



**NA World Services, Inc.**



***At a Glance 1998***

## **1998—Changes and Challenges**

*Changes and challenges! In this year's Annual Report, most of what you'll find will look familiar, though you may have become used to seeing some of the information contained here in other publications. The reason is that, with the creation of the new corporation, NA World Services, Incorporated, and the adoption and election of our first World Board, literally all of the functions of world services now fall under the single umbrella of NAWS, Inc.*

*Meanwhile, the transition continues. The new system will not be fully in place until after the 2000 World Service Conference, when the Unified Budget will have been in place for almost a full year, and the WSO should have been re-organized to complement the World Board's new committee system and its accompanying duties. But in the meantime, it's important to understand that, during 1999, due to the changeover to the new fiscal year (beginning 1 July 1999), there will also be two "Annual Reports" this year. This one—covering world service activities for calendar year 1998; and an "interim" report, covering 1 January 1999 through 30 June 1999. From then on, the NA World Services Annual Report will cover the fiscal year from 1 July through 30 June of each year.*

## **World Board**

### **Issues Requiring Prioritization During 1998**

*Even though we have moved as carefully as possible during our first year as a board in allowing ourselves to be educated so we can make informed decisions, we also recognized that there are more pressing world service needs requiring our more immediate attention. Fellowship communications, the training and orientation of trusted servants, reviewing the strategy for fellowship development trips, discussing strategies for a future service material projects, looking at the need for a comprehensive Public Relations Plan, discussing the continuing goal of achieving a \$1,000,000 donation level by 2000, examining the need to review our development process for recovery literature, making decisions regarding the upcoming development forum at this year's conference, and reviewing local committee letters (PI, H&I, Literature, and Translations) is only a partial list of what board members have been faced with prioritizing within just the last few months of 1998.*

### **Communications Our #1 Priority for 1999**

*After examining all of the items needing our attention, we reached a consensus among the board members: we agreed that world service communications had to be our top priority. After looking at all of our responsibilities, and at the Fellowship Development Plan that was handed off to us, we saw that there was almost no facet of our duties that wasn't affected by, and whose success didn't depend upon, effective communications. It was also clear that, although communications was identified time and again throughout the inventory process as a problem needing attention, it was never addressed by either the Resolution Group or the Transition Group in a way that was put before the conference for specific action. To address this issue, and to begin the process of focusing upon and improving our communications, we have created a Communications Task Force who will conduct focus groups, research, and make recommendations to the World Board as to how we can proceed to improve our communications. We will be reporting further on this process and present a project plan at the 1999 World Service Conference in April.*

## **Work Groups**

*We have also dealt with some more immediate issues in our first year of existence. To accommodate these responsibilities, we have created a number of work groups to address specific tasks. These areas of responsibility include—the NA Way Magazine Editorial Review Board, board communications, the development forum, translations evaluations, Reaching Out, the world convention, and assistance to regional delegates submitting motions to the Conference Agenda Report. These work groups are carrying out specific responsibilities on behalf of the board, and they will dissolve when their responsibilities have either been fulfilled, or taken up by our committee system once it is in place.*

## **The NA Way Editorial Board**

*Because they are the only one of these workgroups with ongoing responsibilities, the NA Way Editorial Board requires some additional elaboration here. The goal of the Editorial Board has been to assist in building on the success of the magazine, while searching for the ways and means to do so. The Editorial Board is focused on short-term and long-range planning for the magazine, assisting in the solicitation of manuscripts, reviewing and approving the content of the magazine, and serving as a communications channel between the World Board and the NA Way Magazine. We would like to ask assistance from conference participants as well. Specifically by providing us with information about what the members in your part of the world think of their magazine. (1) What do our members like about the magazine? (2) What don't they like? (3) What are some of the things they would like to see in the magazine? (4) What would they suggest we do differently? All of your input and ideas are welcomed.*

