

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
- 5 recommendations (3 AAWS and 2 GV) compared to 5 in 2021

2022 GSO FINANCIAL HIGHLIGHTS

- ❖ 7th Tradition of Self-Support – \$10.55 million down 2.1% from \$10.78 million in 2021
- ❖ Operating Expense - \$17.82 million up 19.9% from \$14.86 million in 2021
 - ❖ Program Service Expense - \$7.17 million down 2.7% from \$7.37 million in 2021
 - ❖ Supporting Services Expense - \$10.65 million up 42.2% from \$7.49 million in 2021
- ❖ Self-Support - covered 59% of operating expense
- ❖ AAWS publishing gross profits – \$4.89 million down 22.3% from \$6.29 million in 2021
- ❖ Operating deficit of \$1,579,305; operating cash decrease of \$2,064,135

LARGEST CATEGORIES OF GSO CASH EXPENDITURE

Salaries, Employee Benefits, and Payroll Taxes	10,098,410
Shipping and Warehousing Publications	4,069,178
Publications Inventory	3,394,368
Professional Fees	1,779,735
Travel and Meetings	1,315,484
Facility and Equipment	1,260,745
Data, Automation, and Website	583,697
Sales tax remittances	471,767
Printing, Postage, Supplies, and Subscriptions	412,396
Expenditures on behalf of Grapevine	407,599
Equipment and Software	382,804

GSO EXPENSES UNDER BUDGET IN 2022

- ❖ Under Budget Categories represent 72% of total operating expense

EXPENSE	ACTUAL	BUDGET	DIFFERENCE
Payroll and Benefits	9,701,831	9,849,446	(147,615)
Payroll Taxes	601,997	630,283	(28,286)
Professional Fees	1,756,363	1,868,458	(112,095)
Printing, Postage and Supplies	451,413	565,511	(114,098)
Insurance	69,575	102,339	(32,764)
Total Operating Expense	17,489,639	17,569,432	(79,793)

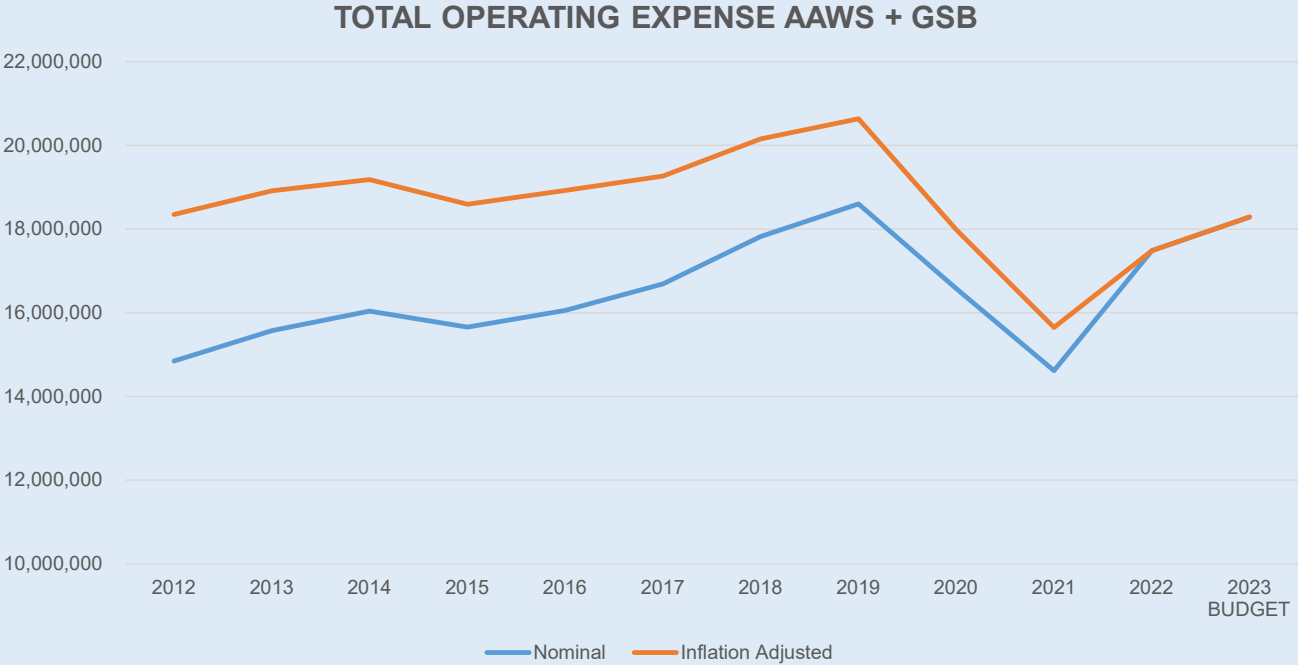
GSO EXPENSES OVER BUDGET IN 2022

- ❖ Over Budget Categories represent 28% of total operating expense

EXPENSE	ACTUAL	BUDGET	DIFFERENCE
Data, Automation and Website	611,490	582,125	29,365
Facility and Equipment including depreciation (a non-cash expense)	2,442,689	2,238,063	204,626
Facility and Equipment excluding depreciation	1,258,295	1,174,945	83,350
Travel and Meetings	1,854,281	1,733,207	121,074

INFLATION ADJUSTED GSO EXPENSE HISTORY

❖ In 2022, operating expense was lower than inflation adjusted operating expense in 9 of the past 10 years.



