,197,685**	**(499,404)**

BENEFITS OF ERP
ENTERPRISE RESOURCE PLANNING SYSTEM

- Bringing all our data together
- More information reported more accurately more timely reporting
- More efficient member service
- Literature sales and contributions websites
- Fellowship Connection
- New technology to secure data and prevent breaches

SAMPLE ERP REPORT

A.A. World Services, Inc
GSO (Consolidated)
NEW Comparative Income Statement
Mar 2021

Financial Row	This Month (Mar 2021)	Same Month Last Year (Mar 2020)	Month Variance	Current Year to Date (Jan 2021 - Mar 2021)	Last Year to Date (Jan 2020 - Mar 2020)	Year To Date Variance
Ordinary Income/Expense						
Income						
40000 - Contributions - Members & Groups						
41000 - Contributions - Members & Groups : US/Canada						
41100 - Contributions - Members & Groups : US/Canada : Mail	$748,380	$439,547	$308,833	$1,820,525	$1,745,452	$75,073
41200 - Contributions - Members & Groups : US/Canada : Online	$208,894	$88,579	$120,315	$680,056	$240,062	$439,995
Total - 41000 - Contributions - Members & Groups : US/Canada	**$957,275**	**$528,126**	**$429,148**	**$2,500,582**	**$1,985,514**	**$515,068**
Total - 40000 - Contributions - Members & Groups	**$957,275**	**$528,126**	**$429,148**	**$2,500,582**	**$1,985,514**	**$515,068**
42000 - International						
42100 - World Service Meeting Fund	$0	$0	$0	$0	$20,966	($20,966)
42200 - International Literature Fund	$1,990	$3,160	($1,170)	$4,171	$19,218	($15,047)
Total - 42000 - International	**$1,990**	**$3,160**	**($1,170)**	**$4,171**	**$40,184**	**($36,013)**
43000 - General Service Conference						
43100 - General Service Conference: Delegate Fees	$100,181	$0	$100,181	$122,681	$1,800	$120,881
43200 - General Service Conference: Additional Contributions	$27,831	$0	$27,831	$31,444	$0	$31,444
Total - 43000 - General Service Conference	**$128,012**	**$0**	**$128,012**	**$154,124**	**$1,800**	**$152,324**
46000 - Sales						
41760 - Sales : Overseas Discounts - old	($887)	$0	($887)	($9,073)	$0	($9,073)
41770 - Sales : External Discounts - old	$0	$0	$0	($2)	$0	($2)
46100 - Sales : Literature Sales	$779,901	$901,536	($121,635)	$2,898,890	$3,529,142	($630,252)
46200 - Sales : Shipping Charge	$122,785	$16,843	$105,941	$122,847	$18,967	$103,880
46300 - Sales : Discounts	($537)	($10,154)	$9,617	($246,331)	($47,654)	($198,677)
46400 - Exchange Rate/Gain/Loss	$385	($177,213)	$177,597	$3,047	($113,551)	$116,598
Total - 46000 - Sales	**$901,646**	**$731,012**	**$170,633**	**$2,769,377**	**$3,386,904**	**($617,526)**
Total - Income	**$1,988,923**	**$1,262,299**	**$726,624**	**$5,428,254**	**$5,414,402**	**$13,853**