## **Ongoing Duties**

*We have had to deal with a significant number of other practical duties during our first year. These included helping with this year's Unity Day; making decisions about Development Forum funding and activities for this year's WSC; reviewing our responsibilities regarding our attendance at Professional Events (which also includes selecting members to be authorized to attend the United Nations as part of our advisory status); dealing, when appropriate, with local committee letters (PI, H&I, Literature, and Translations) as well as correspondence directed specifically to the World Board; reviewing the quarterly world service financials (including the 1997 audits—WSO, product pricing, and FIPT); reviewing our Website and making recommendations for its ongoing development; learning about and overseeing WSO operations (including review of staff responsibilities and assessment of future restructuring priorities); reviewing the WSO marketing program; examining our responsibilities in the area of fellowship development (including strategy for development trips); overseeing the Conference Agenda Report development; and planning for WSC '99—which included the related duties previously handled by the Administrative committee and the WSC Policy Committee. We also have made significant effort to establish working relationships with both the Human Resource Panel and the WSC Co-facilitator.*

## **Merger**

*At our June meeting, the World Board addressed a number of required corporate actions. This year, however, those corporate actions and affirmations took on a new dimension, because on 12 June at 12:01 a.m., we would be ushering in a new phase in NA history—that of Narcotics Anonymous World Services, Inc. (NAWS, Inc.). In June, therefore, we affirmed the bylaws for NAWS, the agreement of merger, the external guidelines for the World Board and the Unified Budget, the change of name of corporation, banking approvals for the Executive Committee, the Restated Article of Incorporation, the confirmation of authority of the WSO Executive Co-Directors, the amended Fellowship Intellectual Property Trust (as amended by 1998 WSC action), and the amended Trust Bulletin #1 (also amended in*

1998). At that June meeting, we also empowered the WCC Board to function through WCNA-27.

*In the 1998 budget, \$50,000 was allocated to deal with the legal responsibilities necessitated by the creation of the new corporation. As of the end of 1998, we had utilized almost \$40,000 of those allocations. This figure, however, will not end up being an accurate estimation of complete merger costs, due to the fact that throughout 1998, all copyright registration expenses and new trademark registrations were still being billed to the WSO. We will update this figure more accurately as our budgeting practices transition to the new Unified Budget.*

### **Unified Budget**

*Regarding the progress being made towards the implementation of the world services' Unified Budget, we would remind our members of this process as it was described at last year's conference. At the end of calendar year 1998, we ended the budget that had been forecasted for NAWIS, Inc. for 1998. During the period from 1 January 1999 through 30 June 1999, we will be restructuring world services' accounting practices and budgeting categories to reflect the transition to the new Unified Budget. At the 1999 World Service Conference in April, the first Unified Budget proposal will be presented to conference participants for review and approval. This new budget will then go into effect, and will run on the fiscal year, from 1 July 1999 through 30 June 2000.*

### **Fellowship Development Plan Update**

*At WSC '98, the Fellowship Development Plan (FDP) was "handed off" to the newly created World Board by the former Board of Directors and Board of Trustees. During the course of our operations this year, we have continually referred to the FDP as our "map" for both assessing present and future world services' direction and duties, and also for beginning to determine our priorities as the board gets ready to resume the work of world services that has been turned over to our care. As a reminder for conference participants, we have included a list of FDP goals in this year's Annual Report.*

### **Sales Policy Update**

#### **All Changes to Sales Policy Document Complete**

*As of 31 December 1998, all of the changes that the board had intended to incorporate into the Sales Policy documents for the WSO have been completed. No new changes beyond those that have already been widely communicated to the fellowship have been added. If you would like to receive a copy of the revised policy, please contact the WSO.*

### **World Board Postpones Price Increase**

*As we have previously reported in the November Conference Report, the World Board has decided to postpone the price increase that had been scheduled for January 1999 for one year, until January 2000. These incremental price increases have been built into the Sales Policy every three years in order to keep up with the WSO's cost of goods and overall inflation. The reason for this postponement is that we want to evaluate the effect of the existing Sales Policy changes upon the fellowship. We have seen positive results at the office from the existing Sales Policy changes, but we intend, over the coming twelve months, to continue to gather as much data as we can to determine how the sales policy changes have affected the fellowship at large. Therefore, pending our examination of the situation, we have decided to hold off on any additional price increases.*

