

Narcotics Anonymous World Services, Inc.

Proposed 2010-2012 Budget Description

Overview

The format of the budget draft for 2010–2012 reflects the current standards for nonprofit financial statements. The draft shows Operating Income (Gross Sales minus Cost of Goods) before the four expense areas (Literature Production & Distribution, World Service Conference Support, Fellowship Development, and Events). The specific income and expense projections for the World Convention can be found at the end of the budget.

The draft budget included in this packet covers all proposed world services activity from 1 July 2010 through 30 June 2012. As is our norm this financial plan has been created with what we believe to be conservative but realistic estimates for both income and expense. We continue to work on better systems to capture the information needed to support the budget you approve, and ways to make the reporting of that information more easily understood.

The *Guidelines for the Budget for NA World Services* calls for three classifications of funds:

- **Fixed Operational Funds**—funds allocated toward world service activities that are recurring in nature and have little to no functional change from budget year to budget year.
- **Variable Operational Funds**—funds allocated toward non-routine world service projects and/or activities that vary from budget year to budget year. This includes those items prioritized by the World Service Conference.
- **Reserve Funds**—funds that are set aside to meet current and/or future financial needs. These funds are maintained in both short-term and long-term reserve accounts. Funds are also allocated toward the planned use of cash to offset the effect of depreciation, to improve asset value, to provide financial resources necessary to effectively address the intellectual property management called for in the *FIPT*, and/or to acquire any fixed asset that has a depreciable value.

Fixed and variable expenses are identified in the draft 2010-2012 budget. The proposed project plans included with the NAWS Strategic Plan correspond with the proposed variable operational expenses. Along with the fixed operational expenses we have also provided a brief explanation of some of the kinds of items contained in each line item. Although these are identified as “Fixed Operational Expenses,” in the past they have been called “Routine” or “Basic Services.”

Column one of this budget includes the actual income and expense for fifteen months from July 2008 through September 2009 that have been annualized. In other words, the information for fifteen months was averaged and divided to show a twelve-month period. These figures are a better forecast than using the previous budget because we have reduced expenses in many areas and have had variations in income largely due to the Sixth Edition Basic Text, the world economy, and reduced donations. It seemed more realistic to use a base of actual income and expense to forecast future income and expense.

Column two covers year one of the two-year budget cycle (fiscal year 1 July 2010 through 30 June 2011); column three covers year two (fiscal year 1 July 2011 through 30 June 2012); and column four shows the total proposed expense for the entire two-year cycle (1 July 2010 through 30 June 2012).

2010–2012 World Services Projected Income

The income estimates for this budget are derived from the actual income received during the fifteen-month period described above. This is what is referred to throughout this document as “prior year’s income.”

Recovery Literature—Year one is estimated to provide for a 4.5% increase in income over the prior year. Year two income is estimated to provide for an increase of 2.75% over year one income. We have had increase of between 6 and 7% for the past two fiscal years, and although income seems to have flattened somewhat, we believe these are realistic estimates.

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

Shipping—This income is based on the estimated literature sales. Our actual income and expense in this area will change since our shipping charges were changed in 2009. Without sufficient data to generate new projections this income line item is still based on the previous fifteen-month actuals.

Discounts—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.

Developmental Subsidies & Allowances—This is the cost of subsidizing or reducing the price of literature (often free) provided to a growing worldwide fellowship. We have estimated the same overall increase as reported above for recovery literature. 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. We have reduced and will continue to reduce the expense we have forecasted for Developmental Literature through printing in various alternative locations and the end of distributing our stock of Fifth Edition Basic Texts.

Recovery Literature – Cost of Goods—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. The increases forecasted are the 1% for year one and 2% for year two for all literature cost of goods.

Other Recovery Literature—This refers to the cost of goods for the remaining *FIPT* literature other than books (primarily recovery pamphlets and some booklets).

Other Inventory Expense—This section covers the cost of goods for all other items sold from inventory not considered as part of the *FIPT*.

Fellowship Contributions—We are forecasting that contributions will remain the same as the actual monies received last year. Last year's actual was approximately 20% less than the budget adopted at WSC 2008. With the world economy and issues with fellowship events where most of these funds are generated, this seems the only reasonable expectation. We are very happy to report that one line item in contributions exceeded budget in 2009 and that was those sent by NA groups.

Licensed Vendor Payments, Interest, and Miscellaneous—This income estimate is conservatively based on previous actual experience.

Event Specific Income—In our ongoing effort to keep the direct income and expense effect of a World Convention easy to see, we have placed the WCNA 33 convention budget at the end of the overall budget. Please remember that this is a working budget only since many of the specifics about this event have not been finalized.

2010–2012 World Services Fixed Operations

The term “Fixed Operational Expenses” refers to the activities of world services that are ongoing and recurring in nature, and that do not change dramatically from year to year as a result of conference actions. All of these activities require planning, support, and follow-up from world services staff.

The budget is divided into four major expense categories that represent our overall activity:

- **Literature Production & Distribution**
- **World Service Conference Support**
- **Fellowship Development**
- **Events**

Under each of these categories there is an allocation for accounting, personnel, overhead, and technology. The overall expense for these items is divided between the four categories based on focus of activity; the expense is derived mainly from hours of staff support and building space occupied. For this cycle we are keeping the same allocations we had for the last cycle. These remain as 34% for Literature Production & Distribution, 22% for World Service Conference Support, 34% for Fellowship Development, and 10% for Events.

