

**Quarterly Financial Report – Alcoholics Anonymous (“AA”)
2024 Budget and December 31, 2023 (End of Fourth Quarter) Unaudited Financial Statements**

Part I: Overview and Intended Use

This report provides a finance/business report for the Fellowship. Specifically, it outlines how the Seventh Tradition contributions and publication and subscription income supports the lifesaving work of carrying the message of hope, sobriety and recovery to the still-suffering alcoholic.

The purpose of the Quarterly Financial Report (“QFR”) is to provide the Fellowship of AA with regular updates on the financial status of its service entities – the General Service Board of Alcoholics Anonymous, Inc. (“GSB”), Alcoholics Anonymous World Services, Inc. (“AAWS”) and the AA Grapevine, Inc. (“AAGV”). The operations of these entities include all operations of the General Service Office and Grapevine Office at 475 Riverside Drive in New York City. Pursuant to an Advisory Action of the 73rd General Service Conference, this report is distributed each quarter, in English, French and Spanish, to all Conference Members following the quarterly meetings of the GSB. These statements are unaudited and, though they may be shared freely within AA circles, are not intended for distribution outside of the Fellowship including posting on social media or publicly-accessible websites.

The QFR in Quarters 1, 2 and 3 Consists of:

- Narrative
- AAWS/GSB Financial Statements
 - Comparative Balance Sheet
 - Comparative Income Statement
 - Monthly Income Statement
 - Graphs – Contributions, Gross Literature Sales, Gross Margin, Operating Expenses
- AAGV Financial Statements
 - Statement of Financial Position
 - Statement of Activities – Grapevine
 - Statement of Activities – La Viña

The QFR in Quarter 4 Consists of

- Narrative
- Analysis of Revenue versus prior year and budget
- Reserve status as of December 31 and after any GSB actions at the January meeting
- Budget for the following year (2024 in this case) – AAWS/GSB, and AAGV including LaViña

Q4 is unique in that the final amounts are audited and reported to Conference in April. The audit process occurs in February and March each year for the year ended December 31. Though revenue is largely finalized (but still unaudited) by the end of January, expenses, assets and liabilities values are not finalized until the final year-end close and audit process is complete. As such, only revenues are provided in the Q4 report. As the budgets for the upcoming year are approved at the January Board weekend each year, it is the opportune time to provide that information to the Conference at the earliest possible time following approval.

Note: Balance Sheet and Statement of Financial Position are both terms for a schedule of assets, liabilities and net assets (assets left over after liabilities). Income Statement and Statement of Activities are both terms for a schedule of revenue, income and gains minus expenses and losses.

Respectfully Submitted on Behalf of the Trustees Finance and Budgetary Committee and the General Service Board,

Kevin J. Prior, CFA, CPA, Class A (nonalcoholic) Trustee and Treasurer, AA General Service Board and Chair, Trustees Finance and Budgetary Committee

Part II: AAWS/GSB Financial Statements

Note that for unaudited reporting and budgeting purposes, AAWS and the GSB are reported as one organization. This historical practice has been used rather than the alternative of taking certain costs and allocating them between support functions, literature publishing and services provided to the Fellowship. These allocations are made for presentation of audited financials for the consolidated entities (AAWS, GSB, AAGV) and for stand-alone financial statements for AAWS.

II.A. Executive Summary

For the year ended December 31, 2023, unaudited contribution revenue exceeded budget and also set an annual record for total contributions received. Literature sales increased from 2022 due to volume and the price increase, though the total trailed budget. Reserve coverage decreased due to increased budgeted expenses and reserve fund draws made in January 2024.

II. B. AAWS/GSB Key Financial Indicators (“KFIs”)

GREEN – Favorable Variance

YELLOW – Unfavorable Variance, Informative

RED – Unfavorable, Trustees Finance/Board action and/or discussions ongoing

Indicator	Versus 2023 Budget (Original and Reforecast are equal) (Dollars in thousands ‘000)	Versus 2022 (Dollars in thousands ‘000)
Contributions	\$10,872 vs \$10,500, 4% greater than budget	\$10,872 vs \$10,549, an increase of 3%
Gross Literature Sales (reflects applicable discounts)	\$14,640 vs \$15,900, 8% below budget. <u>As a result the 2024 budget assumes the same sales volume as 2023 actual, with only the change in prices enacted in 2023 as the driver of increased revenue in 2024</u>	\$14,640 vs \$12,000, an increase of 22%
Net Literature Sales (Gross Margin)	\$6,762 vs \$7,950, 15% less than budget (See Notes)	\$6,762 vs \$4,894, an increase of 38%
Gross Margin Percentage	46.2% versus 50%	46.2% versus 40.8%
Reserve Coverage at 12/31/2023 based on 2023 Reforecasted Expenses	7.3 months (goal is 9 – 12 months)	
Reserve Coverage at 12/31/2023 based on 2024 Budgeted Expenses	6.82 months (goal is 9 – 12 months) – decrease due to change in expenses	
Reserve Coverage at 1/31/2024 based on 2024 Budgeted Expenses and Reflecting Reserve Draws	6.27 months (goal is 9 – 12 months) – decrease is due to \$1,064 draw authorized at January 2024 GSB meeting. <u>Barring unforeseen circumstances, rebuilding of the Reserve Fund could begin as soon as the 4th quarter of 2024</u>	

II. C. Reforecast Budget – General (applies to all entities)

AA begins each calendar year with an annual budget which covers the period January through December. Each Summer, we take a look at the income and expenses that have occurred through June and examine whether the original budget estimates ought to be revised (“Reforecasted”) based on actual activity. In Bill W’s words in the 11th Concept “At mid-year [the Trustees Finance and Budgetary Committee] will ask for budget revisions if earlier estimates have gone too much wrong”.

The original budget, per our Bylaws, is approved by the General Service Board (“GSB”) at its January meeting each year. The Reforecast Budget is approved by the GSB at its July meeting and from that point forward becomes the baseline for evaluation of financial activity.

II. D. Reforecast Budget – AAWS/GSB

For 2023, reforecasted revenue is the same as the original budget.

II. E. Notes on Revenue

Contributions Revenue – As noted above, contributions exceeded budget and also set an annual record. The table below outlines contributions and group participation over the last 5 years:

	Total Contributions Revenue	Number of Groups Contributing	Average Contribution per Contributing Group
2018 Actual	\$ 8,385,009	28,314	\$296
2019 Actual	8,863,480	28,180	\$314
2020 Actual	10,256,687	24,779	\$414
2021 Actual	10,775,870	18,558	\$581
2022 Actual	10,548,525	19,572	\$539
2023 Budget	10,500,000		
2023 Actual	10,872,239	20,497	\$530

Literature Sales– As noted above, gross literature sales and net literature sales were below budget but significantly above the prior year. The increase from 2022 is due to two factors: Unit sales of the 10 highest selling books (e.g., hard cover big book is a separate book from the soft cover) have increased 8.6%, from 1,218,756 units to 1,324,074 units and the price increase that went into effect on April 2, 2023. The variance from budget for gross literature sales is due to lagging sales for less popular titles. Budgeted sales for the 10 highest selling books were only 1,232,969 units versus actual sales of 1,324,074 units (7% positive variance). We were still affected by stockouts in 2023, but not as severely. Gross Margin also saw variance, the impact of the price increase did not come into effect until April 2023 and efforts to reduce costs for materials, warehousing and shipping continued throughout the year. Based on the projected impacts of these efforts along with the full year at the April 2, 2023 pricing levels a budget of 50% for GM was determined to be prudent.

Part III: AAGV Financial Statements

III. A. Executive Summary

Overall circulation revenue was ahead of budget for Grapevine and book sales trailed slightly. LaViña revenues exceeded budget and grew 58% vs. 2022.

III. B. AAGV Key Financial Indicators (“KFIs”)

GREEN – Favorable Variance

YELLOW – Unfavorable Variance, Informative

RED – Unfavorable, Trustees Finance/Board action and/or discussions ongoing

Indicator	Versus YTD Reforecast Budget (Dollars in thousands ‘000)	Versus 2022 (Dollars in thousands ‘000)
Total Grapevine (“GV”) Circulation Revenue	\$1,730 vs 1,640, 5.5% ahead of budget	\$1,730 vs \$1,763, 2% below prior year
Total GV Circulation	55,412 vs 52,056, 6.4% ahead of budget	55,412 vs 59,070, 6% below prior year
GV App Subscriptions	843 vs 1,500, 56% of budget (See Notes)	
La Viña Revenue	\$246 vs \$210, exceeding budget	\$246 vs \$156

III. C. Reforecast Budget (Dollars in Thousands)

See Section II. C for overall description of reforecast process for all entities.

