Key Takeaways and Talking Points from the 72nd GSC Financial Report

2021 Results Overall

External Audit resulted in a "Clean" Opinion from the auditors and several routine recommendations to enhance reconciliation processes

GSO Experienced Accounting Surplus of $1.7 million with cash surplus of $53,000.

The 5 biggest components of the difference between cash surplus and accounting surplus are:

322,000	Build up of Publications Inventory > Will create cash when sold
322,000	2021 contributions received/deposited in 2022 > Creates cash in 2022
250,000	GSB Transfer to Reserve Fund in 2021
278,000	Payment of Deferred Social Security Tax > Expensed in 2020 and used cash in 2021
222,000	Amount owed from Grapevine for shared services purchased in 2021 – will create cash in 2022

The surplus achieved was greater than the 700,000 budgeted surplus due to:

780,000	Contributions of 10.7 million versus budget of 10 million
(542,000)	Literature Gross Profit Versus Budget – Due to much higher printing and distribution costs without raising prices
775,000	Savings in key expense categories:

- professional fees ($345,000 – primarily IT),
- salary and benefits (223,000 – primarily vacant positions)
- other expenses ($207,000 – largely driven by the pandemic)

Note: 700k budgeted surplus is net of support for LaViña which is approximately $400k per year that is a service funded from the GSB

Grapevine Results for 2021 were favorable versus budget:

Paid print subscriptions decreased 11%. Online/mobile app subscriptions increased 73%. This digital expansion drives engagement but not revenue.

Decrease in La Viña circulation of 12% versus 37% decrease in 2020. Prior to 2020 growth was on a positive trajectory

Grapevine loss of $113,000 versus loss of $299,000 in 2020 and budgeted loss of $354,000.

2022 Budget

GSO Budget Includes a Deficit of $1.35 million, to be funded from 2021 surplus

Contribution Revenue budgeted conservatively ($10 million versus $10.7 million actual in 2021)

Literature gross profit budget of $6.5 million versus $6.3 million in 2021, $6.6 million in 2020 and $8.4 - $8.8 million each year from 2017 – 2019

Transition back to in-person Conference, Board meetings, and Virtual Forums,

2021 Surplus allowed for 2022 to be a transition year, investing in post-Covid expenses while assuming Covid-era revenue

It is NOT the intention of Trustees Finance Committee or the GSB to run recurring deficits on an ongoing basis

Grapevine Budget includes stabilization of trends as we emerge from Covid

Break-even results for Grapevine and stable level of GSB support for LaViña ($400,000)

Print magazine subscriptions expected to increase 11% while digital is expected to decline slightly

Partial rebound in LaViña subscriptions expected

Contributions

Contributions of $10.7 million in 2021 versus $10.3 million in 2020, $8.9 million in 2019 and $8.4 million in 2018 and 2017

45% of total contribution revenue was for contributions of $50 or less and two-thirds came from contributions of $100 or less. Only 4% of contributions revenue came from the “over $500 category”. Bottom Line – Larger contributions from areas and groups are the icing on the cake but the “cake” is smaller contributions from individuals and groups

Online contributions were 23% of the total in 2021 versus 3% in 2012

Immense gratitude to the Fellowship for stepping up contributions during these uncertain times. This revenue does not however represent a bonanza – it is helping to offset the drop in publications gross profits (see next section)

Self Support: Your 7th tradition dollars fulfilling our primary purpose:

- Newly revised Service Manual
- Meeting Guide App
- Fellowship Connection
- 27 books uploaded to Jpay, available to those confined in correctional facilities
- New Group form
- Two new AA Public Service Announcements
- New redesigned website

Literature Sales

Gross Literature Sales have Fallen During the Pandemic while the gross profit on each item has dropped due to increased printing and mailing costs. Contribution growth has only partially offset these losses as noted below. Combined gross profit and contributions are running at least $1 million below 2019 levels.

Year	Literature Gross Sales	Literature Gross Profit	Change in Literature Gross Profit from 2016	Contributions	Change in Contributions from 2016	Change in Contributions plus literature since 2016	C C l
2016	13,413,929	10,549,316		7,934,869			
2017	13,693,752	11,056,366	507,050	8,409,452	474,583	981,633	
2018	14,235,594	9,452,615	(1,096,701)	8,385,009	450,140	(646,561)	
2019	14,405,490	9,358,751	(1,190,565)	8,863,480	928,611	(261,954)	
2020	9,098,279	6,582,266	(3,967,050)	10,256,687	2,321,818	(1,645,232)	
2021	12,110,603	6,297,678	(4,251,638)	10,775,870	2,841,001	(1,410,637)	
2022	11,000,000	6,534,000	(4,015,316)	10,000,000	2,065,131	(1,950,185)	

Big Question – How much of drop in gross sales is due to factors other than the Pandemic that may or may not reverse? This question is why we allowed the budgeted deficit in 2022 – We assumed minimal rebound in the budget as we emerge from the Pandemic

Additional contributions are still needed.

Reserve Fund

In 2020, the Reserve Fund was drawn down by $4 million dollars. The *initial draw* was due to the immediate cancellation of the international convention. Much of the convention loss was ultimately covered by insurance. However, by that time, literature sales dropped precipitously as outlined above. Contributions have offset part of this loss but net from 2019 we are still taking in less revenue.

Trustees Finance and the GSB are taking a cautious approach to the reserve fund:

A small transfer of $250,000 was made in 2021

A transfer in January 2022 was not made despite the 2021 surplus in light of the budgeted loss for GSO in 2022 (transition year)

Strong desire not to put more in the reserve than we can truly afford resulting in ill-timed budget changes or the need to withdraw from the fund in the near term

Based on the 2021 balance and the 2022 budgeted expenses the reserve fund 7.84 months of expenses are in reserve. The generally understood target range is 9 to 12 months.

Trustees Finance discusses all of these issues at every meeting