## **FIPT**

### **Registering Our Trademarks Around the World**

*We are pleased to report that, due to the world services improved financial viability in 1998, we have made some progress in the area of trademark and other intellectual property registrations this year. World services spent approximately \$65,000 registering our name and logos in countries around the world so that they would be protected from trademark infringement. We were able to stay current with all of the registrations that came up for renewal, to address our copyright registrations, and make the necessary name changes to our existing registration due to the action taken at WSC 1998. At the end of 1998, we were able to make the decision to initiate trademark registration in five new countries and expect to be able to continue this same type of progress on outstanding registrations this year. We have also added the "group logo" from the Jimmy Kinnon archives to our trademark registrations. We still project that we will need about a quarter of a million dollars over the next three years to stay current.*

### **Recovery Material on the Internet**

*We are actively pursuing the most current legal information that we can obtain about copyright law and the Internet. We are in the process of hiring an attorney who specializes in this type of law to work with WSO management and our intellectual property attorney to address these issues. We want to be fully informed before we make any recommendations about how we as a fellowship should address this issue in the future. We have no desire to be obstructionist, but believe that you have asked us to be cautious and conservative in our care of the fellowship's property. We believe that, upon consideration, you will agree that it is in our fellowship's best interest for all of us to move cautiously. We therefore ask that you refrain from posting literature and other copyrighted materials on the Internet. We will keep you informed as we gain new information. We hope to protect our fellowship's right to our message and to our literature, and we ask for your assistance in helping us do so.*

### **Vendor Registrations in 1998**

*Those who wish to register as vendors authorized to manufacture and sell products utilizing any of NA's intellectual properties may do so twice a year: during the months of January and July. Simply contact the World Service Office with your request for vendor registration during either of these months, and through this process you can become a legally authorized vendor of NA-related merchandise. Vendor registration costs \$500 annually, plus a \$50 annual processing fee. Since these new fees have begun to be assessed, the number of vendors registered with the WSO has decreased from eighty-five to twenty-three. This number is, however, up from fourteen last year. This improvement may be indicating a trend toward more vendors registering through the WSO and protecting NA's properties.*

## The World Service Office

### The State of the WSO

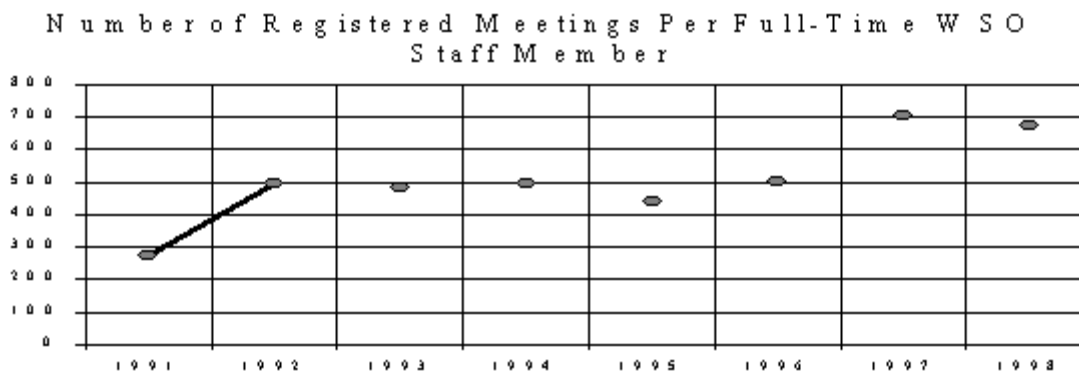
Perhaps the word that best sums up the WSO's focus this past year would be "partnership." In our efforts to help educate the eighteen new board members about world services' responsibilities, and to prepare ourselves for this new world services system that is quite unlike our previous system in a number of ways, we have had to stretch our own limits and attempt to develop a new way of thinking about world services. Some of the areas we believe will see great improvement in world service operations include: more deliberate and rational project planning; more emphasis upon long-term goals and objectives for world services and worldwide fellowship development; more accurate cost-accounting for world service projects and general service delivery; clearer lines of responsibility and accountability for the work that is accomplished; better administrative focus; and better quality control over the work that is accomplished. In short, we at the WSO are very enthusiastic about the prospects for accomplishing more than we have ever done before to further our primary purpose worldwide.