For 2023, the full-year reforecast for revenue is as follows:

Description	Original	Reforecast	Note
GV Subscription Revenue	\$1,562	\$1,640	Primarily due to increase GV Complete Subs
GV Sales of Books – “Content Related Revenue”	\$1,014	\$872	Price increase in 2023 pulled sales forward to 2022
LV Revenue – Subs & Books	\$142	\$210	Additional book sales

III. D. Notes on Revenue (Dollars in Thousands '000)

NOTE ALL DATA IS PRELIMINARY SUBJECT TO FINAL REVIEW AND AUDIT

Category	2023	2023 Reforecast	2022	Notes
GV Subscription Income	\$1,730	\$1,640	\$1,762	Total Sub income nearly at 2022 levels. Print subs continue to decline however App and App/Print combo subs are offsetting the loss
GV Book Sales	\$858	\$872	\$884	
LV Subscription Income	\$106	\$109	\$96	Positive impact of return to in-person meetings on sales continues to be felt
LV Book Sales	\$139	\$101	\$63	Sales of LV books greater than expected
GV Magazine Circulation	54,569	50,556	59,070	All formats, print, digital and Grapevine Complete (which includes full app access). Print has declined but launch of app has had positive impact on print subscriptions and Grapevine Complete Subscriptions
Grapevine App Circulation	843	1,500	N/A	Initial uptake slower than anticipated.
La Viña Magazine Circulation	6,392	6,732	6,415	All formats, print, digital and La Viña Complete (which includes full app access). Print copies nearly at 2022 levels, but short of expectations.
La Viña App Circulation	92	0	N/A	

Prior subscription data reported in the Q3 report was incorrect. A combination of a new fulfillment vendor and lack of Finance staff continuity led to misreporting. Please see below the 2023 average monthly circulation stats for La Vina Magazine for 2023 Issues.

Feb	Apr	Jun	Aug	Oct	Dec
4,856	6,072	6,233	6,345	6,230	6,392

Part IV: Reserve Fund and Grapevine Subscription Liability

As of December 31, 2023, the Reserve Fund Assets total \$13.2 million consisting of cash (\$2.8 million) and certificates of deposit (\$10.4 million). Less the liability for unfulfilled Grapevine subscriptions of \$573k, the Reserve Fund Balance is \$12.63 million. Based on total 2023 reforecast operating expenses for GSO, Grapevine and LaViña of \$20.76 million, reserve coverage as of December 31, 2023 is 7.3 months.

Based on the approved operating budgets for GSO, Grapevine and LaViña of \$22.2 million, the reserve coverage is reduced to 6.68 months.

At its January 29, 2024 meeting, the General Service Board authorized a withdrawal of \$1,064,652 from the Reserve Fund, allocated as follows:

- \$564,652 to Grapevine to fund year three of the Grapevine 5-year plan covering the period January 1, 2022 to December 31, 2026. This five year plan, reviewed by the Trustees Finance and Budgetary Committee at its January 2023 meeting, called for capital investment and operating support of approximately \$1.1 million in year 2 (2023) and operating support of approximately \$565k in year 3 (2024), with the expectation that Grapevine operations would be cash flow positive and not require operating support starting in year 4 (2025).
- \$500,000 to the General Service Board to ensure sufficient cash on hand to meet liquidity requirements in the second quarter of 2024, which includes \$1.1 million of Conference expenses. This is in response to the cash on hand deficiency carried over since the end of 2022 that was not fully mitigated by positive cash flow results in 2023 that resulted from the generous commitment to self-support from the Fellowship that exceeded both the previous annual record and 2023 reforecast budget for contributions , close management of expenses, and collections of receivables. This draw plus expected positive cash flow in the first quarter of 2024 will fully fund the expenses expected to be paid in the second quarter of 2024.

These transactions reduced the reserve coverage to 6.27 months. As noted above, the Grapevine 5-year plan does not call for additional investments after 2024. In addition, expected full-year positive cash flow is anticipated for AAWS/GSB. Rebuilding of the reserve fund could begin as early as the fourth quarter of 2024.

A routine annual recalculation of the Grapevine subscription liability resulted in a withdrawal of \$33,012 from the reserve fund assets and a corresponding reduction in the liability amount. The funded percentage of this liability of 34% did not change.

Part V: Other Notable Items

As a result of positive cash flow in 2023 and the \$500,000 draw from the reserve fund noted above, all delinquent accounts payable balances are expected to be resolved by February 15, 2024.

Part VI: AAWS/GSB 2024 Budget

The following documents are attached:

1. Approved FY2024 Budget for AAWS/GSB
2. AAWS/GSB Consolidated Budget Presentation

There are four essential elements to the composition of the 2024 budget:

- Contributions are budgeted at the same level as 2023 budget, though total contributions for 2023 were 4% above this level;
- Gross literature sales assume the same volume of sales as 2023, with only the full-year impact of the 2023 price increase favorably impacting revenue. There is NO revenue budgeted from any titles not already approved in full by the General Service Conference.
- AAWS/GSB provides a slight positive margin before depreciation, which is a non-cash expense.
- Expense growth was carefully managed via an iterative budget process with more than 6 versions, in which the final version included 6% lower expenses than the initial version. The AAWS Board and Trustees Finance and Budgetary Committee, along with GSO Staff met extensively over the last four months to collaborate in making these reductions.

Part VII: AAGV 2024 Budget

The following documents are attached:

1. Approved FY2024 Budget for AA Grapevine and LaViña
2. Narrative

There are two essential elements to the composition of the 2024 budget:

- In response to the need to migrate from a print subscription model to a digital subscription model, the AAGV Board developed a 5-year plan (2022 – 2026) that was reviewed by the Trustees Finance and Budgetary Committee at its January 2023 meeting. Grapevine's 2023 results (Year 2) and 2024 Budget (Year 3) are in-line with this plan. Accordingly, years 2 and 3 called for capital and operating investments into Grapevine operations and in building the Grapevine and LaViña apps. Years 4 (2025) and 5 (2026) of the plan call for Grapevine to be cash flow positive.
- LaViña expenses have been reduced and the net shortfall covered by the General Service Board has been reduced from the 2023 Reforecast of \$754,451 to the approved 2024 budgeted level of \$569,511.

