

AROUND THE PICNIC TABLE



Kevin Prior, CFA, CPA
Class A (nonalcoholic) Trustee
General Service Board Treasurer

AUDIT RESULTS



- Completed on schedule
- Unmodified or “clean” audit opinion
 - The financial statements are fairly stated in all material respects
- No material weaknesses
- No significant deficiencies
- Five recommendations (compared to one in 2020 and seven in 2019)

2021 GSO FINANCIAL HIGHLIGHTS

- ❖ 7th Tradition of Self-Support – \$10.78 million set another record, up 5.07% from \$10.26 million in 2020
- ❖ Operating Expense - \$15.28 million down 31.6% from \$22.34 million in 2020
 - ❖ Program Service Expense - \$7.59 million down 38.7% from \$12.39 million in 2020
 - ❖ Supporting Services Expense - \$7.70 million down 22.6% from \$9.95 million in 2020
- ❖ Self-Support - covered 70.5% of operating expense and 142.0% of program service exp.
- ❖ AAWS publishing gross profits – \$6.30 million down 4.3% from \$6.58 million in 2020
- ❖ Operating surplus of \$1,697,141 but operating cash increase of only \$53,177

RECONCILIATION OF GSO OPERATING SURPLUS TO GSO CASH

Operating Surplus	1,697,141
Increase in inventory – uses cash but does not affect expenses	(321,805)
Literature sales made in 2021 but paid for in 2022	(108,959)
Amount GV pays AAWS in 2022 for shared services AAWS purchased in 2021	(222,205)
Payment in 2021 of Social Security tax on 2020 salaries	(278,227)
Amount transferred by GSB from operating fund to prudent reserve	(250,000)
Contributions deposited in 2022 but counted as revenue in 2021	(321,653)
International Convention outlays – uses cash but does not affect expenses	(57,314)
Prepaid expenses (ex. employee medical insurance, hotel deposits, software)	(53,174)
Other	(30,627)
Increase in cash	53,177

ALLOCATIONS

- ❖ An allocation is the assignment of shared costs such as rent and utilities to each activity of the organization
- ❖ Recent history of GSO allocations
 - ❖ 2020 – Non-transparent, outdated method based on square footage allocated ALL supporting services
 - ❖ 2021 – transition year – Transparent, direct from NetSuite – many supporting services NOT allocated
 - ❖ 2022 and beyond – Transparent method based on headcount. ALL supporting services allocated.
- ❖ Changes intended to provide the Fellowship with an easy to understand picture of the all in cost of each outreach, service leadership, program, and supporting service
- ❖ 2022 method approved at March A.A.W.S. Board meeting

GSO SAVINGS ACHIEVED IN 2021

COMPARED TO 2021 BUDGET

- ❖ Salaries and Benefits \$223,000
- ❖ Professional Fees \$345,000
- ❖ Operating Expenses \$207,000
- ❖ Lockbox saves 3 Full-time Equivalents (FTEs)

COMPARED TO 2020 ACTUAL

- ❖ Salaries and Benefits \$1.7 million
- ❖ Operating Expenses \$1.6 million

2021 GRAPEVINE FINANCIAL HIGHLIGHTS

- ❖ Grapevine paid print subscriptions decreased 11.5% in 2021. Subscriptions for the online and mobile app magazine increased 73.3%
- ❖ 2021 Grapevine results were a gross profit of \$1.091M on the magazine and a gross profit of \$411K on other published items. Operating expenses of \$1.808M resulted in an operating loss of \$112,618 compared to a loss of \$298,699 in 2020.
- ❖ General Fund support of La Viña service activity was \$388,646 in 2021, almost the same as \$385,771 in 2020.
- ❖ La Viña magazine circulation decreased by 12.4% in 2021 compared to a 36.6% decrease in 2020 after several prior years of growth.

2022 GSO BUDGET

- ❖ Total revenue \$16,761,400 compared to \$17,377,021 in 2021.
 - ❖ Contributions \$10,000,000 compared to \$10,775,871 in 2021.
 - ❖ Literature gross profit \$6,534,000 compared to \$6,297,678 in 2021.
- ❖ Total operating expense \$18,111,969 compared to \$15,282,198 in 2021.
- ❖ Operating deficit of \$1,350,569 compared to \$1,697,141 surplus in 2021.
- ❖ 2022 deficit to be paid for with 2021 surplus.

2022 GRAPEVINE BUDGET

- ❖ Print magazine circulation to increase to 62,000 from 56,081 in 2021.
- ❖ Online and e-Pub circulation to decrease to 8,842 from 8,972 in 2021.
- ❖ Gross profit on subscriptions \$1,236,434 compared to \$1,091,404 in 2021.
- ❖ Grapevine net operating surplus of \$19,234 compared to \$112,618 deficit in 2021.
- ❖ La Viña magazine circulation to increase to 7,500 compared to 6,312 in 2021.
- ❖ General Fund La Viña support of \$402,067 compared to \$388,646 in 2021.

