

# AROUND THE PICNIC TABLE



David M. Morris, C.P.A.  
Class A (nonalcoholic) Trustee  
General Service Board Treasurer

# 2016 FINANCIAL HIGHLIGHTS

- ❖ 7<sup>th</sup> Tradition Self-support – Record in 2016 – \$7.9 million, up 11% from 2015
- ❖ Costs of Services provided to the Fellowship – \$9.9 million
- ❖ Shortfall between 7<sup>th</sup> Tradition of Self-Support and Costs of Services provided to the Fellowship – \$2.0 million
- ❖ AAWS literature sales – \$13.4 million, up 5% from 2015
- ❖ AAWS publishing net income – \$3.4 million covered shortfall between 7<sup>th</sup> Tradition Self-Support and Costs of Services provided, resulting in net profit – \$1.4 million
- ❖ Grapevine subscription levels increased in 2016, resulting in net income – \$165,000
- ❖ General Fund service support of La Viña – \$152,000
- ❖ Reserve Fund – \$14.9 million, resulting in a ratio of 10.3 months

# 2016 FINANCIAL HIGHLIGHTS

Amounts in \$	2016 ACTUAL	2016 BUDGET	COMPARED TO 2016 BUDGET	2015 ACTUAL	COMPARED TO 2015 ACTUAL
<b>GENERAL SERVICE OFFICE</b>					
7 <sup>th</sup> Tradition Contributions	7.9 M	7.1 M	835 K (12%) better	7.1 M	781 K (11%) increase
Costs of Service Provided to Fellowship	9.9 M	10.3 M	369 K (4%) better	9.6 M	274 K (3%) increase
Shortfall between 7 <sup>th</sup> Tradition & Costs of Service	2.0 M	3.2 M	1.2 M (38%) better	2.5 M	507 K (21%) decrease
Literature Profits	3.4 M	3.2 M	275 K (9%) better	2.7 M	744 K (28%) increase
Net Income	1.5 M	0.03 M	1.5 M better	0.2 M	1.3 M increase
<b>GRAPEVINE &amp; La Viña</b>					
Average Circulation	77,429	75,610	1,819 better	77,199	230 increase
Net income (loss)	165 K	(146 K)	311 K better	241 K	76 K (32%) decrease
General Fund cost of La Viña service	152 K	152 K	Equal to budget	146 K	6 K increase
<b>RESERVE FUND</b>					
Coverage Ratio	10.3 months	9.6 months	Increase of 0.7 months	10.2 months	Increase of 0.1 months
M – millions; K - thousands					