**Part VI:
AAWS/GSB
2024 Budget**

2024 GSO BUDGET

	2024 BUDGET 6.1	2023 REFORECAST 3.0	2023 YTD ACTUAL AS OF NOV 30	2022 ACTUAL	2021 ACTUAL	2020 ACTUAL	2019 ACTUAL
OPERATING REVENUE							
Literature							
Gross Literature Sales	16,817,345	15,900,000	13,547,346	11,999,441	11,712,193	9,098,279	14,405,490
Shipping Charges	336,347	397,500	278,974	277,893	402,081	included above	included above
Discounts	(252,260)	(715,500)	(355,638)	(482,071)	(758,528)	(274,480)	(190,311)
Net Sales	16,901,431	15,582,000	13,470,682	11,795,264	11,355,747	8,823,799	14,215,179
Cost of Goods Sold	8,408,672	7,632,000	6,759,448	6,901,151	5,061,311	2,241,533	5,017,758
Gross Profit	8,492,759	7,950,000	6,711,233	4,894,113	6,294,435	6,582,266	9,197,421
Contributions							
Individuals/Groups	10,500,000	10,500,000	9,188,130	10,548,525	10,775,871	10,256,687	8,863,480
Conference Delegate Fees	204,600	167,400	163,800	165,600	165,206	included in	included in
Additional Conference Contributions	200,000	133,920	202,582	162,640	68,759	contributions	contributions
International Convention	0	0	0	(357)			
World Service Meeting Delegate Fees	90,000	0	541	49,617	3,327	58,936	
World Service Meeting Fund	100,000		24,622	35,682			included in
International Literature Fund	55,000	40,000	32,506	54,513	69,423	28,429	contributions
Total Contributions	11,149,600	10,841,320	9,612,180	11,016,220	11,082,585	10,344,052	8,863,480
TOTAL OPERATING REVENUE	19,642,359	18,791,320	16,323,413	15,910,334	17,377,021	16,926,318	18,060,901
OPERATING EXPENSE							
Salary	9,420,257	8,540,630	7,704,380	included below	included below	included below	included below
Employee Benefits	1,783,216	2,021,058	1,853,784	included below	included below	included below	included below
Payroll Taxes	753,212	659,745	635,983	included below	included below	included below	included below
Subtotal Personnel	11,956,684	11,221,433	10,194,147	10,303,829	9,909,446	11,665,715	11,638,384
Professional Fees	1,821,498	1,860,409	1,558,621	1,756,363	2,242,400	2,276,750	772,970
Contracted Services	N/A	N/A	N/A	N/A	N/A	N/A	1,383,455
Printing, Postage, and Supplies	569,768	613,676	520,831	451,413	370,372	333,960	944,289
Data, Automation & Website	740,663	642,843	528,461	611,490	626,130	0	in Contracted
Insurance	82,437	78,015	64,715	69,575	57,919	53,759	in Contracted
Facility and Equipment	1,277,450	1,166,861	1,139,367	1,258,295	1,298,434	1,284,146	1,588,119
Travel and Meeting	2,430,011	2,170,916	2,119,149	1,854,281	266,369	206,925	1,699,411
Other	146,600	145,098	692,655	228,127	189,111	171,443	in Contracted
TOTAL OPERATING EXPENSE	19,025,113	17,899,252	16,817,946	16,533,372	14,960,181	15,992,698	18,026,628
OPERATING SURPLUS/(DEFICIT) BEFORE DEPRECIATION*							
	617,246	892,068	(494,533)	(623,038)	2,416,840	933,620	34,273
Depreciation	1,020,000	1,200,000	979,796	1,184,394	908,801	597,550	375,844
OPERATING SURPLUS/(DEFICIT) AFTER DEPRECIATION	(402,754)	(307,932)	(1,474,329)	(1,807,432)	1,508,039	336,070	(341,571)
Non-Operating Revenue							
Investment			1,034,275	(1,228,234)		1,156,623	1,400,461
Insurance Settlement						863,604	N/A
Total Non-Operating Revenue	0	0	1,034,275	(1,228,234)	0	2,020,227	1,400,461
Non-Operating Expense							
<u>Cash</u>							
International Literature Fund	30,000	30,000	11,720	29,296			
G.S.B. support for La Vina	569,512	659,410	641,352	636,604	388,646	385,771	297,392
<u>Non-Cash</u>							
Inventory Adjustment				821,900			
Pension				(1,199,878)	(6,690,894)	4,030,700	(1,447,817)
Post-Retirement Medical				(2,327,970)	(1,993,193)	18,750	(227,917)
Total Non-Operating Expense	599,512	689,410	653,072	(2,040,048)	(8,295,441)	4,435,221	(1,378,342)
NON-OPERATING SURPLUS/(DEFICIT)	(599,512)	(689,410)	381,203	811,814	8,295,441	(2,414,994)	2,778,803
GRAND TOTAL SURPLUS/(DEFICIT)	(1,002,266)	(997,342)	(1,093,126)	(995,618)	9,803,480	(2,078,924)	2,437,232
*Operating Surplus Before Depreciation Less GSB support for La Vina	47,734	232,658	(1,135,885)	(1,259,642)	2,028,194	547,849	(263,119)

Alcoholics Anonymous World Services / General Service Board 2024 Consolidated Budget Presentation

During a September 2023 financial strategic planning session, the AAWS Board discussed the importance of improved communications regarding our finances. This includes financial reports, but also financial planning. It was agreed that we would aim to tell more of the story rather than only provide the data. What follows is an overview of the period from 2018 to 2024 and some key points for the planning for 2024 and beyond. We must understand where we are and how we got there to effectively plot a path forward. We hope this information is useful to you, and we welcome your feedback.

1) 2018-2019 “What we were like”

(pre-pandemic, inflation rates 2%)

In 2018, finances were stable and getting stronger. Seventh tradition contributions from groups and members totaled \$8.4 million, just shy (0.3%) of the record contributions that had been received in 2017. We sold \$14.2 million in literature that year, of which \$9.5 million (66%) was ours to use to fund the services and expenses of the GSO and GSB. That 66% is known as the “Gross Margin Percentage”. The difference between 100% and the gross margin percentage is the Cost of Goods Sold (COGS) percentage (34% in this case); in other organizations, this would be referred to as Gross Profit. At this time, it had been 4 years since the last literature price increase. Net Income (total income after all expenses including COGS) was approximately \$400k that year indicating that our expenses were approximately \$17.8 million. The Reserve Fund Balance at that time was within the desired range of 9 – 12 months of operating expenses (GSO, Grapevine/LaViña and GSB combined) and, at the end of 2018, stood at 9.7 months.

2018 FINANCIAL HIGHLIGHTS

Amounts in \$	2018 ACTUAL	2018 BUDGET	COMPARED TO 2018 BUDGET	2017 ACTUAL	COMPARED TO 2017 ACTUAL
GENERAL SERVICE OFFICE					
7 th Tradition Contributions	8.4 M	8.2 M	0.2 M (2%) increase	8.4 M	Essentially equal
Net Income	0.4 M	0.5 M	0.1 M (20%) decrease	1.8 M	1.4 M (78%) decrease
RESERVE FUND					
Coverage Ratio	9.7 months	9.7 months	Equal to budget	9.5 months	Increase of 0.2 (2%) months
<small>M – millions; K – thousands</small>					

By 2019, we were eagerly awaiting the 2020 International Convention in Detroit and began receiving registration payments in the Fall of that year. Seventh tradition contributions set another record that year at \$8.86 million, an increase of almost 6%. In 2019 we set a record for Literature Sales \$14.4 million, of which \$9.4 million (65%) was our gross margin. Gross margin was stable (65% versus 66% the prior year) - In the absence of a price increase, the cost of printing and paper generally rises over time and the amount of margin decreases. Expenses in 2019 were over budget due to contract reviews (which in 2023 are now conducted via a new streamlined process) and

the financial impact of the ERP system implementation (lots of lessons learned moving from a homegrown system involving multiple databases to an enterprise system). This resulted in a loss of \$380k versus a budgeted net income of \$501k. As a result of higher expense levels, the reserve fund balance reflected 9.2 months of operating expenses. The Reserve Fund was not drawn, that same balance was then spread over a larger balance of expenses.

2019 FINANCIAL HIGHLIGHTS

Amounts in \$	2019 ACTUAL	2019 BUDGET	COMPARED TO 2019 BUDGET	2018 ACTUAL	COMPARED TO 2018 ACTUAL
GENERAL SERVICE OFFICE					
7 th Tradition Contributions	8.86 M	8.38 M	\$478,760 (5.71%) increase	8.39 M	\$478,760 (5.71%) increase
Literature Profits	9.36 M	9.77 M	\$416,250 (4.26%) decrease	9.45 M	\$93,860 (1%) decrease
Net Income	(0.3) M	0.5 M	0.8 M (62%) decrease	.4 M	.1 M (20%) decrease
GRAPEVINE & LA VINA					
Average Circulation	71,182	76,086	4,904 (6.5%) decrease	72,300	1,126 (17%) increase
Net Income (Loss)	(44 K)	(135 K)	91 K (67%) increase	(149) K	107 K (39%) better
General Fund support of La Viña service activity	289 K	166 K	123 K (74%) increase	148 K	2 K (1%) increase
RESERVE FUND					
Coverage Ratio	9.2 months	9.4 months	Decrease of 0.2 months (2%) months	9.7 Months	Equal to Budget
M – millions; K – thousands					

2018-2019 examples of the impact of your 7th Tradition contributions:

- the translation of the Big Book in Navajo was released
- the new ASL translation of the Big Book was released

The Fall 2019 Issue of Box 459 included the following quote from Bill W.: *“Every single A.A. service is designed to make more and better Twelfth Step work possible,”* wrote Bill W. (*The Language of the Heart*, p. 350), *“whether it be a group meeting place, a central or intergroup office to arrange hospitalization and sponsorship, or the world service Headquarters to maintain unity and effectiveness all over the globe. “Though not costly, these service agencies are absolutely essential to our continued expansion — to our survival as a Fellowship. Their costs are a collective obligation that rests squarely upon all of us. Our support of services actually amounts to a recognition on our part that A.A. must everywhere function in full strength — and that, under our Tradition of self-support, we are all going to foot the bill.”*

2) 2020-2021 “What happened”

pandemic, inflation up to 4.7%

2020 came and on March 19 the world shut down. Life was barely recognizable a few short weeks into that Spring. Stay at home orders, shelter in place, masks and social distancing. Our well-anticipated International Convention, just a few months away had to be cancelled. And AA meetings everywhere, Central Offices and Intergroups and GSO had to adapt to online/phone formats, close or go into some type of hibernation. Literature sales dropped precipitously – Total sales were only \$9.1 million in 2022 – a decrease of 37%. Though gross margin was still strong, the amount of money left over after paying the cost of literature was only \$6.5 million, a drop of \$2.2 million from 2019. An appeal was made to the Fellowship for additional Seventh Tradition Support – and the Fellowship responded with vigor. Total contributions increased to a record \$10.3 million in 2020, an increase of \$1.4 million from 2019 (16%). Although costs for in-person meetings (Boards, General Service Conference) fell dramatically due to travel and gathering restrictions (\$1.1 million), the VRIP early retirement program was taken by more Staff than expected, and, combined with the lost literature revenue, we experienced a \$2.1 million net loss that year and needed a substantial reserve draw (\$4 million). We did not partake in the PPP Loan Programs that were offered at that time to both for-profit and not-for-profit organizations. We were self-supporting through this incredibly expensive year. At the end of 2020, the Reserve Fund stood at 7.9 months.