2021 FINANCIAL HIGHLIGHTS

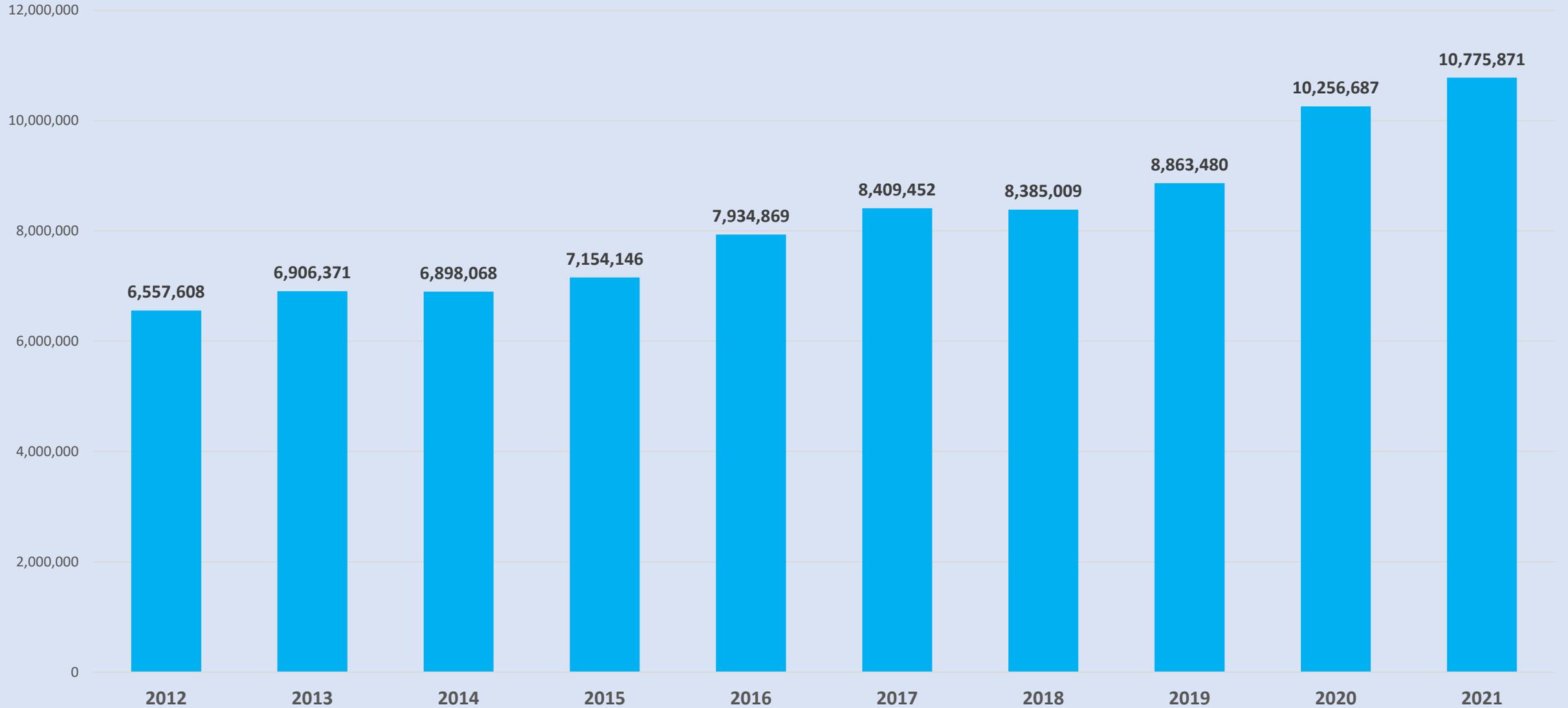
Amounts in \$	2021 ACTUAL	2021 BUDGET	2021 ACTUAL COMPARED TO 2021 BUDGET	2020 ACTUAL	2021 ACTUAL COMPARED TO 2020 ACTUAL
GENERAL SERVICE OFFICE					
7 th Tradition Contributions	10.78 M	10.0 M	0.78 M (7.80%) increase	10.26 M	0.52 M (5.07%) increase
Literature Gross Profit	6.30 M	6.84 M	0.54 M (7.89%) decrease	6.58 M	0.28 M (4.26%) decrease
Operating Surplus/(Deficit)	1.6 M	0.7 M	0.9 M increase	0.1 M	1.5 M increase
GRAPEVINE & LA VIÑA					
Average Circulation	65,053	67,565	2,512 (3.72%) decrease	68,572	3,519 (5.13%) decrease
Surplus/(Deficit)	(113 K)	(354 K)	241 K better	(299) K	186 K better
General Fund support of La Viña service activity	389 K	402 K	13 K (3.23%) decrease	385 K	4 K (1.03%) increase
RESERVE FUND					
Coverage Ratio	8.5 months	N/A	N/A	7.9 Months	Increase of 0.6 months (7.59%)
M – millions; K – thousands					