2022 GRAPEVINE FINANCIAL HIGHLIGHTS

- ❖ Grapevine paid print subscriptions decreased 6.7% in 2022. Subscriptions for the online and mobile app magazine decreased 27.6%
- ❖ 2022 Grapevine results were a gross margin on subscriptions of \$789,246 and a net profit of \$674,515 on other published items. Operating expenses of 1,882,701 resulted in an operating loss of \$404,940 compared to a loss of \$112,618 in 2021.
- ❖ General Fund support of La Viña service activity was \$636,604 in 2022, compared to \$388,646 in 2021.
- ❖ La Viña magazine circulation increased by 4.3% in 2022 compared to a 12.4% decrease in 2021 after several prior years of pre-pandemic growth.

2023 GSO BUDGET

- ❖ Operating revenue \$18,791,320 compared to \$15,910,334 in 2022.
 - ❖ Contributions \$10,500,000 compared to \$10,548,525 in 2022.
 - ❖ Literature gross margin \$7,950,000 compared to \$4,894,113 in 2022.
- ❖ Total operating expense \$17,085,479 before \$1.2M depreciation compared to \$17,821,142 in 2022.
- ❖ Operating surplus of \$505,841 after depreciation compared to \$1,579,305 deficit in 2022.

2023 GRAPEVINE BUDGET

- ❖ Print magazine circulation to decrease to 47,751 from 52,321 in 2022.
- ❖ Online and e-Pub circulation to decrease to 4,719 from 6,492 in 2022.
- ❖ 1,500 new app subscribers.
- ❖ Gross margin on subscriptions \$547,709 compared to \$789,246 in 2022.
- ❖ Grapevine net surplus of \$68,414 compared to a deficit of \$404,940 in 2022.
- ❖ La Viña magazine circulation to decrease to 6,415 compared to 6,685 in 2022.
- ❖ General Fund La Viña support of \$653,579 compared to \$636,604 in 2022.