2020 FINANCIAL HIGHLIGHTS

Amounts in \$	2020 ACTUAL	2020 BUDGET	COMPARED TO 2020 BUDGET	2019 ACTUAL	COMPARED TO 2019 ACTUAL
GENERAL SERVICE OFFICE					
7 th Tradition Contributions	10.26 M	9.0 M	1.26 M (14.0%) increase	8.86 M	1.40 M (15.80%) increase
Literature Gross Profit	6.58 M	9.8 M	3.22 M (32.9%) decrease	9.36 M	2.78 M (29.70%) decrease
Net Income	(2.1) M	1.0 K	2.1 M decrease	(0.3) M	1.8 M decrease
GRAPEVINE & LA VIÑA					
Average Circulation	68,572	67,802	770 increase	71,182	2,610 (3.67%) decrease
Net Income (Loss)	(299 K)	4.6 K	303 K decrease	(27) K	3 K (6.81%) better
General Fund support of La Viña service activity	386 K	317 K	69 K increase	297 K	89 K (29.96%) increase
RESERVE FUND					
Coverage Ratio	7.9 months	9.4 months	Decrease of 1.5 months (16.0%)	9.3 Months	Decrease of 1.4 months (15.1%)
M – millions; K – thousands					

2021 saw a continuation of the Pandemic. Seventh Tradition contributions set another record of \$10.77 million. Since the world was still partially shut down, some of these contributions would normally have been spent by Areas and Districts, who now found sending funds to the GSB or buying literature on the decreased list of options for the use of these funds once their prudent reserves were full. However, this only tells part of the story, as contributions remained robust when the world reopened towards the end of 2021 and into 2022. Literature sales rebounded from the pandemic lows, coming in at \$11.7 million. However, our gross margin percentage dropped to 54%. This was due to the “supply chain issues” and high inflation that emerged during the second

half of the Pandemic. Put another way, even though literature sales grew 28% between 2020 and 2021 (\$9.1 million to \$11.7 million), the total amount of gross margin DECLINED from \$6.6 million to \$6.3 million. Unlike the small change in gross margin in 2019, this was very concerning. Transitioning Regional Forums, Board weekends and Conference to virtual meant that travel and related expenses were minimal in 2021. In addition, re-staffing after the VRIP took time, and, in the interim, vacant positions saved funds. As such, a net income of \$1.6 million was achieved for 2021. Reserve coverage grew to 8.5 months, but this was distorted by the artificially low expenses in 2021.

2021 FINANCIAL HIGHLIGHTS

Amounts in \$	2021 ACTUAL	2021 BUDGET	2021 ACTUAL COMPARED TO 2021 BUDGET	2020 ACTUAL	2021 ACTUAL COMPARED TO 2020 ACTUAL
GENERAL SERVICE OFFICE					
7 th Tradition Contributions	10.78 M	10.0 M	0.78 M (7.80%) increase	10.26 M	0.52 M (5.07%) increase
Literature Gross Profit	6.30 M	6.84 M	0.54 M (7.89%) decrease	6.58 M	0.28 M (4.26%) decrease
Operating Surplus/(Deficit)	1.6 M	0.7 M	0.9 M increase	0.1 M	1.5 M increase
GRAPEVINE & LA VIÑA					
Average Circulation	65,053	67,565	2,512 (3.72%) decrease	68,572	3,519 (5.13%) decrease
Surplus/(Deficit)	(113 K)	(354 K)	241 K better	(299) K	186 K better
General Fund support of La Viña service activity	389 K	402 K	13 K (3.23%) decrease	385 K	4 K (1.03%) increase
RESERVE FUND					
Coverage Ratio	8.5 months	N/A	N/A	7.9 Months	Increase of 0.6 months (7.59%)
M – millions; K – thousands					

2020-2021 examples of the impact of your 7th Tradition contributions:

-The Technology Services Department launched the “Submit Your Story” portal allowing AA members to submit their stories for the Fifth Edition (Big Book Alcoholics Anonymous), this may have contributed to the fact that we received more than 2,500 story submissions which is greater than twice as many story submissions as we received for the Fourth Edition.

-The relaunch of the website aa.org

3) 2022-2023 “What we are like now”

(Stabilization, inflation 7% in 2022 and 3.4% in 2023)

In 2022, we opened back up. Tours resumed at GSO. We had an in-person conference, 4 in-person regional forums, and in-person GSB weekends (AAGV and AAWS continue to hold some meetings virtually for cost savings). Contributions remained robust at \$10.5 million, a slight decrease from 2021. Literature sales had a slight increase (2.5% from 11.7 million to \$12 million). Gross margin however truly took it on the chin. Literature cost a fortune to print when we could get paper and access to the printing presses. The 7% official inflation

number that year doesn't really describe the full impact on us – we had to pay up for our literature if we were fortunate enough to be able to get it. Gross margin fell to \$4.9 million, a gross margin percentage of 41%. That change, from 66% to 41% is why a price increase for most literature of 20% was necessary – and that increase would only restore the gross margin to 50%, it is unlikely we will ever see the 66% of 2018 again. Operating expenses were “new normal” of \$17.8 million and reflected both the return to in-person gatherings and the re-staffing of the office. We experienced a net loss of \$1.6 million in 2022. The necessity to print when we could after facing ongoing out-of-stock and backorders meant that we used more of our cash than that loss implies to refill the warehouses – setting up the liquidity struggles we have had in 2023. The Reserve at the end of 2022 stood at 7.3 months of operating expenses.

2022 FINANCIAL HIGHLIGHTS

Amounts in \$	2022 ACTUAL	2022 BUDGET	2022 ACTUAL COMPARED TO 2022 BUDGET	2021 ACTUAL	2022 ACTUAL COMPARED TO 2021 ACTUAL
GENERAL SERVICE OFFICE					
7 th Tradition Contributions	10.55 M	10.0 M	0.23 M (5.5%) increase	10.78 M	0.52 M (2%) decrease
Literature Gross Profit	4.89 M	6.53 M	(1.64 M) (25%) decrease	6.3 M	1.41 M (22%) decrease
Operating Surplus/(Deficit)	(1.6 M)	(1.35 M)	0.3 M increase	1.6 M	3.2 M decrease
GRAPEVINE & LA VIÑA					
Average Circulation	60,246	70,842	10,596 (15%) decrease	65,053	3,519 (7.3%) decrease
Surplus/(Deficit)	(405 K)	19 K	424 K worse	(113) K	292 K worse
General Fund support of La Viña service activity	636 K	402 K	234 K increase	389 K	247k increase
RESERVE FUND					
Coverage Ratio	7.3 months	N/A	N/A	8.5 Months	Decrease of 1.2 months
M – millions; K – thousands					

In 2023, we budgeted \$10.5 million in contributions which we surpassed due to the extreme generosity of the Fellowship. The total contributions were \$10.87 million. In addition, literature sales were budgeted at \$15.9 million which reflected the price increase effective April 2023. 2023 literature sales were \$14.5 million. Gross margin is budgeted at 50% of sales or \$7.95 million, gross margin was 49.6% of sales or \$7.2 million. Total expenses are expected to be below the reforecast but above the original budget. Over 2023 our cash position has improved. As of November 30, 2023, the Reserve Fund covers 7.28 months of expenses.

The 2023 year-end financials are currently being completed and the numbers are not available at this time. The Quarterly Financial Report will be shared with all Conference members, including Delegates, as soon as it is available.