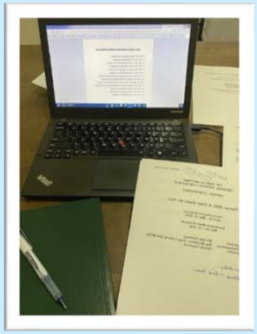
2020 COVID-19 IMPACT

SERVICES CONTINUE AT AAWS AND GRAPEVINE

March 2020

More than 90,000

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

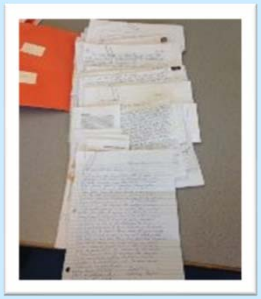


Over 125,000

Alcoholics provided with digital Grapevine subscriptions free of charge

One

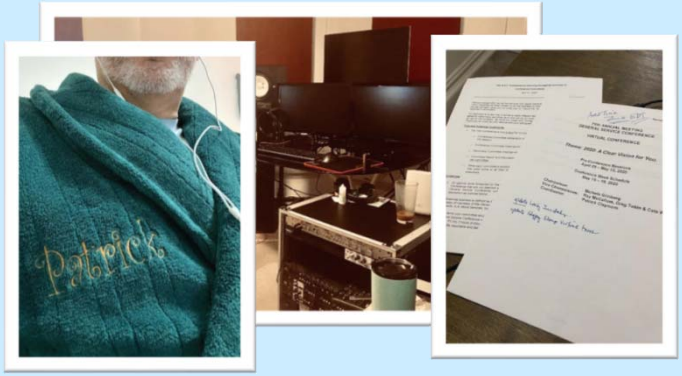
Completely virtual General Service Conference designed from the kitchens, living rooms and home offices across the US and Canada