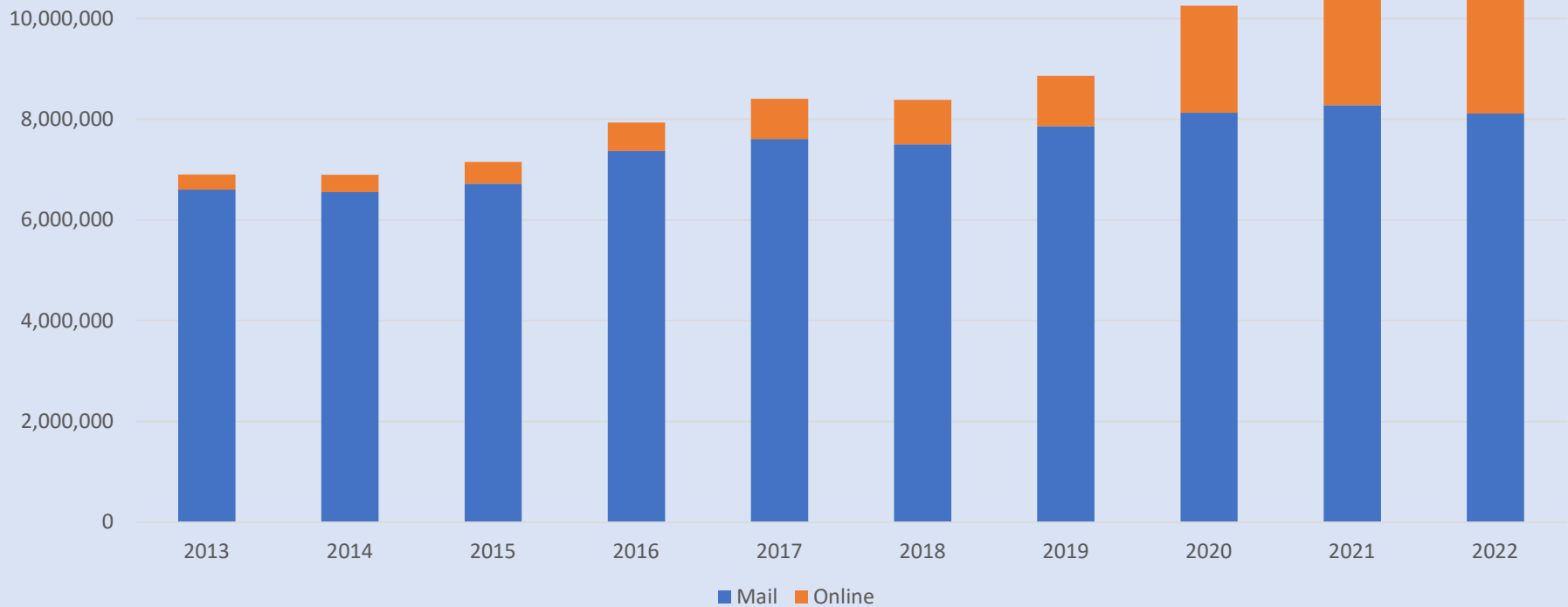
GRATITUDE – 7TH TRADITION



7TH TRADITION SELF-SUPPORT – 2013 – 2022

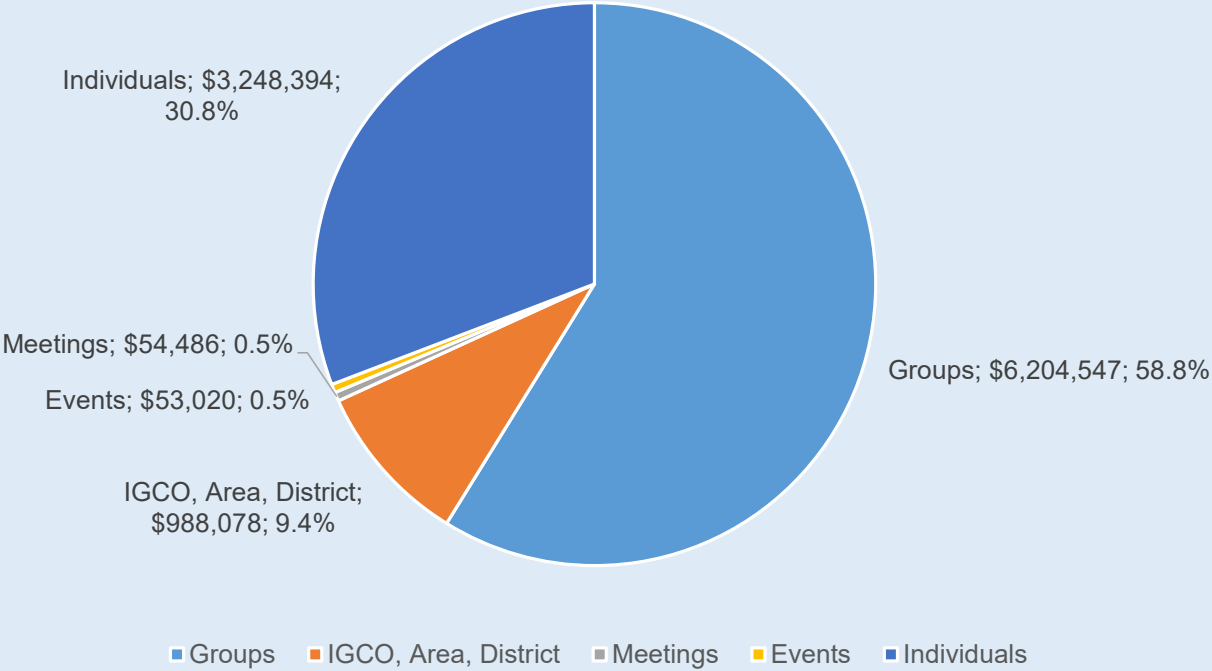


GROWTH OF ON-LINE CONTRIBUTIONS 2013 – 2022



A mail contribution costs \$5.60 to process. An online contribution costs \$2.93 to process, a \$2.67 savings.