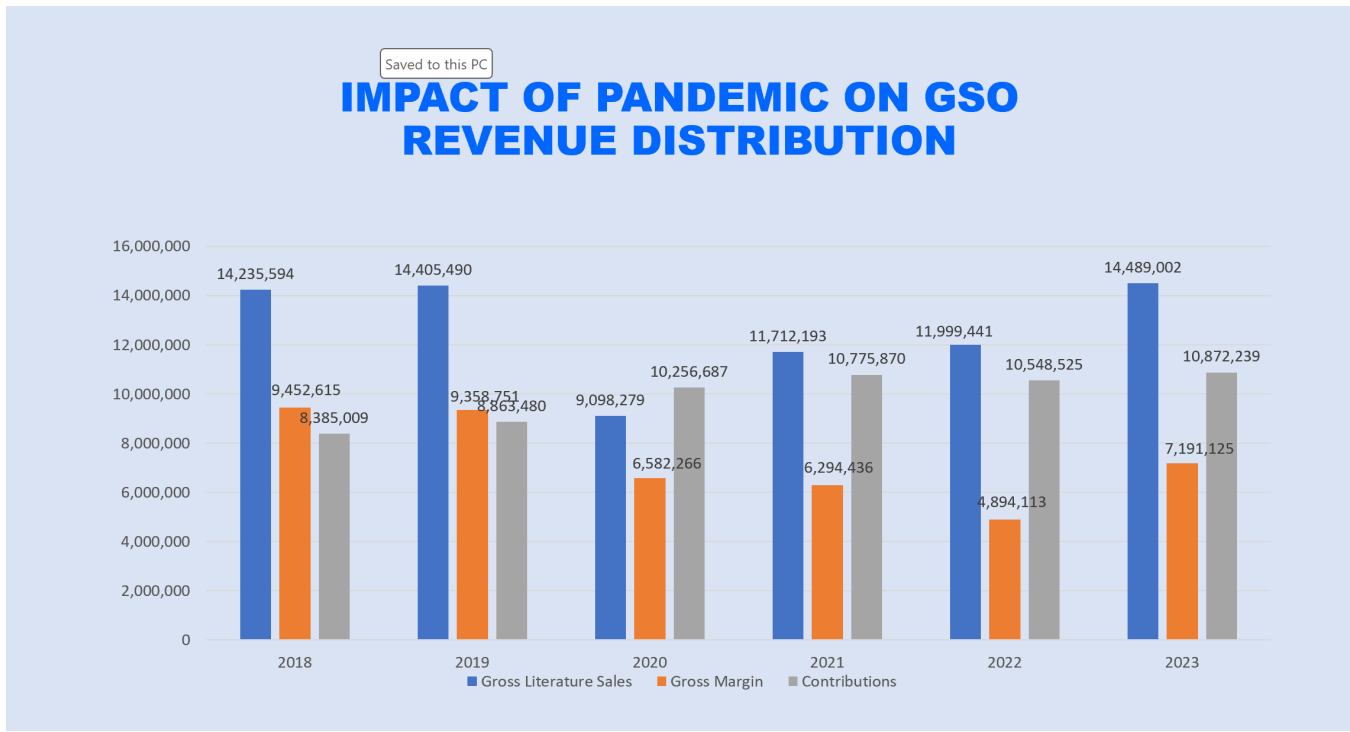
2022-2023 examples of the impact of your 7th Tradition contributions:

-The North/South Connections Forum. Members of the Fellowship in the far south of Argentina and Chile face many of the same challenges as are found in remote areas of North America in terms of connecting with other A.A. members and their areas as a whole. These challenges include a sparse population and A.A. membership,

individual members and groups separated by great distances and challenging geography, as well as unreliable internet connectivity — a connectivity that the rest of A.A. has come to depend on during the pandemic.

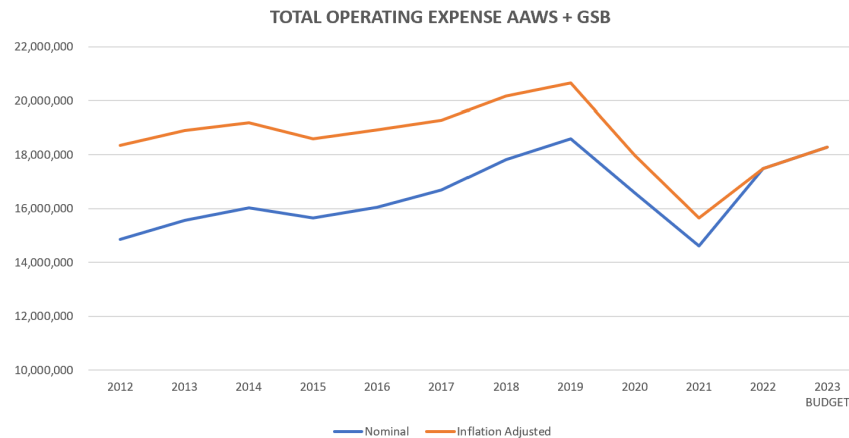
-New Corrections Correspondence Service which allows swifter matches between members inside custody and outside.

4) Historic Data



INFLATION ADJUSTED EXPENSE HISTORY

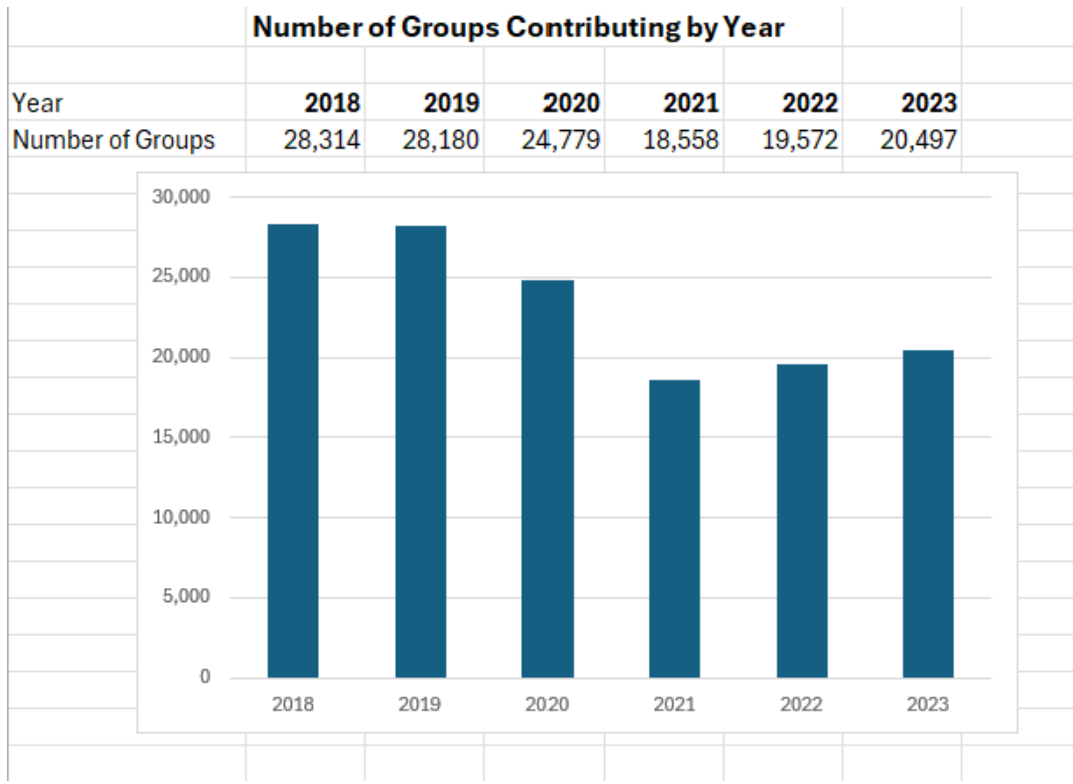
In 2022, operating expense was lower than the inflation adjusted operating expense in 9 of the past 10 years.



Consumer Price Index for all Urban Consumers (CPI-U) (not seasonably adjusted)

2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.366	233.548
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.384	237.088
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	236.265	237.769
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	238.778	241.237
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	244.076	246.163
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	250.089	252.125
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	254.412	256.903
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474	257.557	260.065
2021	261.582	263.014	264.877	267.054	269.195	271.696	273.003	273.567	274.310	276.589	277.948	278.802	266.236	275.703
2022	281.148	283.716	287.504	289.109	292.296	296.311	296.276	296.171	296.808	298.012	297.711	296.797	288.347	296.963
2023	299.170	300.840	301.836	303.363	304.127	305.109	305.691	307.026	307.789	307.671	307.051	306.746	302.408	306.99

Note: inflation can be confirmed by calculating the difference between the CPI at the beginning of the year and the CPI at the end of the year.



5) A vision for you (2024 and beyond)

2024 begins rebuilding our financial strength under a “new normal”. AAWS and the Trustees Finance and Budgetary Committee both work continuously to assess emerging trends and respond accordingly. Discussions regarding the importance of the Reserve Fund are ongoing.