GRATITUDE - 7TH TRADITION

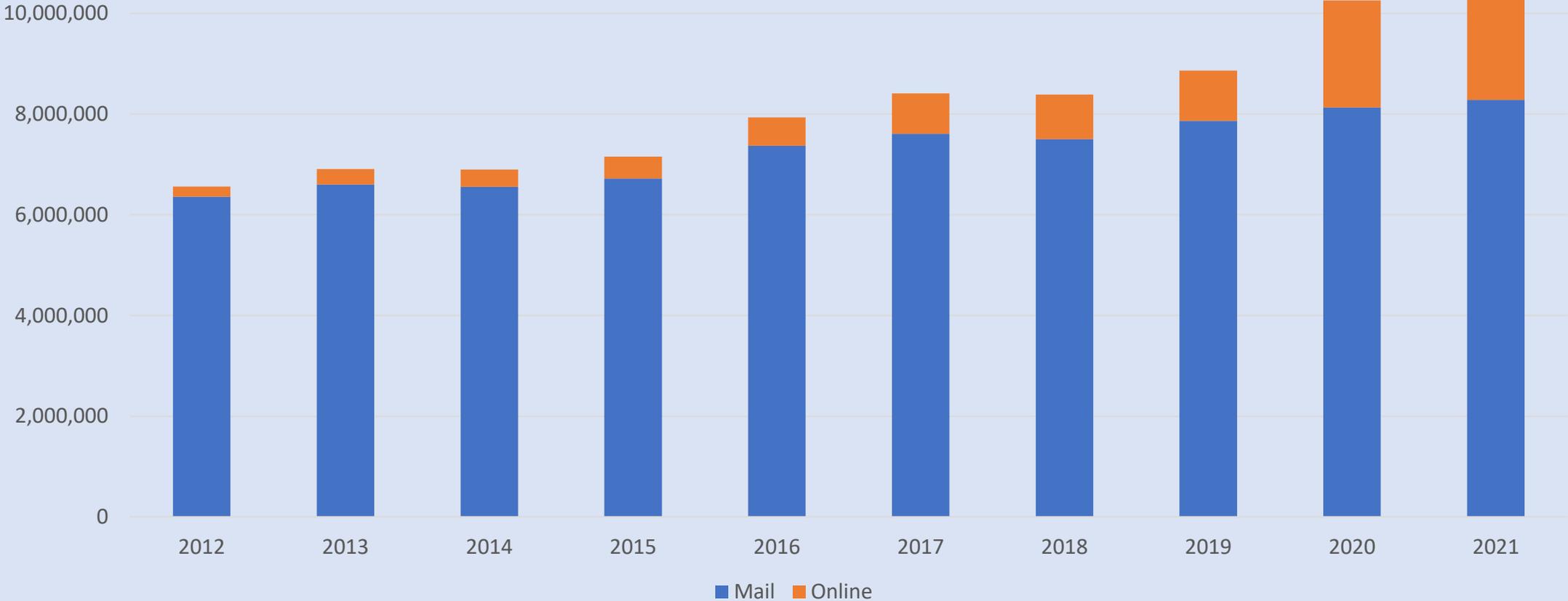


THIRD CONSECUTIVE RECORD YEAR

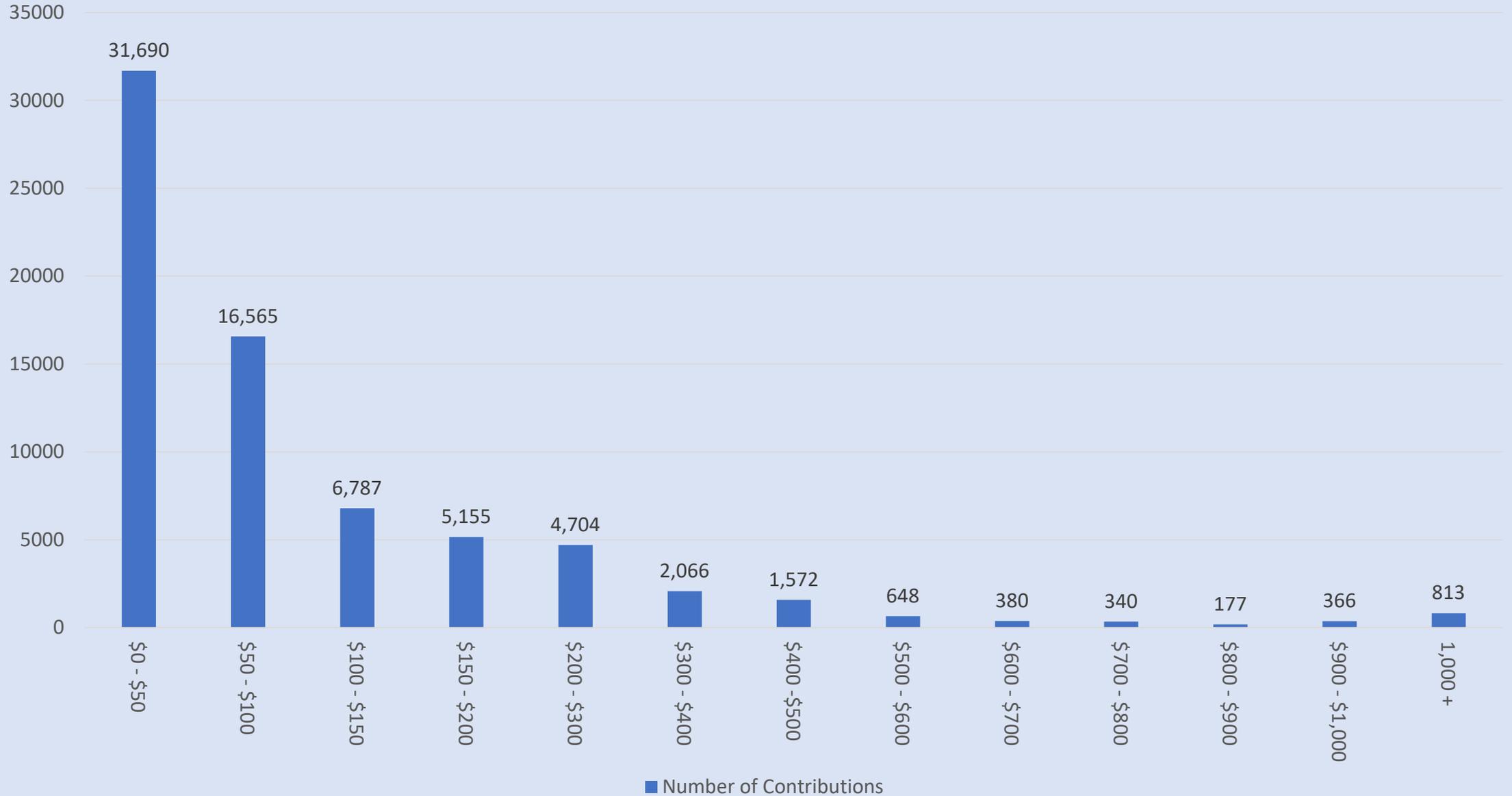
7TH TRADITION SELF-SUPPORT – 2012 – 2021