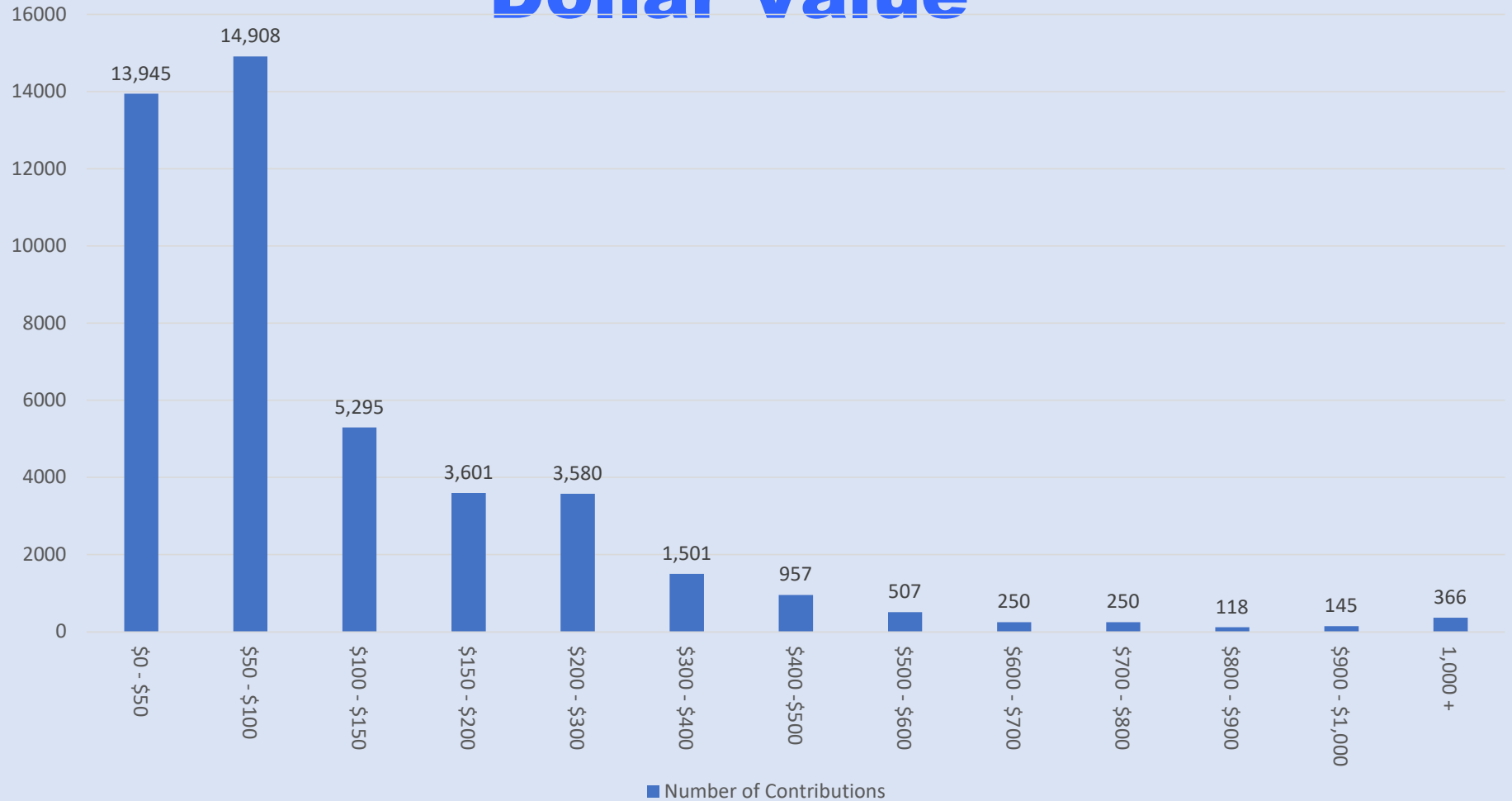
CONTRIBUTIONS BY TYPE OF CONTRIBUTOR



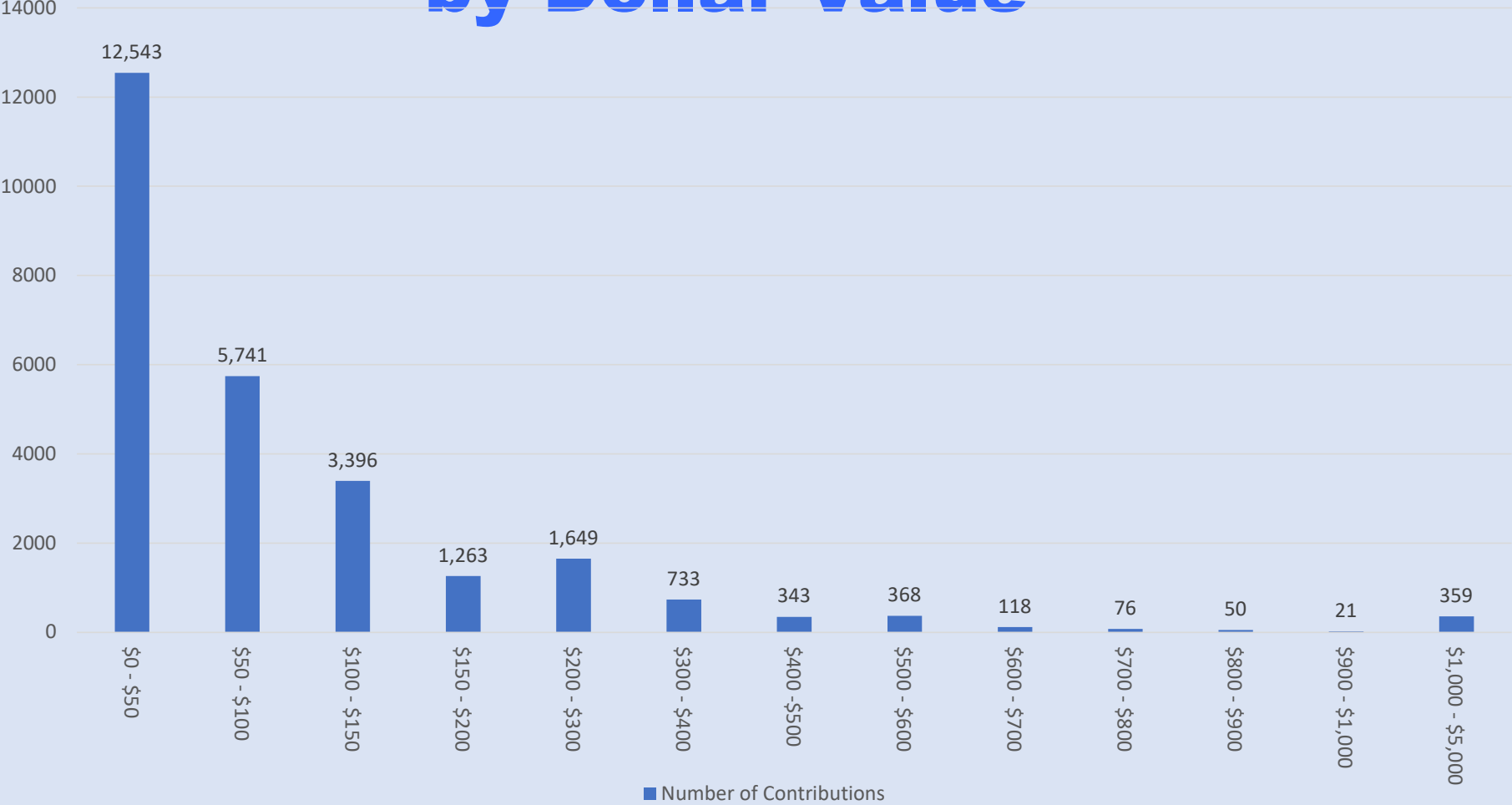
CONTRIBUTIONS STATISTICS 2022

INDIVIDUALS	
7 th Tradition Self-Support Contributions	\$3,248,394
Average Contribution	\$121.79
Most Common Contribution	\$50.00
Number of Contributions	26,671