It is difficult to budget with accuracy for future years due to several variable factors that impact long-term planning. These include actions by the General Service Conference and the Boards, contribution trends, literature revenue and margin trends, operational support, and resources required.

Additional known upcoming factors, that are not included in the 2024 Budget but may impact the next few years include the 2025 International Convention, the outcome of the location study, and *possible* new literature items including: Fourth Edition Alcohólicos Anónimos (Spanish Language Big Book), Fifth Edition Alcoholics Anonymous (English Language Big Book), Plain and Simple Language Big Book.

Budgeted Revenue:

- 1) 2024 contributions:
 - budgeted flat to 2022 actuals and 2023 original and reforecast budget amounts. No increase or decrease is projected. *We since have learned that the actual contributions for 2023 were \$10,872,239. We have not increased the contributions budget for 2024, it remains at \$10,500,000.*
 - Contributions budget will be adjusted at the time of the July reforecast if contributions are trending significantly differently than projected (either higher or lower).

Beyond 2024:

Contributions are typically budgeted based on the prior year, with consideration of trends that may indicate contributions are likely to be higher or lower.

2) 2024 literature sales:

- overall projection is based on unit sales and expects that the units sold in 2024 will be flat to 2023 unit sales.
- new edition of the AA Service Manual is budgeted for an \$80K increase
- budget includes \$40K for adjustments to pamphlet prices, as per a review that has been in progress since late 2022. In some cases, pamphlets selling prices have fallen below the cost of goods sold. Assessment and adjustment where needed are in progress.
- This results in an increase to budgeted literature revenue to \$16.9 million for 2024, this is higher in dollars than in 2023 due to the effect of the April 2023 price increase being in effect for all 12 months of 2024.

Note: The literature budget does not anticipate sales of any new items. Any new items that the Conference may approve can be added to the budget at the time of the July reforecast if they are projected to be available prior to the end of 2024, or included in the 2025 budget as applicable.

Beyond 2024:

Literature sales are typically budgeted based on the prior year, with consideration of trends that indicate literature sales are likely to be higher or lower. Further, there is consideration of any new items becoming available in the upcoming budget year. The AAWS Board reviews literature pricing and considers if any changes are needed.

- 3) Gross Margin for 2024 is estimated at 50.0% of literature sales. The preliminary figure for 2023 actual gross margin is 50.7% of gross sales, we are not anticipating a return to the 2018 gross margin levels of 66%.**

Beyond 2024: Gross Margin budget is typically determined based on recent margin and any known factors that may change that.

Budgeted Expenses:

Expenses must always be considered relative to inflation. Operating expenses included in the budget of \$19.0 million are higher than ever before, but so are costs. In fact, looking at 2012 operating expenses of \$14.8 million, if these grew by the amount of the Consumer Price Index (inflation) from January 2013 to December 2023, they would have grown to \$19 million over that same period, indicating that, over time, expenses contained within the level of inflation or less.

Beyond 2024: Expenses are budgeted based on the budgets set by each Trustees committee, what is needed to carry out Conference actions, and what is required for services and operations. Proposed expenses are reviewed, prioritized and in some cases deferred pending available funds. See #6 below for a detailed description of the budget process.

Operating Income:

The budget for Operating income (inclusive of LaVina expenses but before depreciation) is to be \$47,734.

Beyond 2024: Operating income is determined based on the difference between revenue and expenses. Deficit budgets are avoided, and if/when they are necessary will be accompanied with an explanation.

Non-cash expense (depreciation):

The bottom line, after depreciation, is -\$1,002,266.

Note: Depreciation is an accounting practice used to spread the cost of a tangible or physical asset over its useful life. These items were paid for in a prior year, there is no cash expense in the current year. Depreciation reflects the decreasing value of an asset over the period.

Beyond 2024: this is a function of accounting since the items were already paid.

Cash Flow:

Net cash flow for 2024 is projected to be a positive \$1.1 million. However, we are beginning this year with a low balance of cash on hand (less than 1 week operating expenses).

Beyond 2024: cash flow projections will continue to be part of the budget information.

Note: The 2025 International Convention has separate accounting. There are amounts prepaid by AAWS before the convention registration opening (in prior years, and in 2024). After registration opens and Convention funds become available prepaids will be reimbursed to AAWS. Convention registration proceeds are not included as cash flow in the Consolidated budget. These funds are reported separately by the Convention management vendor Talley Management Group ("TMG").

Reserve Draw:

Cash flow projections, status of accounts payable and of accounts receivable were provided to the Trustees Finance and Budgetary Committee (TFBC) for consideration and to determine if a reserve draw was needed and what amount. The TFBC approved a \$500,000 reserve fund transfer at the Q1 2024 GSB meeting.

The potential transfer from AAWS to the Reserve Fund by the end of 2024 will be determined based on any needed budget forecast in July and reassessment of cash flow projections at that time.

AAWS Financial discussions are ongoing, examples of topics under discussion include:

- review of Box 459 print subscriptions (currently cost exceeds the subscription price)
- cost efficiencies in service kits (accordion folders instead of binders, content links rather than DVDs)
- continued focus on reducing meeting and travel costs (AAWS Board meets virtually rather than in person twice per year)
- policies regarding what materials are translated within the available resources
- ongoing review of travel (initiated in 2023 and continuing)
- The reserve fund status, and plans to restore it to the range of 9-12 months of operating expenses (this discussed also involves the GSB and AAGV).

6) Summary of budget development and approval process

- 1) The AAWS Board began the 2024 budget proposal process in September of 2023 with financial strategic planning discussions. Key topics that arose through this process include:
 - the importance of sharing the whole story rather than only providing the numbers
 - more sharing of future/multi-year factors and considerations
 - the continued need for ongoing communications and reporting throughout the year
 - reimplementing cost estimates for agenda items forwarded to the Conference
 - more education about major projects when they arise (historically this has included meeting guide, website updates, ERP implementation)
 - efforts needed to prevent and correct misinformation

- 2) the importance of the reserve fund being within the goal range of 9-12 months. The next step in the process was for the AAWS Board to provide some initial guidance to management from the initial 2024 budget discussion.

The AAWS Board of Directors met on Friday September 8 and discussed revenue projections and expense priorities for the upcoming 2024 budget cycle. The following guidance was provided by the AAWS Board to the CFO.

“Therefore, the Board has asked me to share with you the following guidelines for creation of the first draft of 2024 department/assignment budgets:

- *Prioritize all expenditures required to fulfil Advisory Actions and to complete work in progress through trustees’ committees.*
- *Prioritize any expenditure related to effective communication with the Fellowship.*
- *Prioritize expenditure on any project in which we have already made a substantial investment which will be lost if we pause or stop. Please use your judgment in determining what is substantial.*
- *Seek opportunities for cost containment or reduction in any expenditure which does not fall under the above priorities.*
- *Seek opportunities to defer projects to the second half of 2024 (reforecast budget) or to 2025. The budget template will include a place to provide information on these projects deferred to Q3/Q4 2024, or 2025, to support long-range planning.”*

- 3) The CFO worked with the office to develop a draft budget. Version 1.0 was provided to the AAWS Board October 15th 2023.

- 4) The contents of draft budget 1.0 were reviewed by the AAWS Board and changes were proposed, the budgets for the service assignments and trustees’ committees were forwarded to the applicable trustees' committee for their consideration at the Q4 GSB meeting and, if approved, to be forwarded by the trustees committee to TFBC for adoption in the 2024 budget.

- 5) AAWS continued its work on the budget, over several meetings, resulting in new draft budgets. The version forwarded to TFBC for consideration is version 6.0.

- 6) TFBC held interim meetings where an update on the budget was provided on December 14, 2023 and version 6.0 (proposed for adoption) was provided on January 17, 2024. The full GSB and all Directors were invited to the interim TFBC.
- 7) January 25, 2024 - AAWS finance formally recommended the 2024 Consolidated AAWS/GSB Budget to the AAWS Board who forwarded it to TFBC for approval.

January 28, 2024 – TFBC formally considered the 2024 Consolidated AAWS/GSB Budget and recommended acceptance to the GSB (with minor amendments to Regional Forums and CPC).

January 29, 2024 – the GSB considered and approved the budget as forwarded from TFBC.

For further information please refer to the interview with the GSB Treasurer that was included in the Summer 2023 edition of Box 459. Available here: https://www.aa.org/sites/default/files/newsletters/f-36_summer2023.pdf

7) Cost controls and expense management

The AAWS Board and GSO management work closely on cost controls and expense management. The process and efforts within the office are significant and are included here because the shared efforts are critical to success. In the words of the General Manager:

“Expense reduction efforts begin with the budget process itself. Budget managers exist throughout the office and touch all departments and functions. At both the initiation of both annual and reforecast budget processes, each budget manager is given the previous budget compared to actual. This allows them to analyze how the estimates they proposed fared the actual spent. This particular process has sparked conversations and brainstorming as to how to carry out functions and processes with less resources.

