

South Florida RSC Questions

Nov. 13, 2014

Before I submit my views and facts about these two questions, "Are our literature prices too high and Should they be lowered" I want to offer some background information.

The importance of following the Traditions has been proven vital since our earliest existence. Jimmy K. said this about that necessity in 1973 at the celebration of NA's 20th Anniversary Dinner. "The Traditions must be followed if we were to grow, and grow as a fellowship that could stand on its own feet... I resigned one time as chairman of NA before I really got going again, because of the very thing I'm talking about. I resigned because we were not following the Traditions of Narcotics Anonymous... So when we stopped using the Traditions and became a one-man-rule proposition there was no longer any NA." He goes on to elaborate about what happened. "I mention this for two reasons, because it died out the fact that this program, once we began to live it, we can't let it go; it's going to grow again. This program is not going to die out if all of us in this room now don't make it; this fellowship is not going to die out. Not because I say so, but because that's the very nature of recovery. That once there is the knowledge that something can be done it is never lost." The two questions are profoundly related to our Traditions.

Facing the questions head on means we need to examine how we spend our money. I have prepared and attached (#1) a 10 year record of expense averages from 2006 to 2016. The information was found in the Narcotics Anonymous World Services Inc. (NAWS) budgets that were proposed at the biannual World Service Conferences (WSC). For some reason or another, these documents are no longer available on NA.org, but you can find many other historical documents dating back to the World Board beginnings. If Narcotics Anonymous should remain forever nonprofessional, how can our primary service center spend over \$3.3 million a year in salaries alone? If our public relations policy is based on attraction rather than promotion why are we spending over \$93,000 every year on Public Relations/Professional Events?

Since WSC 2000, the NAWS budgets are proposed every two years in an item called the Conference Approved Track (CAT). Here is the way it was described on page 3 of the 2002 Conference Agenda Report (CAR). "This practice, known as the Conference Approval Track, is new to us all as it was just adopted at the last conference." However, when you review the 2000 WSC summary of decisions you will not see any mention of this item. Apparently this practice was created through the approval of the following at WSC 2000. "Motion 5 item B: Conference approved materials are those items approved by the World Service Conference that are intended primarily for use by service boards or committees. This type of material will be sent to conference participants at least ninety days prior to the World Service Conference meeting, to be considered during a new business session." There was no mention of the term CAT or approval process for the NAWS budget in the 2000 CAR. Here is their reasoning behind this change, "The fellowship will be best served if only service material that is directly related to the group and member is in the CAR." If anything affects Groups and members more than the profit and cost of NA literature/merchandise, I don't know what it might be. I think NAWS should supply clear information about profit and cost like the attached documents (#2 & #3) in the CAR. We may create, does not mean we have created, service boards or committees

directly responsible to those they serve. Additionally, the CAR should include some comprehensible accountability about the proposed budget from the previous WSC, with documents showing precisely not generally how the profit was spent providing service to the fellowship of Narcotics Anonymous in pursuit of our one primary purpose-to carry the message to the addict who still suffers. Are your Group, Area or Regional Treasurer reports precise?

The by-laws of NAWS Inc. that are filed with the State of California limit membership to the World Board members only, which seems to modify the only requirement for membership. This provision prevents anyone that is not a World Board member from inspecting the records and books of our principle service office. Our leaders are but trusted servants; they do not govern, unless you want to see the records or request NAWS to complete a performance audit. A performance audit refers to an independent examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources. These by-laws were signed in Los Angeles, by a World Board member from Australia and notarized on, April 27, 1998, by an executive assistant employed as a special worker at NAWS Inc.

The average annual cost of all NA literature is very close to the total discount that's provided to re-sellers of our literature (#1, & #3). Hazelden publishing may well be one of biggest recipients of the discount being offered by NAWS. On June 6th, 1993, a letter was sent to the World Service office Board of Directors by an Area Service Committee to enquire about the 40% discount that was offered to Hazelden. Our concern was the implied endorsement, financing, and lending of the NA name to an outside enterprise. Our fear was that problems of money, property and prestige were diverting us from our primary purpose. We're still waiting for a response to our concern, and as you can see in the attachments the discounts are estimated to cost us over \$2.7 million in the 2014 – 2016 NAWS budget provided in this year's CAT.