# SUMMARY OF ACTIVITY – 2016

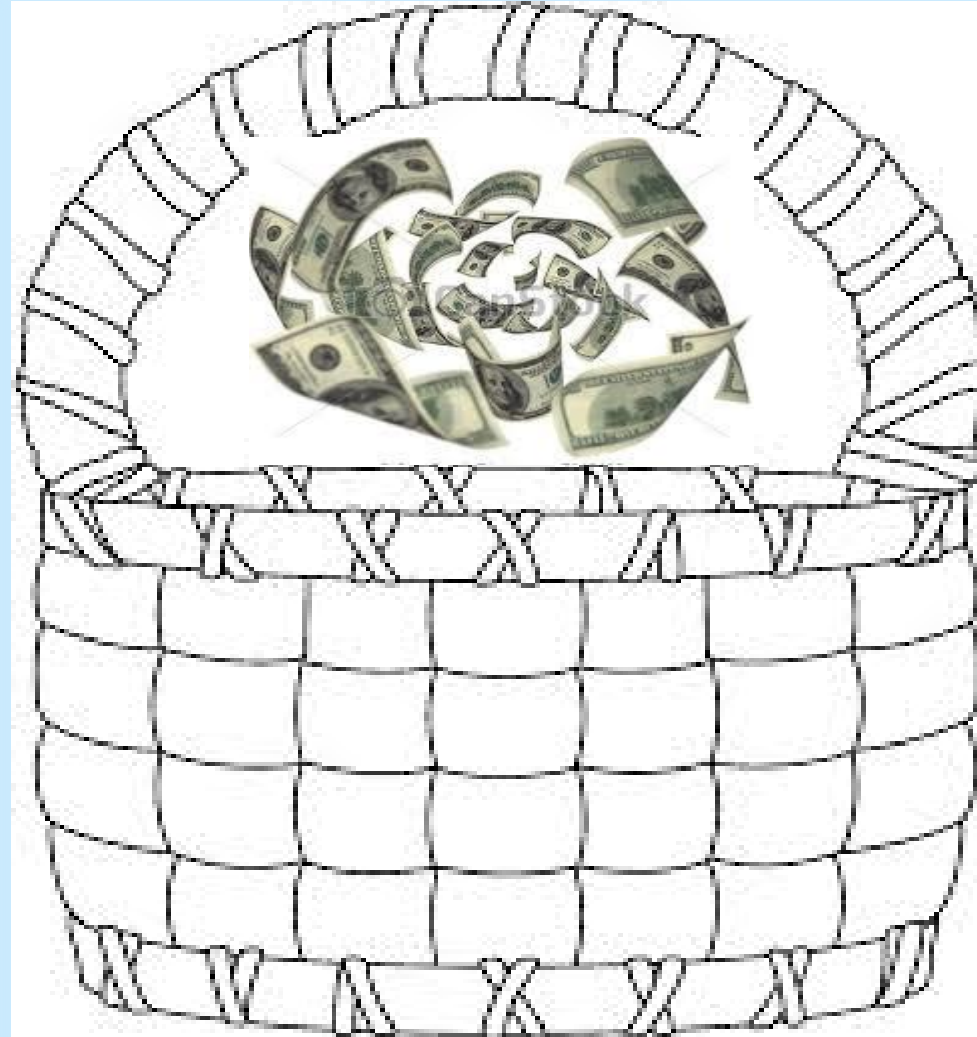
	\$ - in Thousands	GSO	Publishing	Grapevine	La Viña	2016	2015
<b>REVENUE</b>							
Net Sales			\$13,189	\$2,818	\$153	\$16,160	\$15,579
Contributions	\$7,935					7,935	7,154
Interest			.5	15		16	8
<b>TOTAL REVENUE</b>		7,935	13,190	2,833	153	24,111	22,741
<b>EXPENSES</b>							
Printing			2,640	325	45	3,010	3,134
Shipping & Warehouse			1,604	588	33	2,225	2,232
Program Expenses	6,826		2,824	1,130	227	11,007	10,962
Supporting Services	3,081		2,697	625		6,403	6,112
<b>TOTAL EXPENSES</b>		9,907	9,765	2,668	305	22,645	22,442
<b>NET INCOME (LOSS)</b>		(1,972)	3,425	165	(152)	1,466	300
<b>RESERVE FUND at December 31</b>						<u>14,959</u>	<u>14,584</u>
<b>Operating Expenses</b>						<u>17,410</u>	<u>17,075</u>
<b>Number of months coverage</b>						10.3	10.2

\*Excludes nonoperating Funds: Reserve, Capital Projects, Pension, Post-Retirement Medical Benefits