Similarly, since including and training so many budget managers in the process, they have visibility into specific costs of nearly everything related to their responsibility. This has led to process adjustments in event planning and reduced consumption of supplies and services across the office.

The centralization of legal and contract work has brought a strong element to cost controls. Specifically, all contracts are reviewed by the director of that department. A checklist is used for several standard elements that are applied to all contracts. This has greatly reduced the need for legal counsel which has helped reduce legal expenses. Also included in the checklist is ensuring all contracts are in line with the current budget. Contracts and projects are not allowed to begin if they are not aligned with the budget.

Another benefit to deploying budget managers throughout the office is that more focused negotiations with vendors are happening each year. This has resulted in several multi-year contracts for certain services that are needed year over year with significant discounted costs.

We also have several executive steering committees that include the CFO and the General Manager as budget and cost components are monitored for the many functions and projects these committees govern.

We are also currently drafting an supply procurement process that will be deployed officewide to be sure all office supplies are needed before actually being purchased. This will also allow for better budget monitoring for office supplies throughout the year.

Bill.com is one of the very best tools we have that forces every bill paid in the office to be approved by often several levels of management including the manager charged with the project or function the payable relates to. When approving each bill, detailed information and invoices are attached that give needed details. This process allows for constant double and triple checking on payables to be sure they are in line with the budget.

These include budgeting, reforecasts when needed, and ongoing reporting to the AAWS Board and GSB. Any variances to budgeted amounts are noted."

In 2022 AAWS Board adopted the practice of retaining a deferred project list. The purpose of this list is to ensure that items removed from the budget for financial reasons (rather than because the expense was not ultimately approved or has been eliminated) are tracked and can be readded to the budget when resources are available or can be reconsidered. The recent deferred projects lists are provided below, along with the list of expenses reduced or removed during the 2024 budget development process to provide you with specific examples of these efforts.

**PREVIOUSLY DEFERRED PROJECTS REMAINING DEFERRED
IN REFORECAST 3.0**

DEPARTMENT	PROJECT	AMOUNT
Publishing	Audio Pamphlet: "Young People and A.A." The print version began with an Advisory Action in 2016. New stories for the print version were approved by the 2022 General Service Conference. The quality of these new stories has prompted the idea to do an audio version.	40,000
Publishing	Animation: "Too Young?" Video. Revision of the print version began with a 2017 Conference floor action. 2018 and 2019 committee discussions and progress reports addressed a video possibility.	100,000
Publishing	Whiteboard Animation "Twelve Concepts Illustrated" - UK version employing this style of video has been shared with the Trustees Literature Committee as a possible video for U.S./Canada adoption.	15,000
Publishing	Restoration of full newsletter print runs for Quarterly Report, Box 459, and About AA. Except for Box 4-5-9 paid subscriptions and certain service positions, newsletters switched to digital only in 2020. Reforecast 2.0 proposes to eliminate the exceptions so that newsletters are entirely digital.	81,000
Staff Services (PI)	Audio to Video PSA in 3 languages. Deferred pending discussion by Trustees PI Committee	20,000
Staff Services (PI)	Paid PSA placement on streaming platform. The 2022 PI Committee Consideration was to continue research on the feasibility and desire from the Fellowship on Paid Placement ads. Report back to 2023 GSC. No Budget dollars are needed for 2022.	50,000
Communications	How To Videos	30,000
Technology Services	Roll out of Front to all staff. (Rolled out to Member Service in 2021.) This project was first proposed during the 2022 budget process.	52,000
Technology Services	International Data Map - deferred to 2023. This project was first proposed in 2017.	100,000
Technology Services	Next phase of Corrections Correspondence System (CCS) - digitizing additional types of correspondence. Currently only match letters are digitized. First phase was completed in late 2021/early 2022.	42,000
Technology Services	Dashboard replacement. Deferral of implementation. Discovery and vendor selection completed in 2022.	30,000
Technology Services	Roll out of Jabbr remote communications software	9,000

COST ESTIMATES FOR SOME PROJECTS MAY BE OUTDATED DUE TO INFLATION.

DEFERRED PROJECT LIST -- 2023 BUDGET 5.1

DEPARTMENT	PROJECT	AMOUNT
Publishing	Audio Pamphlet: "Young People and A.A." The print version began with an Advisory Action in 2016. New stories for the print version were approved by the 2022 General Service Conference. The quality of these new stories has prompted the idea to do an audio version. The estimate includes all three languages and postproduction and proofreading.	40,000
Publishing	Restoration of full newsletter print runs for Quarterly Report, Box 459, and About AA. Except for Box 4-5-9 paid subscriptions and certain service positions, newsletters switched to digital only in 2020.	81,000
Public Information	Paid PSA placement on streaming platform. Pending discussion by 2023 Conference Public Information Committee. Estimate based on preliminary expense research.	50,000
Communications	How To Videos	20,000
Technology Services	International Data Map – Discovery phase postponed to 2024 at the request of Trustees International Committee. This project was first proposed in 2017.	10,000
Technology Services	Policies and Procedures Manual	5,000

DEFERRED PROJECT LIST -- 2023 REFORECAST BUDGET 3.0

DEPARTMENT	PROJECT	AMOUNT
Publishing	Audio Pamphlet: "Young People and A.A." The print version began with an Advisory Action in 2016. New stories for the print version were approved by the 2022 General Service Conference. The quality of these new stories has prompted the idea to do an audio version. The estimate includes all three languages and postproduction and proofreading.	40,000
Publishing	Restoration of full newsletter print runs for Quarterly Report, Box 459, and About AA. Except for Box 4-5-9 paid subscriptions and certain service positions, newsletters switched to digital only in 2020.	81,000
Publishing	2025 International Convention souvenir book. Editorial work deferred to 2024	10,000
Publishing	"Marking on the Journey" revised DVD manufacturing deferred to 2024	7,500
Publishing	"Access to AA" ASL digital production – adding additional versions of ASL	44,000
Publishing/ Communications	Digital Publication Platform – Convert literature now available on aa.org from PDF to html	82,000
Public Information	Paid PSA placement on streaming platform. Pending work from the trustees PI Committee and PI coordinator to bring a proposal plan back to the 2024 Conference Committee on PI. Estimate based on preliminary expense research.	50,000
Communications	How To Videos	20,000
Technology Services	International Data Map – Discovery phase postponed to 2024 at the request of Trustees International Committee. This project was first proposed in 2017.	10,000
Technology Services	Policies and Procedures Manual	5,000
Technology Services	Technology Review – external review of technology plans and benchmarking technology spend	75,000

DRAFT 2024 GSO BUDGET 6.0 EXPENSE REDUCTIONS

ITEM	BUDGET 6.0	BUDGET 1.0	REDUCTION
Medical insurance plan change	1,112,676	1,236,193	123,517
Dental insurance plan change	53,688	74,308	20,620
AAWS Board meetings reduced from 3 to 2 in person	30,000	45,000	15,000
Trustee travel (non-reimbursed)	0	6,000	6,000
Conference food and beverage	345,873	458,376	112,503
Conference lodging	313,800	401,812	88,012
Conference photographer	0	4,400	4,400
HR team travel – travel to Regional Forum removed	0	600	600
HR – Relocation fees – reduced from 3 Staff to 2	16,000	21,000	5,000
Treatment – freelance editorial for LIM Bulletin	0	1,000	1,000
Industry conferences removed from budget	0	11,750	11,750
METS temporary help – contingency removed	0	10,000	10,000
Press release service – number of releases reduced	8,000	12,025	4,025
Publishing – Too Young animation	70,000	95,000	25,000
Publishing – unanticipated digital production projects	0	16,000	16,000
Publishing – Contingency for additional whiteboard animation projects removed	0	80,000	80,000
Virtual Machine Software – hybrid computing, storage, and networking infrastructure	16,359	48,966	32,607
WSM – reduced hotel, meal, and audiovisual	332,684	494,511	161,827
WSM delegates at GSB meeting; attendance reduced from 60 to 45; 45 delegates will occupy 30 rooms; two dinners on own with stipend	81,643	216,741	135,098
Staff Services – Floater Staff member	0	100,891	100,891
Staff Services – Deferred implementation of Front email and phone call management app	0	7,650	7,650
Technology – Employee equipment shipping charges	600	2,700	2,100
Technology - Equinix (access to cloud infrastructure) contract renegotiated	18,708	29,689	10,981
Technology – Virtual Chief Info Security Officer	57,200	62,400	5,200
No need for Friday A/V at January GSB	27,000	37,000	10,000
Technology - Hyperflex replacement with VM ware – negotiated lower price (\$20K); deferred expense to future years by leasing rather than purchasing (\$82K)	71,400	172,185	100,785
Technology review deferred to 2025	0	125,000	125,000
TOTAL OPERATING	2,555,631	3,771,197	1,215,566