Now it's time to ask if our prices are too high, and if so, should they be lowered? When this year's CAT was deciphered (#2) I was shocked to discover some bizarre realities. Key tags and Chips are predicted to generate close to \$1 million a year. The *Just for Today* book has a 900% mark up on the cost to produce. And perhaps the most astonishing of all is the deal struck by NAWS and the World Board to electronically publish our literature through two outside enterprises. Both of those companies will realize an average profit of \$2.50 for every single e-book they distribute, and NAWS will profit a generous \$7.90 for something that costs them nothing. Even our most important members would probably consider this shocking. I think if I look at our common welfare first and corporate profit second the answers are very obvious.

An even more obvious answer appears when you consider all of the other examples previously cited. We can no longer deny that we are currently faced with the following uneasy certainty. We were once a Fellowship that had an office, we are now an Office that has a fellowship. God help us learn more about our non negotiable Traditions, and God help the newcomer that has still not found us, or our life saving literature. Now that's a Concept.

Anonymous

NAWS Incorporated
average annual expenses from 2006 to 2016
under the direction of the
World Board

#1

Yearly expense average 2006 to 2016	Every Year
Personnel (special workers)	\$3,316,146
Overhead (rent & utilities)	\$1,579,249
Cost of Literature	\$1,750,539
Discounts (decided by WB's)	\$1,405,649
Shipping	\$513,214
Cost of other inventory	\$537,308
Developmental literature (?)	\$338,428
World Board (WB's)	\$252,660
Technology	\$233,656
Fellowship support (?)	\$235,896
World Service Conference (WSC)	\$219,823
Developmental Subsidies & Allowances (?)	\$236,478
Publications	\$151,890
Literature Distribution - Iran (?)	\$69,023
In-House Production	\$64,622
Public Relations/Professional Events	\$93,588
Accounting	\$47,368
Legal	\$39,095
Translations (not included in cost of goods)	\$38,638
Future (and prior) Conventions	\$26,092
Business Plan Workgroup (?)	\$22,522
Human Resource Panel	\$18,980
Literature Production & Distribution Travel	\$4,732
Marketing (?)	\$54,775
World Service Conference Co-Facilitators	\$2,218

The 2014- 2016 CAT cost and income numbers provided by NAWS Inc.

#2

NAWS Sale Price divided into Income to determine Quantity

Quantity divided into Cost to determine NAWS Cost for each item

\$15,127,679

Item	Cost Each	Sale Price	Quantity	Income	Cost	Profit
BASIC TEXT: Hardcover English	\$2.15	\$11.55	343,754	3,970,354	739,030	3,231,324
BASIC TEXT: Translated	\$1.69	\$9.00	36,401	327,611	61,713	265,898
BASIC TEXT: Softcover	\$1.42	\$11.55	153,643	1,774,580	217,626	1,556,954
JUST FOR TODAY	\$1.00	\$9.00	203,174	1,828,566	202,662	1,625,904
IT WORKS: HOW & WHY	\$1.46	\$9.00	136,749	1,230,741	199,712	1,031,029
SPONSORSHIP BOOK	\$1.68	\$8.25	7,307	60,284	12,282	48,002
STEP WORKING GUIDES	\$1.08	\$8.50	169,942	1,444,503	183,502	1,261,001
LIVING CLEAN	\$1.49	\$9.75	206,028	2,008,777	307,299	1,701,478
ePUB BOOKS (averaged)	\$2.50	\$7.90	15,075	119,089	37,670	81,419
OTHER RECOVERY LITERATURE	various	various	?	2,631,527	420,189	2,211,338
MEDALLIONS	\$0.69	\$3.20	478,667	1,531,736	332,108	1,199,628
KEYTAGS & CHIPS (averaged)	\$0.10	\$0.44	5,559,657	2,446,249	540,627	1,905,622
Totals				19,319,160	4,191,482	<u>15,127,679</u>

CAT Budget (2014-2016)