GROUPS	
7 th Tradition Self-Support Contributions	\$6,204,547
Number of Active Groups	58,455
Number of Groups Contributing	19,572
Percentage of Groups Contributing	33.48%
Average Contributed by a Group During the Year	\$317.01

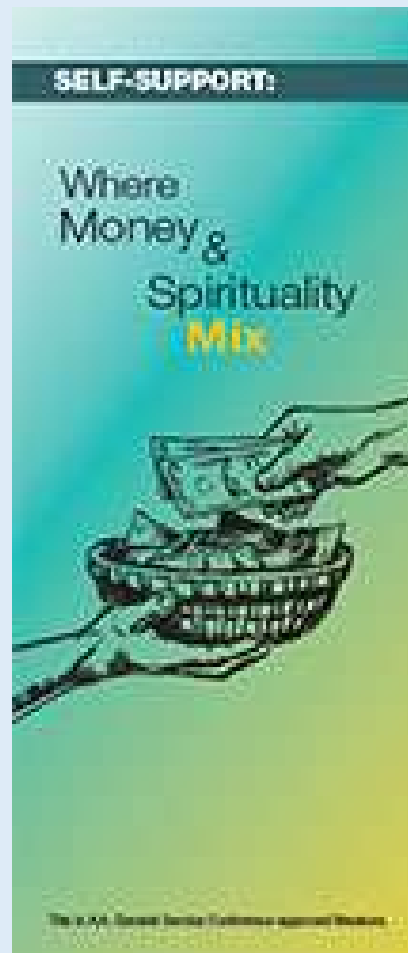
Number of Group Contributions by Dollar Value