### Sales Policy Changes Have Helped

Based on our early indications, the changes to the WSO Sales Policy that began to take effect in the Fall of 1997 have been quite successful in helping to shore up the WSO's financial viability. What this means in reality is that, had our discount structure remained unchanged between 1997 and 1998, we would have given an additional \$290,400 in discounts to fellowship and non-fellowship customers. Instead, thanks to the overall reduction in the discount structure from 24% to about 19.5%, we were able to recapture this amount from our overall sales income.

### Challenges Too

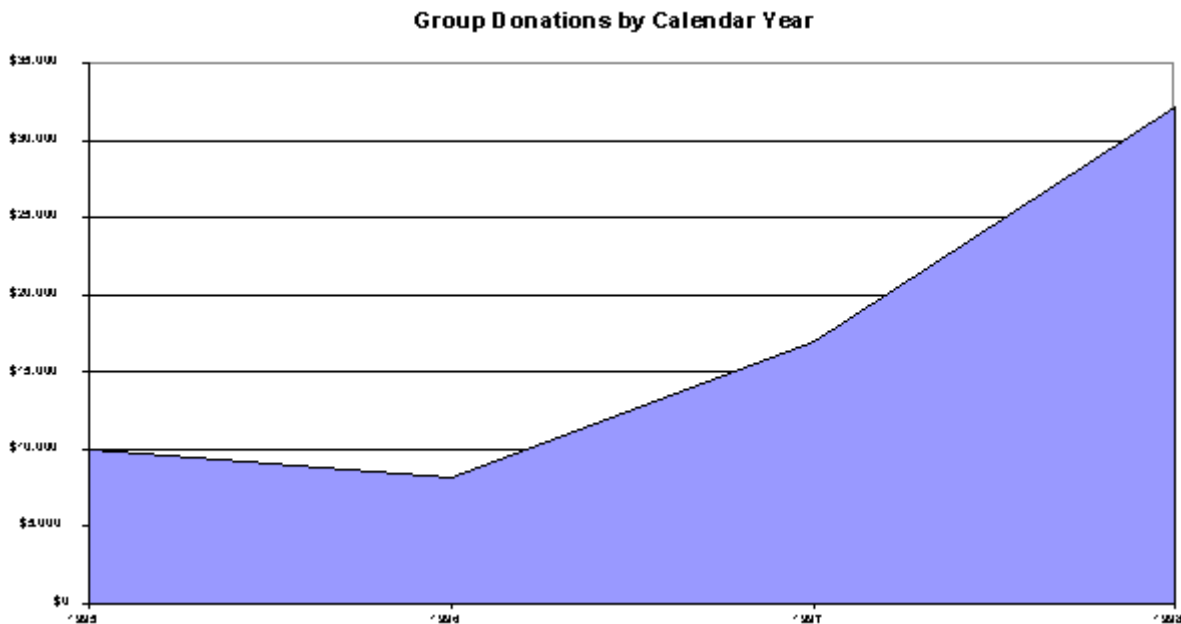
Of course, this improvement in the office's financial viability does not change the fact that the office will be faced with significant challenges as the World Board begins to initiate the work of its committee system. Staffing these new committees, as well as staffing for the board itself, presents a difficulty, because the WSO is operating understaffed to begin with, as this chart demonstrates.



In a very real way, the actual number of meetings is one indicator as to the level of work required from WSO staff to provide services to our growing membership. As you can see, for the past several years, the fellowship has been growing at a faster pace than our ability to acquire staff to meet the increasing demands that accompany such growth. For this reason, one of Executive Management's goals over the coming two years is to begin to fill this shortage of staff, some of whom will work primarily as board and committee support staff.