1	\$6,871,475	personnel	25	\$397	WS Conference Co-facilitators
2	\$3,768,422	overhead		\$23,493,425	NAWS Expense
3	\$3,126,681	cost of literature			
4	\$2,771,869	discounts		\$70,000	SS Project
5	\$1,299,413	shipping		\$250,000	Traditions Book
6	\$1,064,801	cost of other inventory		\$38,000	PR roundtable
7	\$764,682	developmental literature		\$358,000	WSC Project Plan Expense
8	\$630,988	World Board			
9	\$617,352	technology		\$23,851,425	Total Expense
10	\$569,034	fellowship support			
11	\$491,441	WS Conference biennial meeting	26	\$16,642,307	Recovery Literature Income
12	\$417,867	developmental subsidies &...	27	\$4,677,273	Other Inventory Income
13	\$200,172	publications	28	\$1,189,316	Shipping
14	\$194,856	literature distribution - Iran	29	\$1,526,034	Contributions
15	\$191,161	In-house production	30	\$68,661	Miscellaneous Income
16	\$150,316	public relations		\$24,103,591	Total Income
17	\$119,501	accounting			
18	\$58,289	legal		\$252,166	NAWS Profit
19	\$51,731	Translations-not in cost of goods)			
20	\$48,080	future (and prior) conventions			
21	\$34,934	business plan workgroup		\$1,246,275	LITERATURE INCOME (IRAN)
22	\$22,782	Human Resource Panel		\$744,995	LITERATURE PRODUCTION (IRAN)
23	\$22,110	literature production & dist. travel	14	\$194,856	LITERATURE DISTRIBUTION (IRAN)
24	\$5,071	marketing		\$306,424	Total

Expenses

1. Personnel—\$6,871,475

This contains all wages and salaries, payroll taxes, health and workers compensation insurance, training, recruitment, relocation, and retirement plan expenses associated with employees at all five branches of the World Service Office. It also includes contract labor hired for specific purposes. There are no projected increases.

2. Overhead—\$3,768,422

This is the facility lease expense, maintenance and repair, telephone, utilities, postage, auto service and lease, office expense, general insurance, amortization, bad debts, depreciation, bank charges, and dues and fees associated with the five branches of the World Service Office. Bank charges continue to rise as use of the shopping cart and credit card sales increase.

These expenses rose in this past cycle due to the aging of our assets in Amortization and Depreciation, an increase in bad debts from a few RSO closures, increased postage costs in all branches, obtaining additional warehouse space in Chatsworth, and new equipment in production to allow us to produce more items in-house.

3. Recovery Literature Cost of Goods—\$3,126,681

This section covers the cost of goods for recovery literature as defined under the *Fellowship Intellectual Property Trust* (generally all of the direct costs from manufacture to placing the item on the inventory shelf). Through staff efforts we have been able to avoid the standard increases in this area experienced by most publishers, but the publishing world is changing. Paper costs continue to rise worldwide, and we have forecast an overall increase in expense of 2% for year one and 2% for year two for all literature cost of goods. The exception(s) are the expense line item for *Living Clean*, which shows a decrease of 13% for year one and no increase for year two. This adjustment is due to the decrease in the number of books we are expecting to sell, which is reflected in *Living Clean* income.

4. Discounts— \$2,771,869

This is based on estimated literature sales and the projected discount level for those sales. The discount level varies based on the customer and size of orders.

5. Shipping— \$1,299,413

This expense is based on the shipping charges for estimated literature sales and announced or anticipated rate increases from our major carriers.

6. Other Recovery Literature—\$1,064,801

This refers to the cost of goods for the remaining *FIPT* literature other than books (primarily recovery pamphlets and some booklets). Also reflects a 2% overall projected increase each year.

7. Developmental Literature—\$764,682

This is the cost to distribute free literature to a growing number of developing NA communities, to hospitals and institutions, and for public relations purposes. The amount also includes the expenses for shipping, customs, and duties. We are still working on better reflecting this activity in our financial reports. Presently, to see the full value of this provision, you have to add this amount to the line in the Income portion of the budget called “Developmental Subsidies & Allowances.”