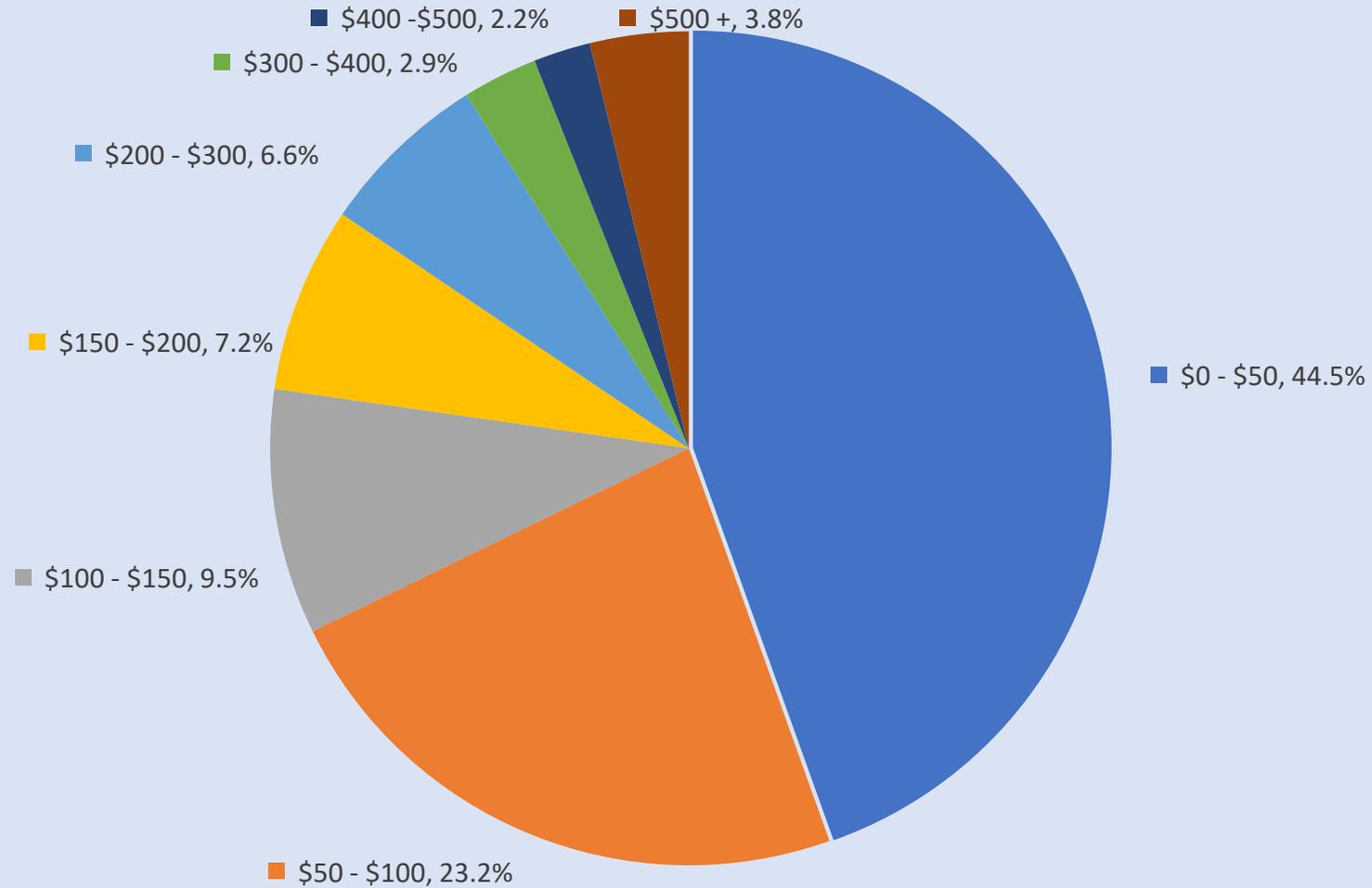
GROWTH OF ON-LINE CONTRIBUTIONS 2012 - 2021



2021 Contributions by Dollar Value



2021 Contributions by Dollar Value

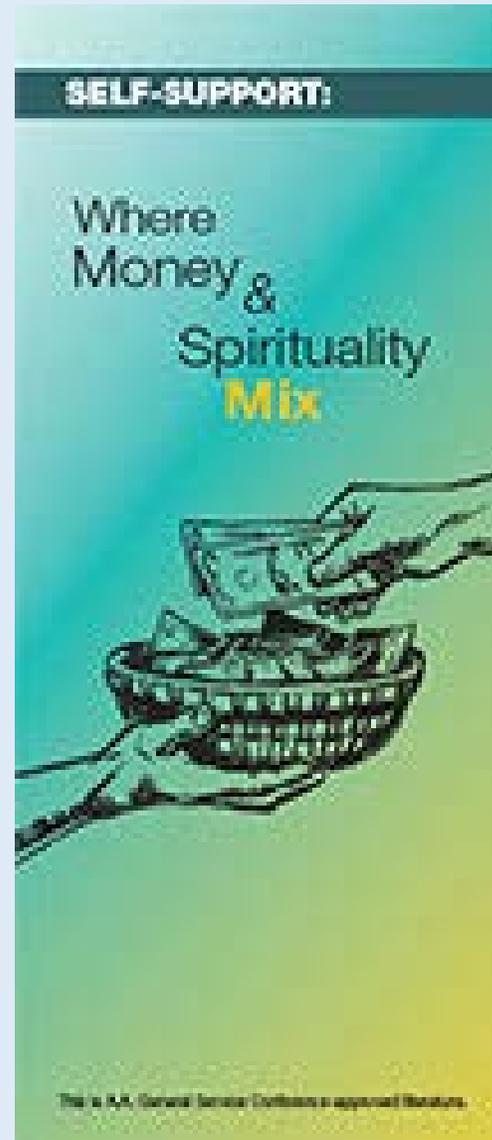


■ \$0 - \$50 ■ \$50 - \$100 ■ \$100 - \$150 ■ \$150 - \$200 ■ \$200 - \$300 ■ \$300 - \$400 ■ \$400 - \$500 ■ \$500 +

GRASS ROOTS CHALLENGE CONTRIBUTIONS

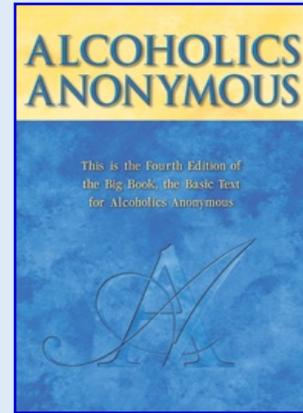
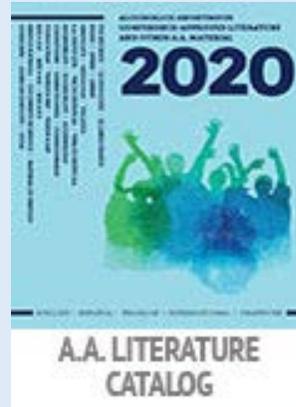
- 2021 Challenge amount \$7.34
- 213 Challenge contributions received in 2021 for a total of \$10,367
- Compares to \$24,030 received in 2020
- 2021 Cost of Program Services \$7.59 M
- Divided by 1,475,520 members
- Equals \$5.14 2022 Challenge amount