Number of Individual Contributions by Dollar Value

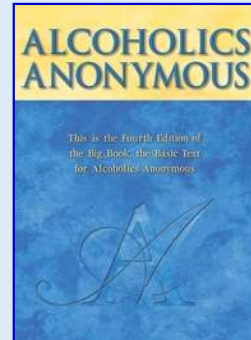


THROUGH OUR OWN SELF-SUPPORT

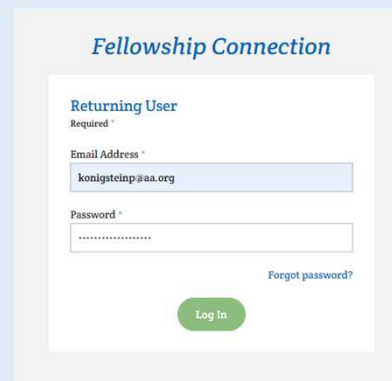


G.S.O.'s TWO BASIC FUNCTIONS

• Publishing



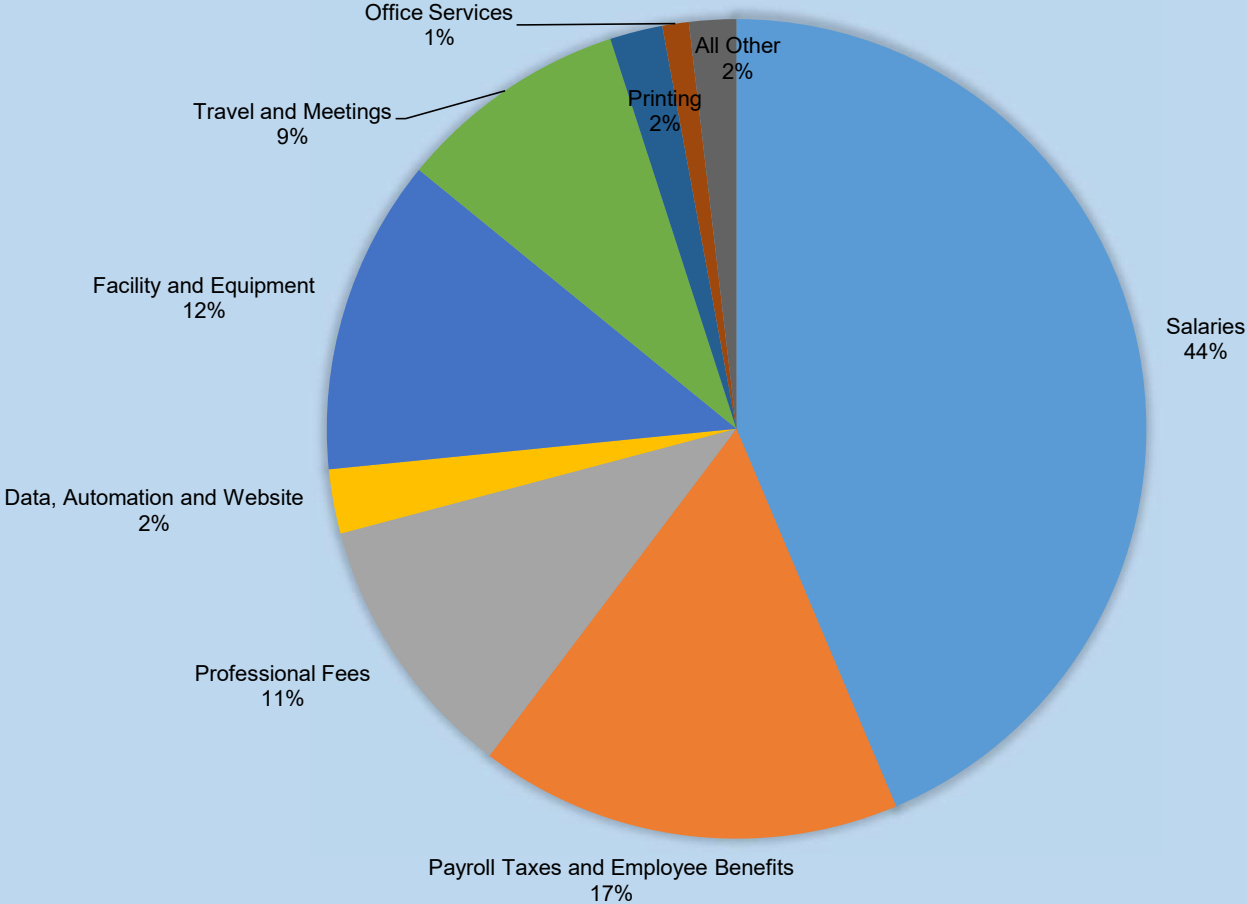
• Services on Behalf of the G.S.B.