The following is a list of the types of expenses that are included in each allocation (reflected in the budget in mustard), followed by a simple breakdown of the fixed operations expenses under each budget category. All expense forecasts are derived

from the actual expenses shown in column one and reflect keeping our expenses the same for year one and a 2% increase for year two.

Accounting—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.

Personnel—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 four branches of the World Service Office. It also includes contract labor hired for specific purposes.

Overhead—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 four branches of the World Service Office. Bank charges continue to rise as our use of the shopping cart and credit card sales have increased.

Technology—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.

LITERATURE PRODUCTION & DISTRIBUTION

This section of the budget covers the expenses associated with the distribution of NA literature to fellowship and non-fellowship customers. This currently occurs through the WSO in Chatsworth and its branches in Canada, Belgium, and Iran.

Fixed Operational Expense—All literature production and distribution costs that are not included under Total Cost of Goods sold.

Marketing—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.

Translations—This covers the direct expense for translations of recovery and service material into languages other than English.

In-House Production—This includes the lease for reproduction equipment to print booklets and IPs that are not outsourced (and not included in Cost of Goods)—primarily non-English recovery pamphlets and booklets, service materials, publications other than *The NA Way*, and reports. We plan to bring more of this activity in-house for this next cycle. This will give us greater flexibility and control of those items that we produce in small quantity.

Literature Distribution (Iran)—This is the allocation for the literature that is sold in Iran.

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

Legal—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.

Business Plan Workgroup—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.

Literature Distribution and Convention Workshop—This allocation allows for the holding of a workshop in the cycle if time and resources allow.

Travel—This is travel required to support and manage three branch offices in Canada, Belgium, and Iran or other travel directly associated with the production or distribution of our literature.

WORLD SERVICE CONFERENCE SUPPORT

Fixed Operational Expense—This section of the budget covers the expenses associated with support to all World Service Conference-related activities.

Publications—These are the expenses associated with the production of the *Annual Report* once a year, the *Conference Report* and the *Conference Agenda Report* once each conference cycle, and *NAWS News* four or more times per year. The expense for translating *NAWS News* and the *CAR* is also included here.

World Service Conference—These are the expenses for the site and equipment needed for the event; hiring the parliamentarian; funding for staff, World Board, WSC Cofacilitator, and the Human Resource Panel; and the travel expense for approximately 114 delegates from around the world.

World Board—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. The Executive Committee is budgeted to meet a minimum of five times in this conference cycle.

Human Resource Panel—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.

WSC Cofacilitators—The WSC Cofacilitators are scheduled to meet to prepare for the conference, with the parliamentarian and the World Board and HRP.

FELLOWSHIP DEVELOPMENT

Fixed Operational Expense—This section of the budget covers the expenses associated with support to the fellowship.

Publications—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 five languages to over 50,000 addresses. *The NA Way* is also translated into a sixth language, Farsi, but since WSO Iran charges for these, there is no expense. As reported, we have discontinued distributing *Meeting by Mail* six times per year. We are asking the conference to allow us to try some new ideas with the distribution of our free publications to stem the waste associated with automatic distribution if a group is in our database. We have used the same projection as all other expense categories pending this decision from the conference.

Fellowship Support—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 which we have discontinued. The distinction of tracking delegate focused workshops separately in financial reports has been difficult since they often include fellowship development efforts. All travel and workshop expense are now captured here.

Professional Events—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 Council on Alcohol and Addictions (ICAA), the World Federation of Therapeutic Communities (WFTC), the annual meeting of the American Society of Addiction Medicine (ASAM), the SouthEast 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.

Developmental Literature—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."

EVENTS

Fixed Operational Expense—This section of the budget covers the fixed expenses associated with event planning and support to the fellowship.

Future and Prior Conventions—These are the expenses associated with planning up to five conventions at any time.

WCNA 34 Event Specific—The income and expense amounts here are an estimate only. San Diego is estimated to have approximately 14,600 people registered.

2010–2012 World Services Variable Operations

The *Guidelines for the Budget for NA World Services* calls for a specific process to be created for the consideration, evaluation, development, and approval of world service projects and those activities that vary from year to year. Each project is included in the draft budget under the appropriate budget category and then under Variable Operational Expenses.

For the past several conference cycles (since 2004–2006) we have not attempted to capture staff expenses in the project plans and instead simply reflected direct expenses. In the past, we have gone to great effort to estimate the time expected for each type of employee to complete each project and track this time during the cycle. Since this is not something that is tracked in our financial reporting we do not include detailed estimates in the project plans for this cycle.

We have used historical estimates, with estimated increases during the next two years, for travel expenses, conference calls, and mailings. These plans, as with the rest of the budget, have used “high-side” estimates for expenses to try to ensure that our estimated income is adequate to meet the maximum potential expenses. For proposed project plans that have a range for the number of meetings, for instance, we budgeted for the maximum number indicated. For the two large workgroups and projects that are continuing, we have used actual expenses from column one as our guide.

In any given conference cycle, we may or may not be able to accomplish everything that we propose. We believe that the spirit of the budget process adopted by the conference requires conference approval of the work of world services. Therefore, we present all items that could possibly be worked on before the next meeting of the WSC, and we report our activity throughout the conference cycle. Please refer to the 2010–2012 Strategic Plan for the status of the 2008–2010 adopted projects as well as the proposed plans for 2010–2012.