THROUGH OUR OWN SELF-SUPPORT

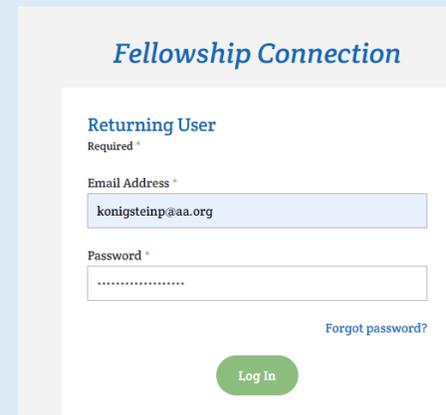


G.S.O.'s TWO BASIC FUNCTIONS

- Publishing



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



AAWS – PUBLISHING – 2021 ACTUAL vs 2021 BUDGET

\$ in Thousands	2021 ACTUAL	2021 BUDGET	INCREASE (DECREASE)
Gross Sales – Literature	11,712	11,400	312
Discounts	(759)	(342)	417
Shipping Charges	399	0	N/A
Net Sales - Literature	11,352	11,058	294
Cost of Literature Sold - Printing	5,054	4,218	836
Gross Profit	6,298	6,840	(542)
Gross Profit Percentage	55.5%	61.9%	(6.4%)

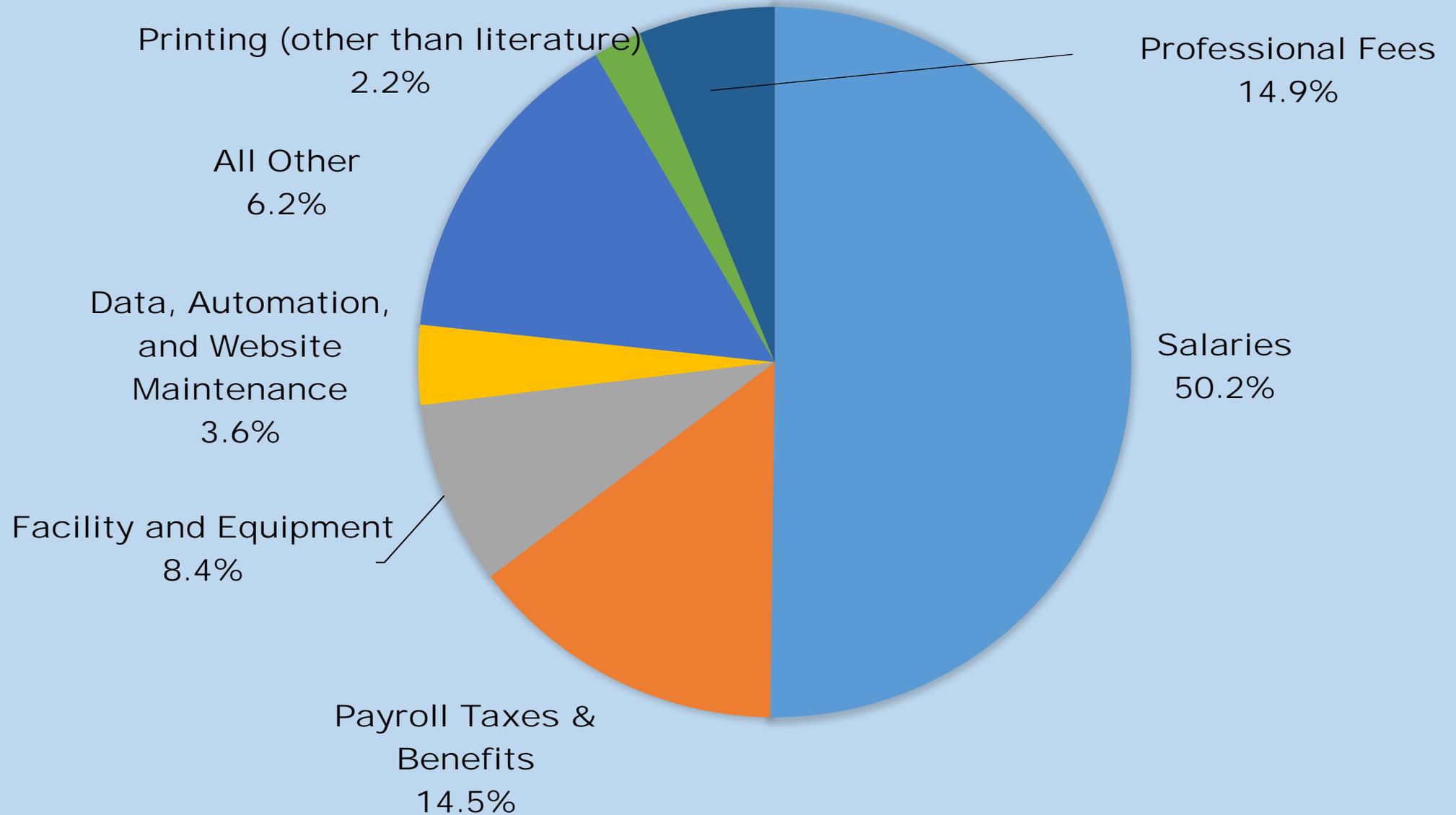
GRAPEVINE – 2021 ACTUAL VS 2021 BUDGET

	AVERAGE CIRCULATION – PRINT	63,397	60,970	(4,889)
	ONLINE & APP	5,175	6,595	2,377
		2021 ACTUAL	2021 BUDGET	Increase (Decrease)
Magazine Revenue		1,820,737	1,862,137	(41,400)
Magazine Direct Costs		<u>729,298</u>	<u>728,421</u>	<u>877</u>
Gross Profit on Magazine		<u>1,091,439</u>	<u>1,133,716</u>	<u>(42,277)</u>
Other Publishing Revenue		703,318	549,297	154,021
Cost of Goods Sold		<u>292,458</u>	<u>249,379</u>	<u>43,079</u>
Gross Profit on Other Publishing Items		<u>410,860</u>	<u>299,918</u>	<u>110,942</u>
Total Gross Profit		<u>1,502,300</u>	<u>1,433,634</u>	<u>68,666</u>
Costs and Expenses				
Editorial Costs		910,458	901,739	8,719
Circulation and Business		814,405	793,608	20,797
General and Administrative		<u>84,065</u>	<u>122,512</u>	<u>(38,447)</u>
Total Costs and Expenses		1,808,928	1,817,859	(8,931)
Interest and Miscellaneous Income		<u>194,011</u>	<u>30,000</u>	<u>164,011</u>
Net Income		(112,618)	(354,225)	241,607