AAWS – PUBLISHING – 2022 ACTUAL vs 2022 BUDGET

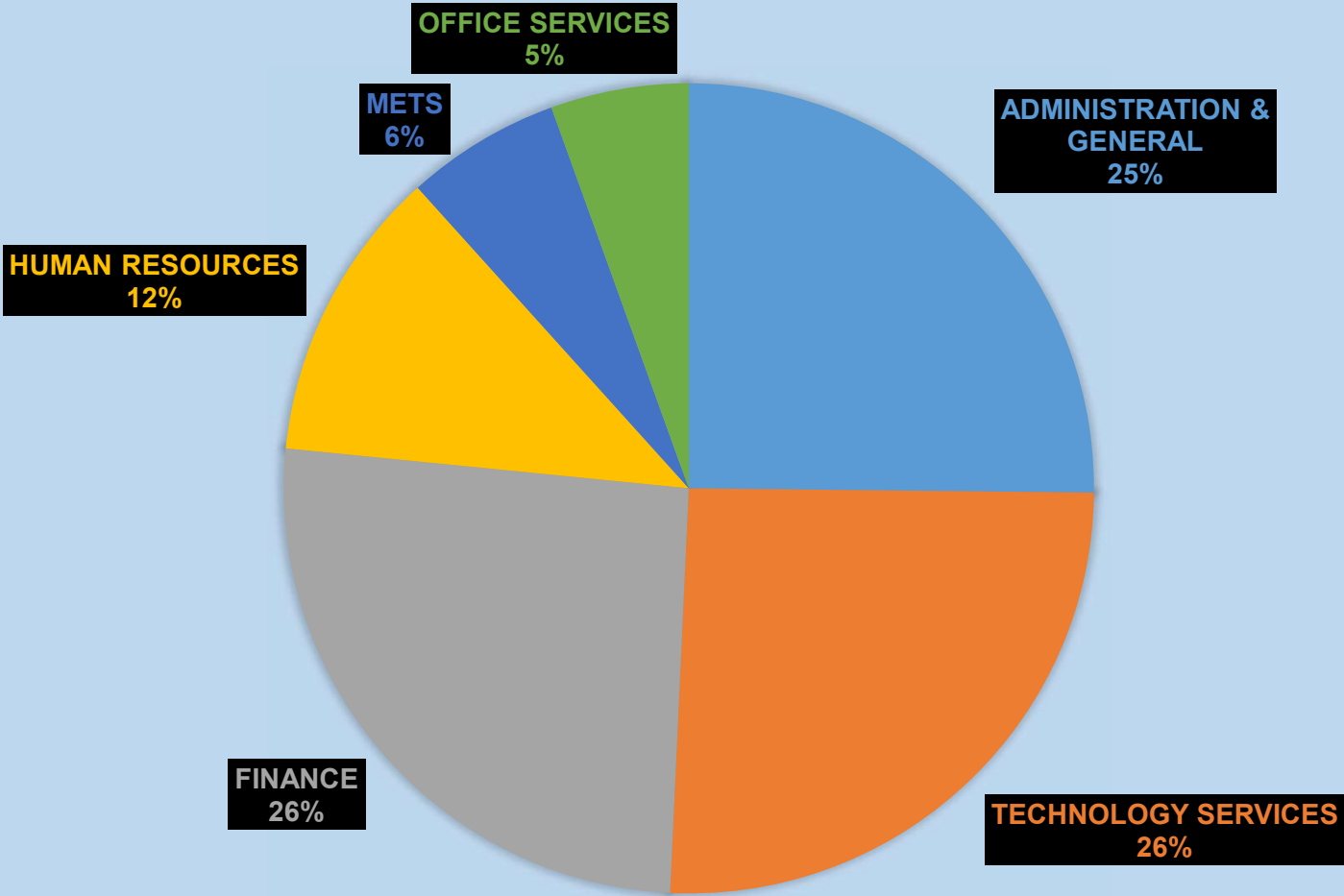
	2022 ACTUAL	2022 BUDGET	INCREASE (DECREASE)
Gross Sales – Literature	11,999,441	11,000,000	999,441
Discounts	(479,173)	(550,000)	(70,827)
Shipping Charges	277,893	330,000	(52,107)
Net Sales - Literature	11,795,265	10,780,000	1,015,265
Cost of Literature Sold - Printing	6,901,151	5,390,000	1,511,151
Gross Profit	4,894,113	5,390,000	(495,887)
Gross Profit Percentage	41.5%	50.0%	(8.5%)

CONSOLIDATED (GSO + GV) OPERATING EXPENSES – 2022 – \$20.3 M
FINANCIAL STATEMENT EXPENSE CATEGORIES
PERCENTAGE BREAKDOWN



CONSOLIDATED (GSO + GV) SUPPORTING SERVICES

\$7.57 M



2022 PRUDENT RESERVE

Beginning Balance January 1, 2022	12,852,286
Investment Earnings	96,774
Change in GV subscription liability	200,000
Drawdowns	(200,000)
Additions	0
Ending Balance December 31, 2022	12,949,060

Composition of Ending Balance	
Cash	2,727,969
Certificates of Deposit (CDARs)	11,444,990
Accrued Interest	19,601
Less Grapevine subscription liability	(1,243,500)
Ending Balance	12,949,060

Number of Months Expenses Held	Based on 2022 expenses	Based on 2023 expenses
January 1, 2022	8.32	7.29
December 31, 2022	8.38	7.35

RESERVE FUND – 2023 Activity

	Gross Reserve Balance	Funding for GV Subscription Liability	GV % of Subscription Liability Funded	Net Reserve Balance
December 31, 2022	14,192,559	(1,243,500)	72%	12,949,059
Grapevine App Funding (A)	(500,000)			(500,000)
Grapevine App Withdrawal (A)	(670,488)			(670,488)
Reduce GV Funding % (A)		670,488	(38%)	670,488
Ending Balance 2/1/23	13,022,071	(573,012)	34%	12,449,059

The Reserve Balance as of 2/1/23 covers just over 7 months of 2023 GSB, AAWS, GV and LaViña Expenses

(A) These actions were approved by Trustees Finance and Budgetary Committee on January 29, 2023 and the General Service Board on January 30, 2023.