## **\$1 Million Donation Level Still A Distant Reality**

*A number of the objectives from Fellowship Development Plan Goal Number One are designed to complement each other, to reinforce our primary service center and provide improved services to the fellowship. Take for instance the objectives about changing the Sales Policy, the objective to increase fellowship donations to world services by \$1 million, and the objective to establish a ninety day operational reserve for the office. Changes to the Sales Policy help to recapture a small percentage of our income allowing us to survive but only take us so far. Increasing fellowship donations on the other hand, put us in a position to then strengthen our operations and build our reserve, all the while decreasing our reliance on sales income. We still have a long way to go to meet our projected operating goal. Yet, as the following chart shows, if the current donation trend from groups is an indication, the concept of direct donations to all levels of service is one that is gathering momentum.*



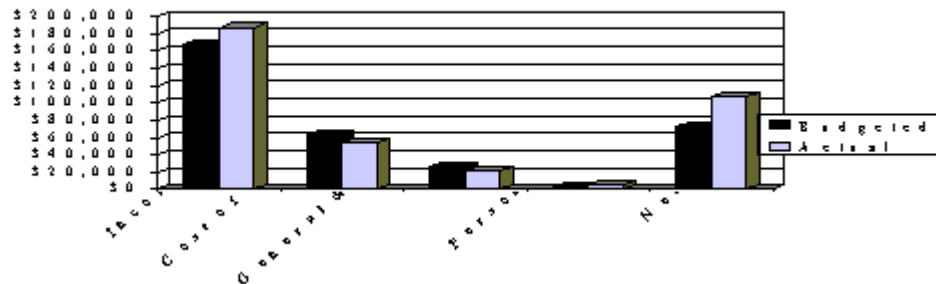
*So, while the WSO is certainly not without its challenges as we move toward the full implementation of the World Board and the new service delivery system, it helps to be enthusiastic about the changes we see on the horizon. It is exciting to look at the direction the new board has taken. Their commitment to integrity, honest and open communication, and responsiveness to our fellowship has only strengthened our enthusiasm for providing service and support to our members around the world. We are excited about the potential that this new system brings to all of us.*

## **WSO-Canada**

*The WSO-Canada's success as an effective literature distribution center continued during 1998, as the following chart demonstrates. As you can see, WSO-Canada's financial performance exceeded our projected net for 1998, while cost of goods and personnel expenses were lower than expected. The other important clarification that we wish to add to this year's report on the WSO-Canada concerns the issue of price indexing. Currently (as of 26 March 1999), the official exchange rate is \$1.51 Canadian Dollars to \$1.00 US Dollars. The WSO, on the other hand, offers an exchange rate of \$1.25 Canadian Dollars to \$1.00 US Dollars. Because of the WSO's more lenient exchange rate, Canadian customers are receiving what amounts to a 26% discount on their literature purchases when they purchase from the WSO-*

Canada—only when they pay in Canadian dollars. In this scenario, if the WSO were to initiate price indexing for Canadian customers (as it is commonly understood among the fellowship as being based upon current exchange-rates), literature would cost our Canadian customers significantly more than they are now paying for literature. There was some confusion regarding this issue with some of the customers in Canada over the last year. We have taken steps to provide additional clarity to these customers regarding this issue.

### 1 9 9 8 W S O C a n a d a t h r u D e c e m b e r

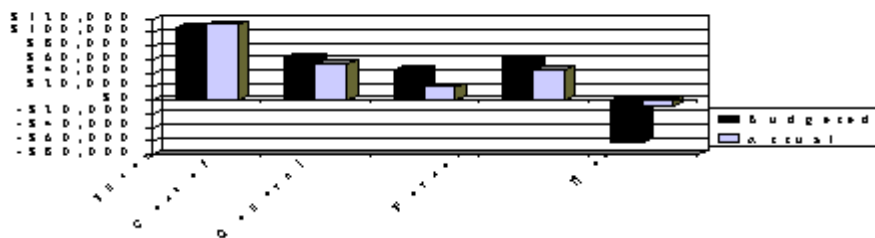


### WSO-Europe

During 1998, the WSO-Europe's balance sheet looked far better than we had projected, as the following chart indicates. As you can see, where we had projected a \$65,000 shortfall for 1998, we actually experienced less than a \$9,000 loss for WSO-Europe, with income slightly higher than projected and cost of goods, general and administrative expenses, and personnel expenses all coming in lower than projected. Needless to say, we are very happy with this financial result. It is also important to note that the WSO-Europe uses the same practice as WSO-Canada in fixing a rate of exchange for literature purchases.