8. World Board—\$630,988

The World Board will meet a minimum of eight times in this conference cycle, plus during the conference itself. An orientation for new board members is included as a separate meeting at the beginning of the conference cycle. Additionally, in each conference cycle, training needs for the full board are included. With the election of a full board from more diverse locations, this expense has increased approximately 15%. The Executive Committee has been planning their meetings to coincide with a World Board or Business Plan meeting.

9. Technology—\$617,352

This is the expense for information services, computer leases, software, supplies, software application upgrades and updates, equipment leases and repair, and service contracts. Expenses associated with maintaining the na.org website; the expense associated with the database, online group data collection, and meeting information; as well as web and software fees for event registration are also included here.

This category has increased, which is to be expected when you have an operation that is as dependent upon technology as ours, but is held in check by staff efforts.

As already mentioned, the major expense in the upcoming cycle to transition to a new accounting platform and related technology needs will come from reserve funds.

10. Fellowship Support—\$569,034

This is World Services' face-to-face interaction with the fellowship, primarily in workshops and forums. This includes interactions at zonal forums, worldwide workshops, and local fellowship development activities. In the past we have also had a line item for travel and workshops under World Service Conference Support, but all travel and workshop expense is now captured here.

The distinction of tracking delegate-focused workshops separately in financial reports has been difficult since they often include fellowship development efforts. We have projected an increase in year two to discuss the Service System transition.

11. World Service Conference—\$491,441

These are the expenses for the site and equipment needed for the event; hiring the parliamentarian; funding for staff, World Board, WSC Co-facilitators, and the Human Resource Panel; and the travel expense for currently 115 delegates from around the world.

12. Developmental Subsidies & Allowances—\$417,867

This is the cost of subsidizing or reducing the price of literature (often free) provided to a growing worldwide fellowship. We are not projecting an increase in this proposal. Presently, to see the full value of this cost you have to add this amount to the line in the expense portion of the budget under Fellowship Development labeled "Developmental Literature" which includes the expenses for shipping, customs, and duties. This line item had increased between 7% and 25% each year for the previous seven fiscal years, but we were actually able to better stabilize our costs for this important service in the last fiscal year by printing in various alternative locations.

13. Publications—\$200,172

These are the projected expenses for producing, publishing, and distributing *Reaching Out* four times per year and *The NA Way Magazine* four times per year in six languages. *The NA Way* is also translated into a seventh language, Farsi, but since WSO Iran charges for these issues, there is no expense. The conference decided at WSC 2010 that we did not have to automatically send paper copies of the *NA Way* to all registered groups; groups and members who wanted a paper copy of the magazine were asked to re-subscribe. In the next conference cycle, we were able to save almost \$175,000 for this expense over the previous two-year cycle. Since then, the number of paper copies of the *NA Way* has continued to increase – by about 40% in fiscal years 2012 and 2013 and an estimated 24% in the current 2014 fiscal year. We are happy to report that at the same time we have had an increase of 18% in subscriptions of the e-version of *The NA Way*. For the same period, paper subscriptions to *Reaching Out* also increased by 11%, and the subscriptions for *Conference Report* and at WSC 2014.

Additionally, these are the expenses associated with the production of the *Annual Report* once a year, and the *Conference Report*, the *Conference Agenda Report*, and Conference Approval Track material once each conference cycle, and *NAWS News* approximately four times per year. The expense for translating *NAWS News* and the *CAR* is also included here.

14. Literature Distribution (Iran)—\$194,856

This is the allocation for the literature that is sold in Iran.

15. In-House Production—\$191,161

This includes the lease for reproduction equipment to print most translated books, booklets, and IPs that are not outsourced (and not included in Cost of Goods)—primarily non-English recovery books, pamphlets, and booklets, service materials, publications other than English *NA Way*, and reports. We have brought more of this activity in-house which has given us greater flexibility and control of those items that we produce in small quantities.

16. Public Relations—\$150,316

This is the expense for attendance at and participation in professional events, both NAWS and locally attended, that in some way address addiction and/or addicts. Some of these events have been the International Society of Addiction Medicine (ISAM), the World Federation of Therapeutic Communities (WFTC), the annual meeting of the American Society of Addiction Medicine (ASAM), the South-East Conference on Alcoholism and Drug Addiction (SECAD), the National Association of Alcohol and Drug Abuse Counselors (NAADAC), and some minor activity with the United Nations. These activities often overlap our marketing activity.

