

## Narcotics Anonymous World Services, Inc.

### Proposed 2012–2014 Budget Description

#### Overview

The format of the budget draft for 2012–2014 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 initial 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 2012 through 30 June 2014. 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 2012–2014 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 provides you with the actual income and expense for the last fiscal year ending 30 June 2011. Column two includes the actual income and expense for the first four months of the current fiscal year (July – October 2011); these amounts have been annualized and serve as the basis for the next cycle's projections. In other words, the information for four months was multiplied to show a twelve-month period. These figures are a better forecast than using the previous budget because we have drastically reduced expenses in many areas and have had variations in income largely due to fluctuations in the world economy and reduced contributions. It seemed more realistic to use a base of actual income and expense to forecast future income and expense.

Column three covers year one of the two-year budget cycle (fiscal year 1 July 2012 through 30 June 2013); column four covers year two (fiscal year 1 July 2013 through 30 June 2014); and column five shows the total proposed expense for the entire two-year cycle (1 July 2012 through 30 June 2014). This last column can have slight a slight variance due to rounding up or down to the nearest dollar.

### **2012–2014 World Services Projected Income**

The income estimates for this budget are derived from the actual income received during the period described above.

**Recovery Literature**—Year one is estimated to provide no increase in income and year two is estimated to provide for an increase of 1.0% over year one income. 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. Without sufficient data to generate new projections this income line item is still based on the previous 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. This line item had increased between 7-25% each year for the previous seven fiscal years, but we were actually able to stabilize our costs for this important service in the last fiscal year by printing in various alternative locations.

**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, but the publishing world is changing. Paper costs continue to rise worldwide, and we have forecast an overall increase in expense of 1% for year one and 1% for year two for all literature cost of goods. The exceptions are the expense line item for *Just for Today* which shows an 18% increase for year one and a 3% increase for year two. The Basic Text Hardcover English shows a 4% increase for year one and translated Basic Texts show just over a 16% increase. This is due to manufacturing cost increases about which we have already been notified by our printer.

**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 this year. For the fiscal year 30 June 2009 we experienced a 21% decrease in contributions from the previous year and for the year ending 30 June 2010 we had an additional 25% decrease. For the last fiscal year, ending 30 June 2011, we recouped some of that unprecedented decline and showed a 13% increase from the 2010 low. We thank all of the members, groups, areas, and regions who responded to our appeal. We typically decline in a WSC year, which we attribute to RDA funding, but sincerely hope this does not continue to occur.

**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 35 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.

## 2012–2014 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 35% for Literature Production &

Distribution, 21.5% for World Service Conference Support, 34% for Fellowship Development, and 9.5% for Events.

The following is a list of the types of expenses that are included in each allocation (reflected in the budget in peach), followed by a simple breakdown of the fixed operations expenses under each budget category. All expense forecasts are derived from the actual expenses shown and reflect an increase in our expenses ranging 1-3% for year one and 0-1% for year two. Additionally, we have cut expenses so drastically in most areas over the past few years that we show a 2% increase for most line items under each area of the budget.

**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 five 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 five 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, India, 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 that is not already captured under the COG for each specific project.

**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 English *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 Production and Distribution Travel**—This allocation allows for the us to interact directly with RSO's in addition to the quarterly webinars we have been holding as well as travel to branch offices as needed.

## **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, and the *Conference Report*, the *Conference Agenda Report*, and *Conference Approval Track* material 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 currently 115 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 has been planning their meetings to coincide with a World Board or Business Plan meeting. The prior year's expenses for this line item are not an accurate basis for comparison to what is budgeted as the WB cancelled its March 2011 meeting to conserve expense.

**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 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. As reported, we have discontinued distributing *Meeting by Mail* six times per year. With the changes agreed to at WSC 2010 about the paper distribution of the *NA Way*, our distribution costs are less than 20% of what they were before the change. Paper distribution seems to be rising a bit again so we have forecast a slight increase. Due to translations, our production costs decreased but not as dramatically as distribution costs. They are just over 40% of the previous expenses. We want to thank the conference for their support in reducing this expense.

**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. This is another place where the previous year's line item is uncharacteristically low and therefore a poor basis for comparison. During the last fiscal year, we spent a little over \$80,000 in workshops. In the

previous five fiscal years we had spent between \$270,000 and just over \$500,000. We have allocated funds to show a more normal level of activity in year one and put an extremely conservative number in year two of \$80,000. If cash is available, the WB would be able to make a decision to increase the activity in year two.

**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 35 Event Specific**—The income and expense amounts use WCNA 34 actual figures to estimate the budget for 35. We are still in the process of negotiating specific expense items and plans for this event in Philadelphia.

The budget adopted at WSC 2010 for WCNA 34 had a net of \$286,058. As you can see in the budget, we had an actual net as of 31 December 2011 of 282,577. The actual net-to-budget differs by -\$3,481.

We are still in negotiations with hotels in San Diego for hotel rooms that we did not use. As our members travel habits have changed and more people shop the internet, we will be reducing our room blocks for future conventions.

## **2012–2014 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.

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 2012–2014 Strategic Plan for the status of the 2010–2012 adopted projects as well as the proposed plans for 2012–2014.

**Other Financial Notes**

We have no changes to recommend for the reimbursement policy so it will not require conference action to adopt. It will be distributed to conference participants for the upcoming conference.

The cash basis sheet for the proposed 2012-2014 budget will also be distributed prior to WSC 2012.