### 1 9 9 8 W S O E u r o p e t h r u D e c e m b e r

USING DECEMBER PROJECTIONS



### The Cost of Services

The two charts below show a breakdown of the WSO's cost allocations for 1998. By way of explanation, it should be noted that the breakout of attributable costs does not always occur across team-lines and functions. Instead, when determining the allocation of expenses for any given WSO responsibility, often those expenses occur across teams due to the particular requirements of any given project or task. As we have reported in our discussions of the Unified Budget, world services is transitioning to a project-costs accounting practice. For this reason, the following breakdown of the cost of services is the last time you will see our costs broken down according to these six categories. In the future, we hope to provide a clearer and more meaningful breakdown of the cost of services to our membership, to the World Service Conference, and to the general public.



**World Service Office Cost Allocations For the Year Ended 31 December 1998**

				<b>Postage</b>			
				<b>Telephone</b>			
<b>Function Supported</b>	<b>People</b>	<b>Facilities</b>	<b>Equipment</b>	<b>Supplies</b>	<b>Travel</b>	<b>Other</b>	<b>Totals</b>
Administrating/WSC*	316,769	36,200	45,139	34,562	8,578	7,372	448,621
Supporting/WSC*	304,434	42,986	43,436	23,255	15,096	34,554	463,761
Group Services	235,557	31,074	33,461	15,645	6,359	32,925	355,022
World Fell Dev	90,450	5,603	12,736	29,122	26,376	83,268	247,556
Lit Dev/Creation**	127,841	59,641	17,995	13,558	3,420	23,646	246,102
Lit Sales/Orders/Ship	352,307	122,177	43,288	32,605	8,228	30,984	589,589
FIPT	37,983	5,077	4,892	3,684	930	12,748	65,315
WSO – Canada	59,391	18,160	8,137	8,94	2,540	4,945	101,466
WSO – Europe	30,598	11,284	3,837	10,657	3,349	286	60,011
Convention Corporation	199,283	23,771	34,522	25,517	6,560	29,551	320,204
<b>Totals</b>	<b>\$1,754,614</b>	<b>\$355,974</b>	<b>\$ 247,444</b>	<b>\$ 197,899</b>	<b>\$81,436</b>	<b>\$260,279</b>	<b>\$2,897,646</b>

\*"Administrating the WSC" and "Supporting the WSC" are two different functions. For example, securing hotel facilities for trusted servants would be considered "administrating," while the cost of providing special workers to assist during the WSC would be considered "Support" services.

\*\* Includes costs associated with the translation of literature not directly attributable to WSTC support.