17. Accounting—\$119,501

This contains professional services for annual audits and random forensic spot checks, costs associated with having an audit committee as required by the Sarbanes-Oxley Act, other professional services associated with financial management, and contract labor.

18. Legal—\$58,289

This is primarily the direct registration and legal expense associated with maintaining worldwide copyright and trademark registrations for Narcotics Anonymous, *The NA Way*, the NA Logo, the Group Logo, and the Service Symbol, as well as all recovery and service material. It may also include direct costs to defend our intellectual property.

19. Translations—\$51,731

This covers the direct expense for translations of recovery and service material into languages other than English that is not already captured under the COG for each specific project.

20. Future and Prior Conventions—\$48,080

These are the expenses associated with planning up to five conventions at any time.

21. Business Plan Workgroup—\$34,934

This is the allocation for a workgroup that focuses on the routine business operations of NAWS and makes recommendations to the board on business matters. Additionally, as required by law, a portion of this group fulfills the audit committee function. This workgroup's function and expenses have been moved into fixed operations with the concurrence of the conference.

22. Human Resource Panel—\$22,782

This group is scheduled to meet a minimum of five times during the cycle to work on nominations and manage the World Pool. Part of one of these meetings will be used for orientation and training.

23. Literature Production and Distribution Travel—\$22,110

This allocation allows us to interact directly with RSOs, in addition to the quarterly webinars we have been holding, as well as travel to branch offices as needed.

24. Marketing—\$5,071

This covers the expense for attendance at and participation in professional events primarily related to corrections and treatment. Although we call this marketing, it is public relations-focused activity. These efforts are primarily conducted by staff with local volunteers. This includes the registration and preparation for events, travel, and follow-up for this activity.

25. WSC Co-facilitators—\$397

The WSC Co-facilitators are scheduled to meet to prepare for the conference, with the parliamentarian and the World Board and HRP.

Income - \$24,103,591

26. Recovery Literature—\$16,642,307

Year one is estimated to provide no increase in income, and year two is estimated to provide an increase of 2.5% for the Basic Text and 5% for everything else over year one income. *Living Clean* is projected to have a \$150,000 or 13% decrease because it has now been available for almost two years. We believe these are realistic estimates.

We include a separate line item for Literature Income (Iran) in both income and cost of goods. We show this separately and call out the budget totals without Iran because, as we have repeatedly reported, these are not funds readily available to us.

27. Other Inventory—\$4,677,273

We have estimated the same overall increase as reported above for recovery literature.

28. Shipping—\$1,189,316

This income is based on the estimated literature sales and the annualized actual income and expense. Since the last shipping increase took place 1 July 2013 this may vary somewhat.

29. Fellowship Contributions—\$1,526,034

We are forecasting that contributions will remain the same as the actual monies received this year. Since 2008, when we received almost one million dollars, contributions declined 17% in 2009, then decreased an additional 20% in 2010, increased 15% in 2011, and then decreased 10% in 2012. For the fiscal year ending 30 June 2013, we recouped some of that unprecedented decline and showed a 12% increase. There is no consistent trend here. We thank all of the members, groups, areas, and regions who responded to our appeal.

30. Licensed Vendor Payments, Interest, and Miscellaneous—\$68,661

This income estimate is conservatively based on previous actual experience.

NAWS Incorporated operating under the direction of the World Board
 Profit numbers covering the 10 year period 2006 to 2016

\$81,295,420

Do you feel that this might be excessive?

2006	2008	2010	2012	2014	Total	Entry
14,710,504	16,115,724	17,819,304	17,106,256	\$16,642,307	82,394,095	Recovery Literature Income
2,967,331	3,324,486	4,002,136	4,084,753	\$3,126,681	17,505,387	Cost of Literature
					65,198,541	Profit
3,714,717	4,009,771	4,489,752	4,578,449	\$4,677,273	21,469,962	Other Inventory Income
1,029,777	1,175,914	994,708	1,107,883	\$1,064,801	5,373,083	Cost of other inventory
					16,096,879	Profit
					81,295,420	Profit or excessive Profit?

That is Millions