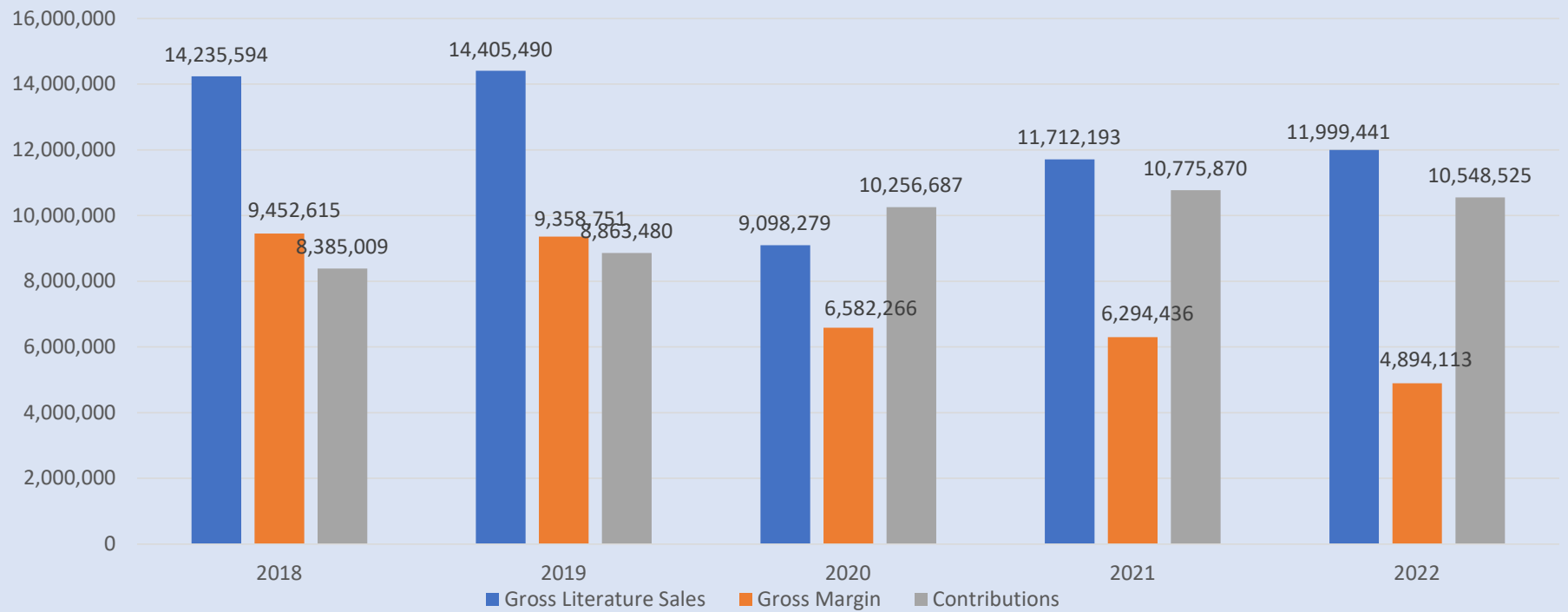
USES OF GSB's RESERVE FUND

- ❖ 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

RESERVE FUND POLICY

- ❖ 1977 Advisory Action established the upper limit of the reserve fund as 12 months of operating expense of GSB, AAWS, and GV combined
- ❖ A 1981 Advisory Action specified that a lower limit not be provided. However, a 9 month lower limit appears in Conference Finance Committee reports throughout the history of the reserve.
- ❖ Policy adopted by GSB in 2022 includes:
 - ❖ a 9 to 12 month goal range
 - ❖ At least 50% of the portfolio available within one year
 - ❖ GSB must authorize transfers into and withdrawals from the Reserve Fund
 - ❖ In the event of emergencies such as a bank failure or inability to meet payroll, Trustees Finance and Budgetary Committee may authorize a withdrawal. If the Committee is unable to be gathered within the needed timeframe, two officers of the GSB may authorize.

IMPACT OF PANDEMIC ON GSO REVENUE DISTRIBUTION



LITERATURE PRICE INCREASE

- ❖ Generally 20% on Books
- ❖ Generally 30% on Pamphlets
- ❖ Generally 20% on Miscellaneous Items
- ❖ Some items may have a different % increase due to rounding
- ❖ Some items not increased to maintain accessibility
- ❖ Applies only to English, French, and Spanish titles

THANK YOU

- ❖ Paul Konigstein, Chief Financial Officer
- ❖ Zenaida Medina, Controller
- ❖ Diana L, Conference Coordinator, for her patience
- ❖ All of the employees of both A.A.W.S. and Grapevine
- ❖ Members of Trustees' Finance and Budgetary Committee, along with members of the Finance Committees of A.A.W.S. and Grapevine and the Conference Finance Committee
- ❖ 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