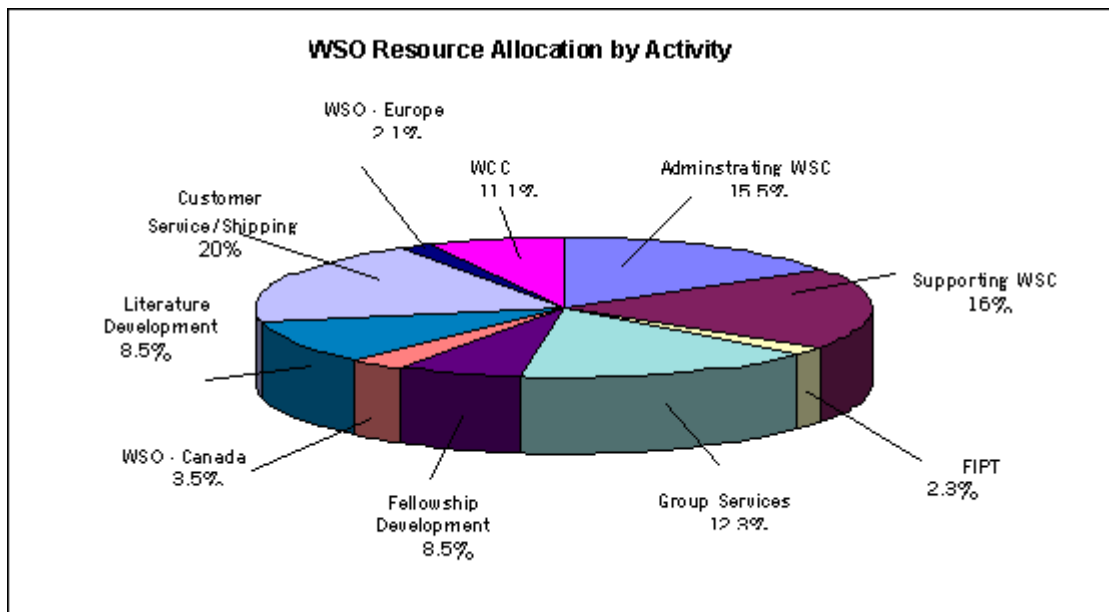
**Calculations**

The preceding table represents the costs of running the WSO. Within that table:

- "People" represents WSO personnel costs, which were estimated across various staff functions, and also includes costs associated with administrative functions (payroll allocation, for example) and building overhead.
- "Facilities" includes rent, maintenance, utilities, depreciation of improvements, and interest on the improvements loan, all of which were then allocated based on square footage attributable to each function.
- "Other" primarily reflects two large amounts: approximately \$74,000 for air shipping and customs/duties for literature shipments outside of the US and Canada; and about \$110,000 in free literature and publications.
- It should also be noted that many identifiable "direct costs" associated with the branch offices, the convention corporations, and the WSC (along with its boards and committees) have been transferred onto their "Income and Expense Statements" and are not duplicated here.
- A further breakout and explanation of this information is available in the Financial Information section of this report.

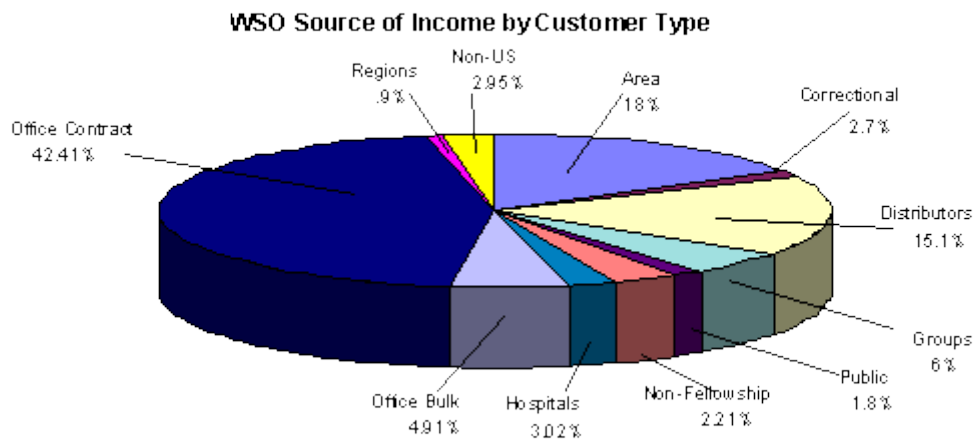
### Resource Allocation By Area of Service Provision

The following chart, based upon the above figures, offers a visual representation of WSO operational resource allocation by activity or area of service provision. In other words, the WSO allocated almost sixteen percent of its total operational resources toward providing administrative assistance to the World Service Conference, and sixteen percent of those resources to various kinds of support to the conference and its boards and committees. The other big allocation of resources at twenty percent went toward providing customer service such as order entry, shipping, and literature sales, while about thirteen percent of our resources went toward providing information and guidance to our members and to the general public through group services activities. The other percentages reflect the other kinds of service we provided and how much of our total resources went to fulfilling those responsibilities.