GRAPEVINE OPERATING RESULTS – 2012 – 2021



CONSOLIDATED OPERATING EXPENSES – 2021 – \$17.52 M
FINANCIAL STATEMENT EXPENSE CATEGORIES
PERCENTAGE BREAKDOWN



OUTREACH SERVICES – COSTS & PERCENTAGES

	\$ in Thousands	2021	% Total Operating Expense
Public Information		368	2.1
Cooperation with the Professional Community		158	0.9
Treatment / Accessibilities/ Remote Communities		205	1.2
Corrections		212	1.2
Overseas Services (International Assignment & Literature Assistance)		435	2.5
Regional Forums		303	1.7
Archives		602	3.4
Communications		<u>762</u>	<u>4.3</u>
Sub-Total – Outreach		3,044	17.4

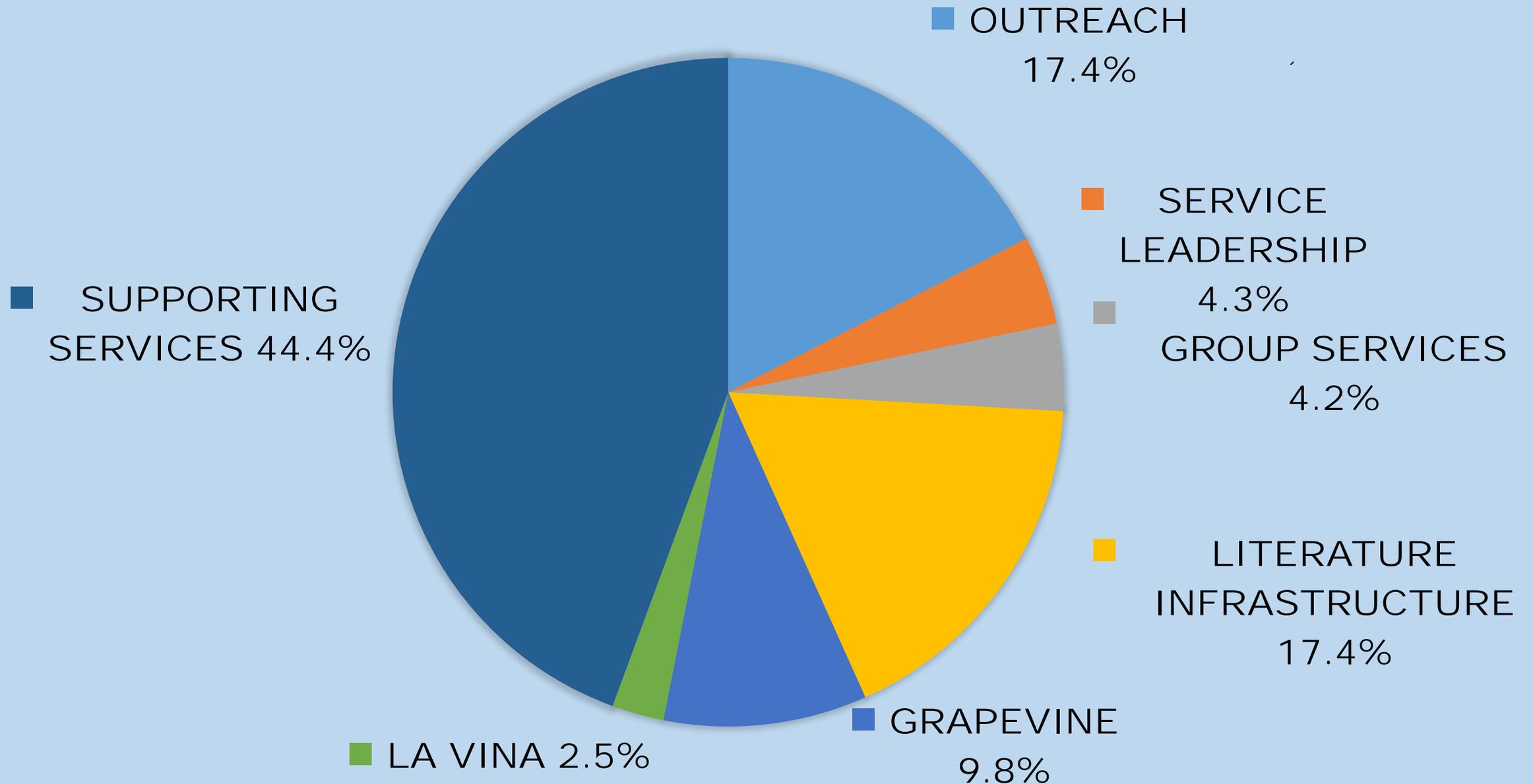
SERVICE LEADERSHIP – COSTS & PERCENTAGES

	\$ in Thousands	2021	% Total Operating Expense
General Service Conference		518	3.0
Nominating		233	1.3
International Convention		2	< 0.1
World Service Meeting		<u>2</u>	<u>< 0.1</u>
Sub –Total – Service Leadership		755	4.3