DRAFT 2024 GSO BUDGET 5.0**EXPENSE REDUCTIONS****CAPITAL EXPENSE**

ITEM	BUDGET 6.0	BUDGET 1.0	REDUCTION
Website development	30,000	106,000	76,000
Digital publication platform	0	82,000	82,000
Plain Language Big Book manufacturing	0	42,000	42,000
11 th floor Conference Room sound system upgrade	0	35,000	35,000
ERP enhancements	0	50,000	50,000
TOTAL CAPITAL	30,000	315,000	285,000

LITERATURE PRINTING

ITEM	BUDGET 6.0	BUDGET 1.0	REDUCTION
Replace binders with accordion folders for selected kits	79,784	100,000	20,216
TOTAL LITERATURE PRINTING	79,784	100,000	20,216

APPROVED 2024 GSO BUDGET 6.0
DEFERRED PROJECT LIST

DEPARTMENT	PROJECT	AMOUNT
Publishing	Audio Pamphlet: "Young People and A.A." The print version began with an Advisory Action in 2016. New stories for the print version were approved by the 2022 General Service Conference. The quality of these new stories has prompted the idea to do an audio version. The estimate includes all three languages and postproduction and proofreading.	40,000
Publishing	Restoration of full newsletter print runs for Quarterly Report, Box 459, and About AA. Except for Box 4-5-9 paid subscriptions and certain service positions, newsletters switched to digital only in 2020.	81,000
Publishing	"Access to AA" ASL digital production – adding additional versions of ASL	44,000
Publishing/Communications	Digital Publication Platform – Convert literature now available on aa.org from PDF to html	82,000
Public Information	Paid PSA placement on streaming platform. Pending work from the trustees PI Committee and PI coordinator to bring a proposal plan back to the 2024 Conference Committee on PI. Estimate based on preliminary expense research.	50,000
Communications Services	Website development: newsroom feature, accessibility, AA Near You Phase 2, Improved SEO, Analytics Phase 2	76,000
Communications Services	How To Videos	20,000
Office Services	11 th floor conference room sound system upgrade	35,000
Staff Services	Deferred implementation of Front email and phone call management app	7,650
Staff Services	Defer hire of Staff member as floater	100,891
Technology Services	Technology review - consulting on technology plans, validation of assumptions, and benchmarking technology spend	125,000
Technology Services	International Data Map – Discovery phase postponed to 2025 by Trustees International Committee. This project was first proposed in 2017.	10,000
Technology Services	Policies and Procedures Manual	5,000
Technology Services	ERP Enhancements – primarily portal to distribute quarterly contribution reports to delegates and DCMs.	50,000
	TOTAL DEFERRED PROJECTS	726,541

Part VII: AAGV 2024 Budget

2024 Grapevine and LaViña Budgets

Grapevine	2024 Budget	2023 Forecast	Variance 2024 Bud vs. 2023 Forecast	2024 Five Year Plan	Variance 2024 Bud vs. 2024 Five Year Plan	2022 Actual	Variance 2024 Bud vs. 2022 Actual
Circulation							
GV Magazine (All Formats)	51,594	52,298	(704)	42,500	9,094	59,070	(7,476)
GV App	10,069	7,202	2,867	28,000	(17,931)	-	10,069
Total Circulation	61,663	59,500	2,163	70,500	(8,837)	59,070	2,593
Financial Activity							
Total Subscription Income	\$ 2,284,693	\$ 1,640,000	\$ 644,693	\$ 1,132,500	\$ 1,152,193	\$ 1,762,907	\$ 521,786
Gross Margin on Subs/App	1,114,568	551,125	563,443	1,238,875	(124,307)	783,303	331,265
Gross Margin - Other Published Items	792,547	637,270	155,277	788,598	3,949	640,424	152,123
Total Gross Margin	\$ 1,907,115	\$ 1,188,395	\$ 718,720	\$ 2,027,473	\$ (120,358)	\$ 1,423,727	\$ 483,388
Editorial Cost	812,036	915,912	(103,876)	1,083,759	(271,723)	895,216	(83,180)
Circulation & Business Cost	1,549,177	1,006,414	542,763	1,444,854	104,323	917,988	631,189
General and Administrative Cost	138,074	147,051	(8,977)	70,513	67,561	61,655	76,419
Total Costs & Expenses	\$ 2,499,287	\$ 2,069,377	\$ 429,910	\$ 2,599,126	\$ (99,839)	\$ 1,874,859	\$ 624,428
Miscellaneous Income	9,600	8,400	1,200	7,000	2,600	10,499	(899)
Net Income (Loss)	\$ (582,572)	\$ (872,582)	\$ 290,010	\$ (564,653)	\$ (17,919)	\$ (440,633)	\$ (141,939)

La Vina	2024 Budget	2023 Forecast	Variance 2024 Bud vs. 2023 Forecast	2024 Five Year Plan	Variance 2024 Bud vs. 2024 Five Year Plan	2022 Actual	Variance 2024 Bud vs. 2022 Actual
Circulation							
LV Magazine (All Formats)	6,936	7,796	(860)			6,415	521
LV App	900	-	900			-	900
Total Circulation	7,836	7,796	40			6,415	1,421
Financial Activity							
Total Subscription Income	\$ 115,187	\$ 109,000	\$ 6,187			\$ 96,151	\$ 19,036
Gross Margin on Subs/App	37,142	28,770	8,372			20,457	16,685
Gross Margin - Other Published Items	81,720	81,923	(203)			57,024	24,696
Total Gross Margin	\$ 118,862	\$ 110,693	\$ 8,169			\$ 77,481	\$ 41,381
Editorial Cost	362,421	518,057	(155,636)			434,031	(71,610)
Circulation & Business Cost	287,552	325,487	(37,935)			264,459	23,093
General and Administrative Cost	38,400	21,600	16,800			15,596	22,804
Total Costs & Expenses	\$ 688,373	\$ 865,144	\$ (176,771)			\$ 714,086	\$ (25,713)
Cost of Service	\$ (569,511)	\$ (754,451)	\$ 184,940			\$ (636,605)	\$ 67,094
Contribution GSB	569,511	754,451	(184,940)			636,605	(67,094)
Net Income (Loss)	\$ -	\$ -	\$ -			\$ -	\$ -

2024 Grapevine, Inc. Budget

The 2024 budget significantly lowers the shortfall for Grapevine (nearly \$300k improvement vs. 2023 July Forecast) and La Viña (nearly \$200k improvement). It also provides for the resources to expand the sales of magazine subscriptions, app subscriptions, books, audio books and other products.

Highlights of this year's budget include the following:

Cut back on travel: We limited travel to AA events to one staff member and one director. Directors may go to any event they choose, of course, but only the director assigned to the event will be reimbursed by Grapevine. In addition, all Planning Meetings for 2024 will be virtual at a savings of roughly \$50k.

Increase Subscription price: in 2023 the standard one-year price for a Grapevine subscription was \$28.97, La Viña \$14.45. As of January 1, 2024 the Grapevine price increased to \$36.00 and are a potential price increase for La Vina is currently under consideration as well.

Improve margins on subscriptions. Grapevine offers 3 types of subscriptions today – Print only, App/Digital only and Complete which is both formats. An announcement was shared in January to print-only subscribers to upgrade from print to complete for just \$10 vs. the usual \$20. More of these efforts planned for this year. Complete subs have a much higher margin than print only subs.

Expand book publishing program. Three new products this year, Prayer and Meditation audio book in February, Our Twelve Steps in April, Emotional Sobriety audio book in September. Increased promotion of backlist titles as well.

Hold steady on staff size.

Reduce freelance / temporary help costs. Actual 2023 costs were reviewed charge by charge. More of work able to be done by staff rather than contractors due to technology investments in 2023. \$75,000 in year over year savings across both properties.

Adjusted staff costs for La Viña. Reduced staff salary allocations from Grapevine to La Viña because La Viña Editor and Assistant Editor are well settled into their roles requiring less effort by senior Grapevine staff.

We continue working on long-term plans to get La Viña loss to pre-pandemic levels by increasing print and complete subscriptions, building the La Vina book business and lowering costs.