## Source of Income By WSO Customer

The final chart in this section simply shows the sources of WSO income by customer type. As you can see, our reliance on non-fellowship customers such as distributors, correctional purchases, hospitals, and so forth amounts to about thirty percent, which means that our fellowship is now purchasing nearly seventy percent of all of the literature sold. This marks an unmistakable trend that clearly shows a decreasing reliance upon non-fellowship sales, which is good news for the WSO, and for the fellowship at large.



## World Convention

### WCNA-27

WCNA-27 was the largest world convention in our history with attendance over 19,000 people. Paid registration totaled 13,516, plus over 1,600 newcomer packages were distributed. All the comments we have received from the fellowship since the convention have been extremely positive. Recovery meetings and workshops were well attended. However, financial reports indicate that we did not realize the net proceeds originally projected for this event. The primary cause was additional expenses directly related to the increased size of the convention and the costs of implementing the approved logistical plan. Without any history of a similarly sized past world convention in these types of convention venues to compare projected expenses, we either underestimated certain expenses, or failed completely to anticipate the extent of certain expenses. As the projected attendance surpassed 15,000 people, we encountered significant additional labor requirements from the city and from facilities. At the same time, with only about 13,500 paid registrants, we did not actualize a parallel increase in gross income.

### World Unity Day

The 1998 Unity Day was the most successful ever—members from thirty-one countries participated. The 1999 Unity Day celebration will be held in late September or early October in conjunction with the world services meeting. We will communicate more specifically to you on this issue at the 1999 World Service Conference.

### WCNA-28

Cartagena, Colombia was chosen for the site for WCNA-28 following an eighteen-month negotiation and

site selection process. Other cities considered were Panama City, Panama; Rio de Janeiro, Brazil; and Buenos Aires, Argentina. Issues of safety, valuation of currency, and political/governmental stability were issues in varying degrees in each location.

**WCNA-29, 30**

There is no new information to communicate about WCNA-29 and 30 beyond what has already been widely communicated to the fellowship. Just as a reminder, here are the dates and locations for these conventions: WCNA-29 will be held 3-6 July 2002 in Atlanta, Georgia, and WCNA-30 will be held 3-6 July 2003 in San Diego to celebrate the fellowship's 50th birthday.

**WCNA-31**

We have completed our initial site research in Melbourne and Sydney, Australia; Christchurch, New Zealand; and Hawaii. All locations have the necessary meeting space and hotel rooms needed to bid on our convention. Following the completion of initial negotiations in each city, proposals will be submitted to the board this spring or summer for consideration, with final selection due to occur early in 2000. We still need to conduct research on potential sites in India. This information is not as readily available as the other sites being considered. We expect to complete this work in the first half of 1999.

<b>WCNA-27 SIMPLIFIED SUMMARY</b>	
<b>INCOME</b>	
1996 Income from Early Registration	\$15,060.00
1997 Income form Pre-Registration	\$12,310.00
1998 Income (all sources)	1,443,245.11
<b>Subtotal</b>	<b>\$1,470,615.11</b>
<b>ACCOUNTS RECEIVABLE</b>	
Hotel Rebates	\$3,398.69
San Jose Cultural Affairs Subsidy	\$2,000.00
Nationwide Audio	\$2,165.00
<b>Subtotal</b>	<b>\$7,563.69</b>
<b>Total WCNA-27 Income</b>	<b>\$1,478,178.80</b>
<b>EXPENSES</b>	
1996 Facilities Expenses	\$1,000.00

<i>1996 Administrative Expenses</i>	<i>1,445.59</i>
<i>1997 Printing Expenses</i>	<i>6,929.16</i>
<i>1997 Administrative Expenses</i>	<i>\$8,925.24</i>
<i>1998 Operational Expenses</i>	<i>\$1,347,359.10</i>
<i>1998 Administrative Expenses</i>	<i>\$101,479.71</i>
<b>Total WCNA-27 Expenses</b>	<b>1,467,138.80</b>
<b>WCNA-27 Net Proceeds</b>	<b>\$11,040.00</b>