1,800

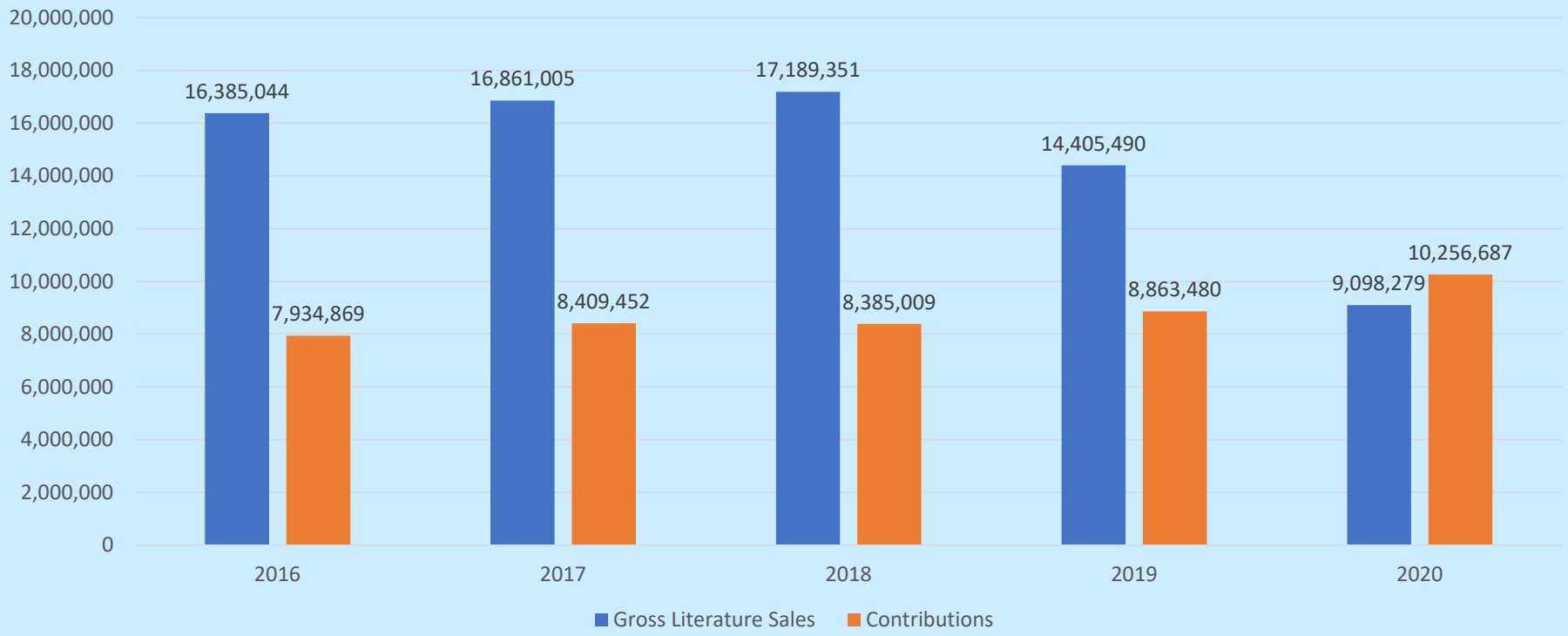
Pieces of inmate correspondence

1,200 members behind the walls connected to members outside



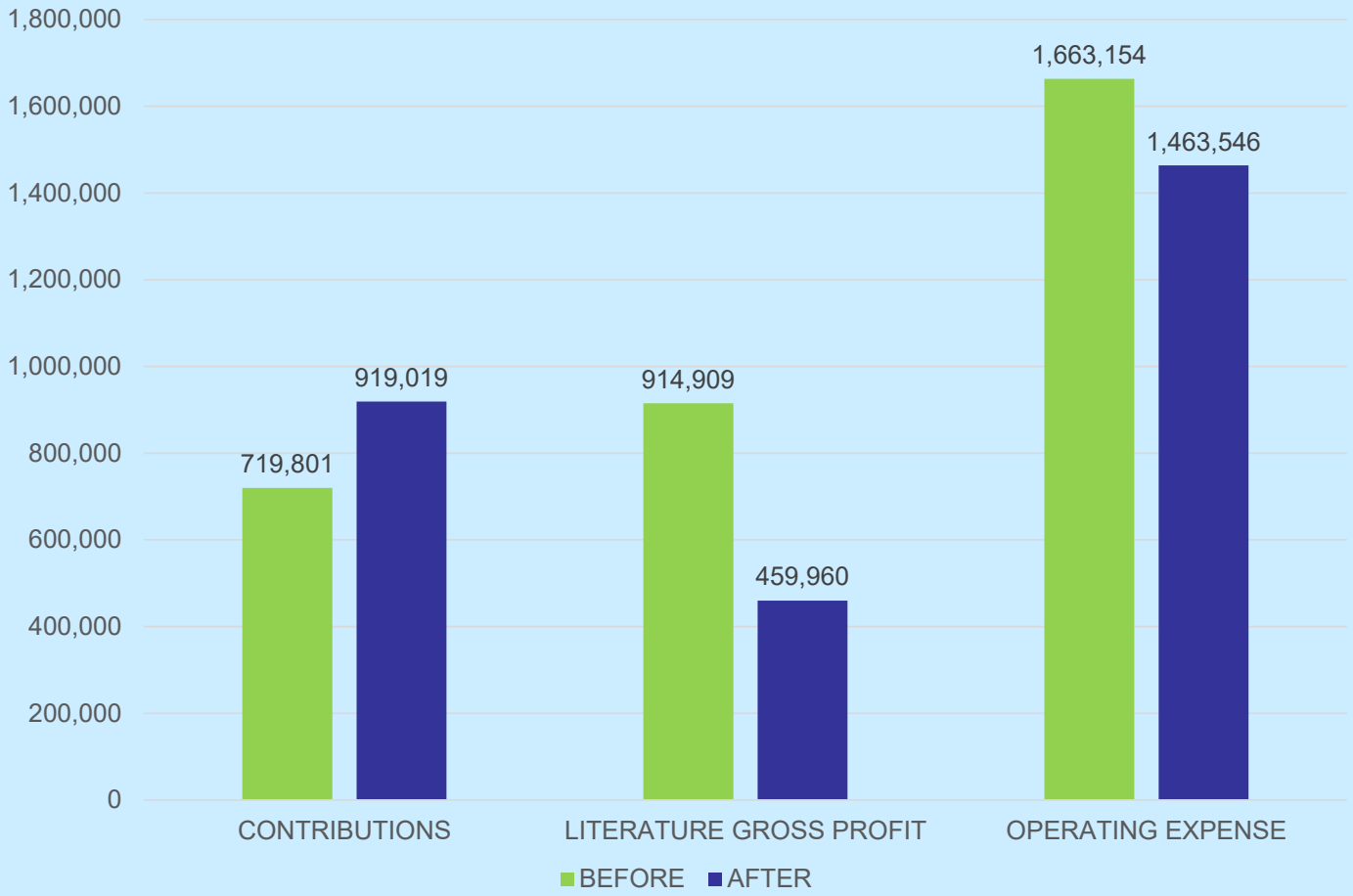
December 2020

IMPACT OF PANDEMIC ON REVENUE DISTRIBUTION



BEFORE AND AFTER PANDEMIC

MONTHLY AVERAGE REVENUE AND EXPENSE



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 remains an unprecedented time in the world and a pivotal moment for A.A. Now is the time for our membership to continue to demonstrate what self-supporting really means

THANK YOU

- Paul Konigstein, CFO
- Zenny Medina, Director of Finance
- Patrick C, Conference Coordinator, for his patience
- 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
- Our outsourced accounting support – Your Part-time Controller

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Any questions – Please feel free to contact me at – lbackus@recoveryplace.org