CONSOLIDATED FELLOWSHIP SERVICES COSTS & PERCENTAGES

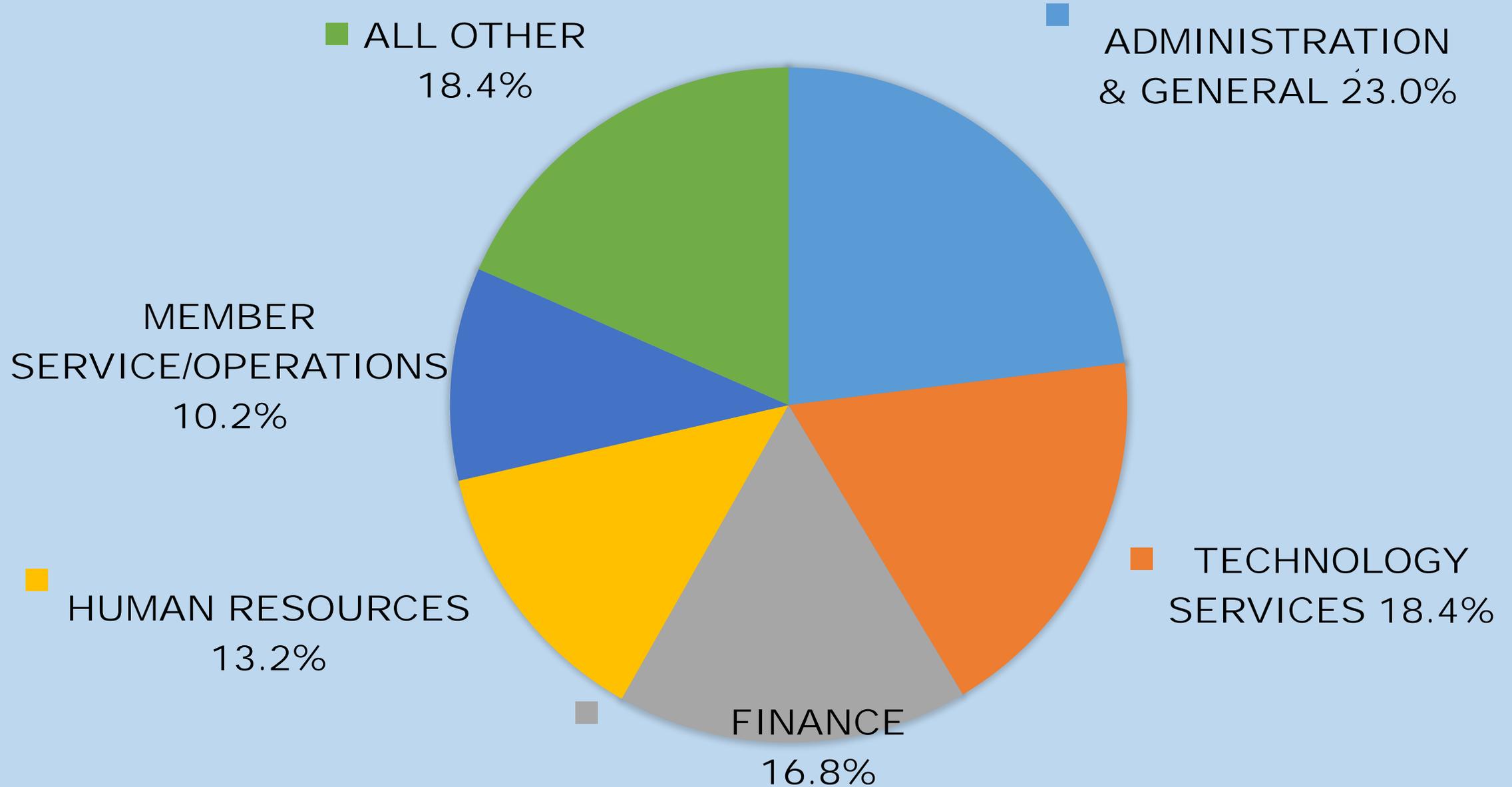
\$ in Thousands	2021	% Total Operating Expense
Outreach Services (from previous slide)	3,044	17.4
Service Leadership (from previous slide)	755	4.3
Group Services	731	4.2
Literature Infrastructure	3,055	17.4
Grapevine	1,725	9.8
La Viña	430	2.5
Total Program Services	<u>9,740</u>	<u>55.6</u>
Supporting Services (Technology, Finance, HR, etc.)	<u>7,780</u>	<u>44.4</u>
Total Operating Expenses	17,520	100.0

CONSOLIDATED COST OF SERVICES PROVIDED TO THE FELLOWSHIP 2021- \$17.52 M



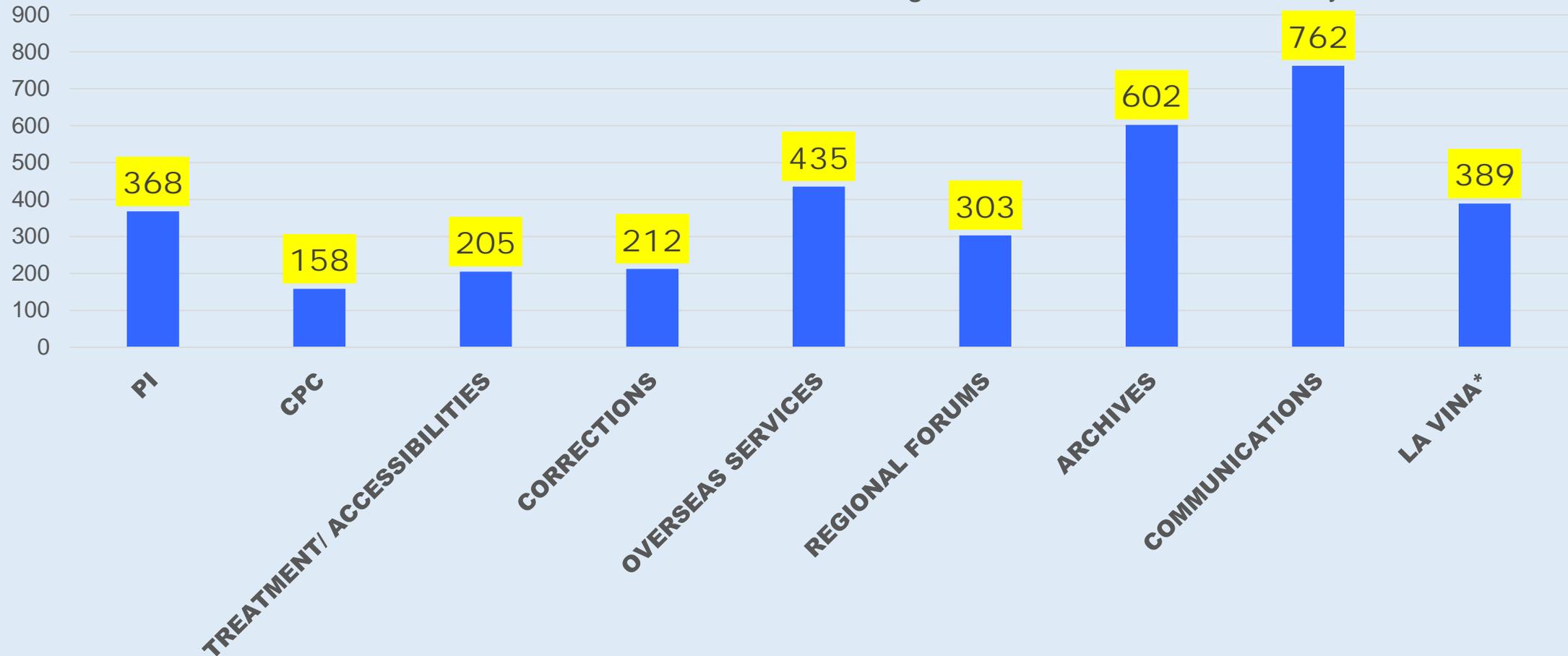
CONSOLIDATED SUPPORTING SERVICES

\$7.78 M



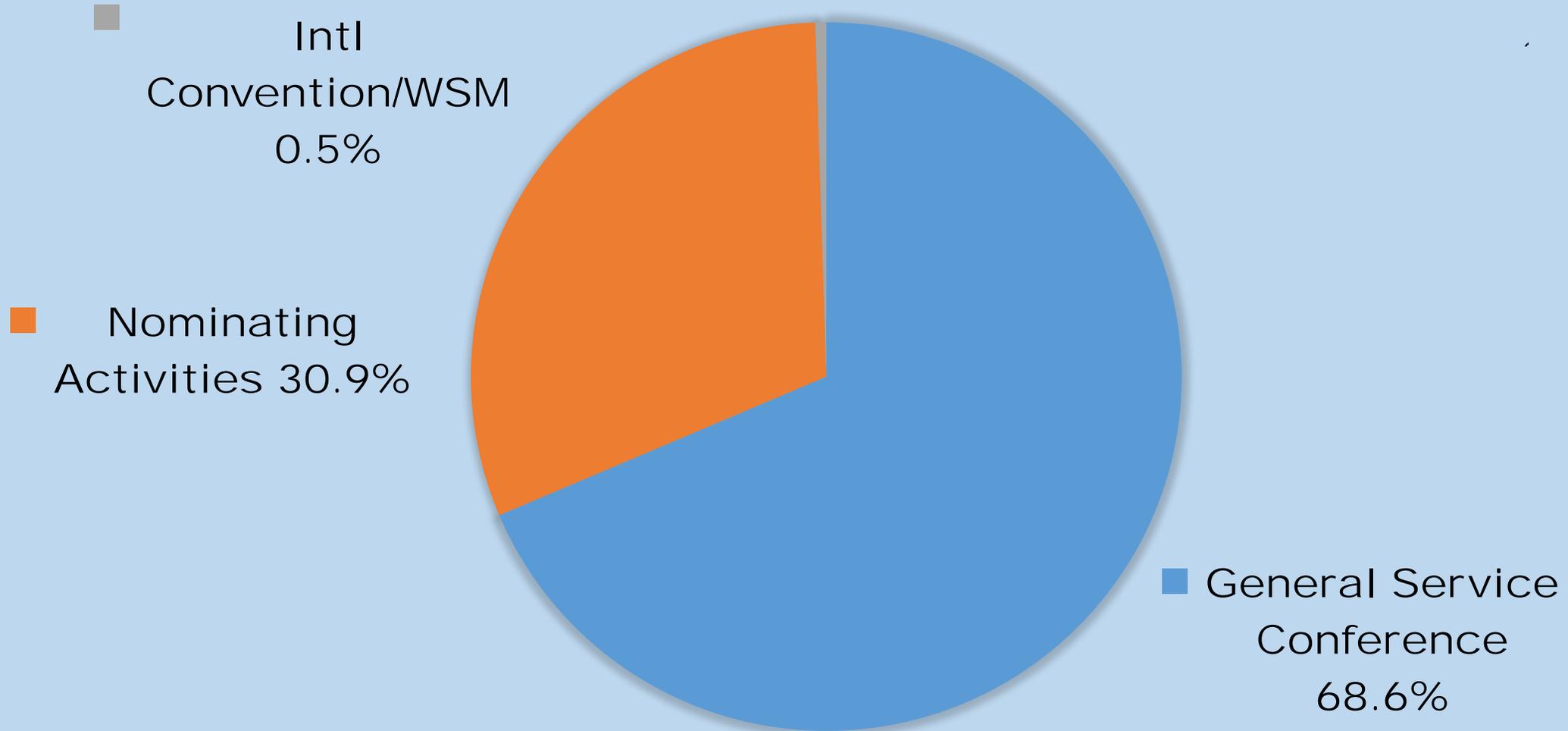
GSO OUTREACH SERVICES PROVIDED TO FELLOWSHIP 2021

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

2021 GSO SERVICE LEADERSHIP ACTIVITIES



MEMBER SERVICES & STATISTICS 2021

MEMBERS	
7 th Tradition Self-Support Contributions	10,775,871
Number of Members	1,475,520
Contributions per Member 2021	7.30
Contributions per Member 2020	6.81
GROUPS	
7 th Tradition Self-Support Contributions	10,775,871
Number of Groups	72,136
Contributions per Group 2021	149.38
Contributions per Group 2020	144.12

2021 PRUDENT RESERVE

Beginning Balance January 1, 2021	12,449,464
Investment Earnings	152,822
Drawdowns	0
Additions	250,000
Ending Balance December 31, 2021	12,852,286

Composition of Ending Balance	
Cash	6,096,553
Certificates of Deposit (CDARs)	8,197,138
Accrued Interest	2,095
Less Grapevine subscription liability	(1,443,500)
Ending Balance	12,852,286

Number of Months Expenses Held	Based on 2021 expenses	Based on 2022 expenses
January 1, 2021	7.90	7.59
December 31, 2021	8.50	7.84

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
- ❖ In 1967, the General Service Conference Issued the Advisory Action that "The GSB make use of the Reserve Fund for whatever purpose the Board may authorize".
- ❖ Broadly, this could include, whether planned or unplanned:
 - ❖ Operating Deficits of AAWS or Grapevine
 - ❖ Periodic expenditures such as an office renovation or major technical upgrade
 - ❖ Extraordinary expenses outside of "normal" operations

IMPACT OF PANDEMIC ON GSO REVENUE DISTRIBUTION



THANK YOU

- ❖ Paul Konigstein, Chief Financial Officer
- ❖ Zenaida Medina, Assistant Director of Finance
- ❖ Steve S, Conference Coordinator, for his patience
- ❖ All of the 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 – CBIZ Marks Paneth, LLP
- ❖ Our outsourced accounting support – Your Part-time Controller

Any questions – Please feel free to contact me at – kevin@kevinjprior.com