# COMMUNICATING TO THE FELLOWSHIP ABOUT FINANCE

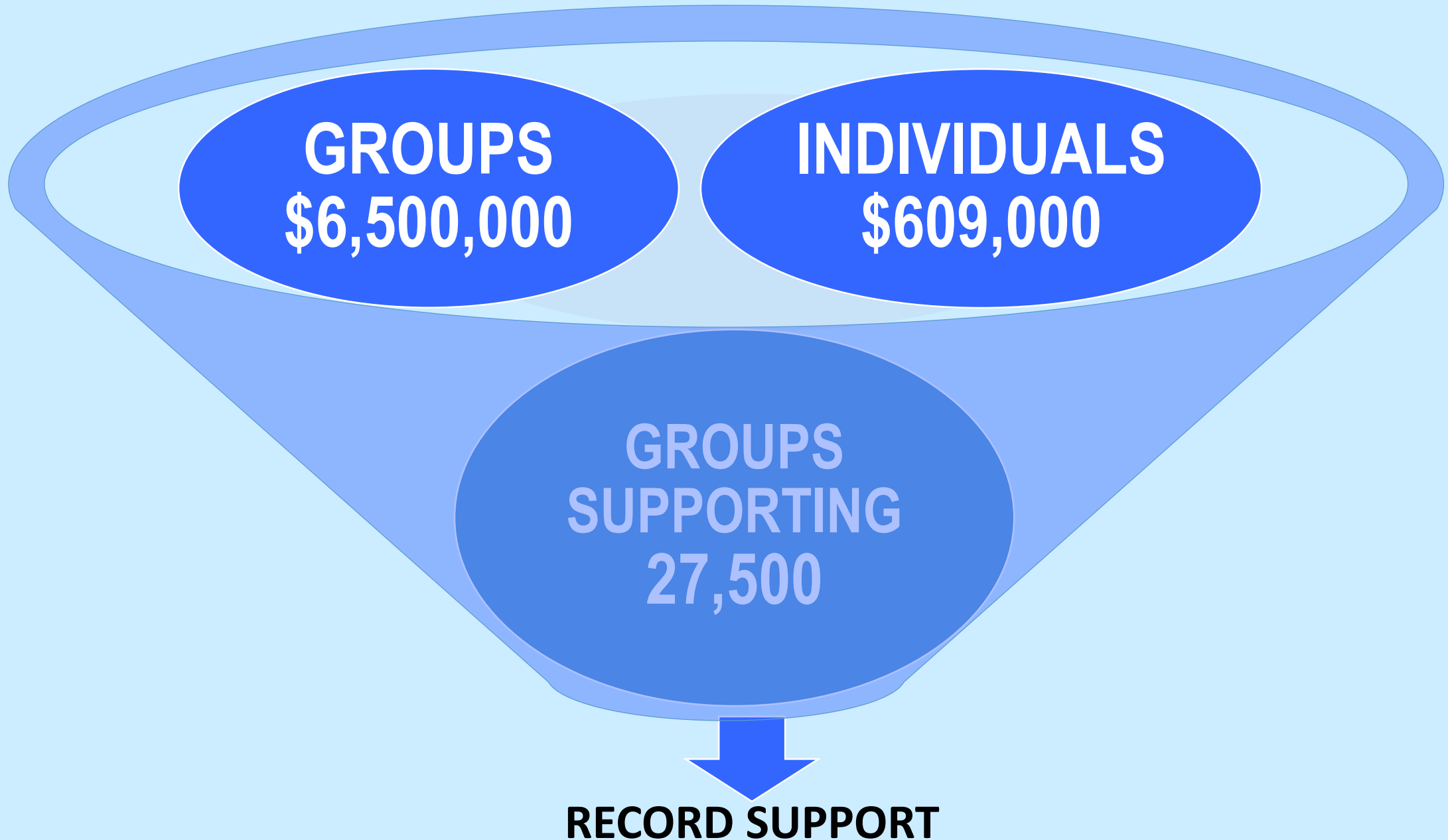
- ❖ **Spiritual value of 7<sup>th</sup> Tradition Self-Support** **Slides 5 – 12**
- ❖ **Services provided to the Fellowship** **Slides 13 – 21**
- ❖ **Publishing activities** **Slides 22 – 30**
- ❖ **Grapevine and La Viña** **Slides 31 – 36**
- ❖ **Pension & Postretirement Medical Plans** **Slides 37 – 39**
- ❖ **Reserve Fund** **Slides 40 – 42**
- ❖ **2017 Budgets** **Slides 43 – 44**

# GRATITUDE

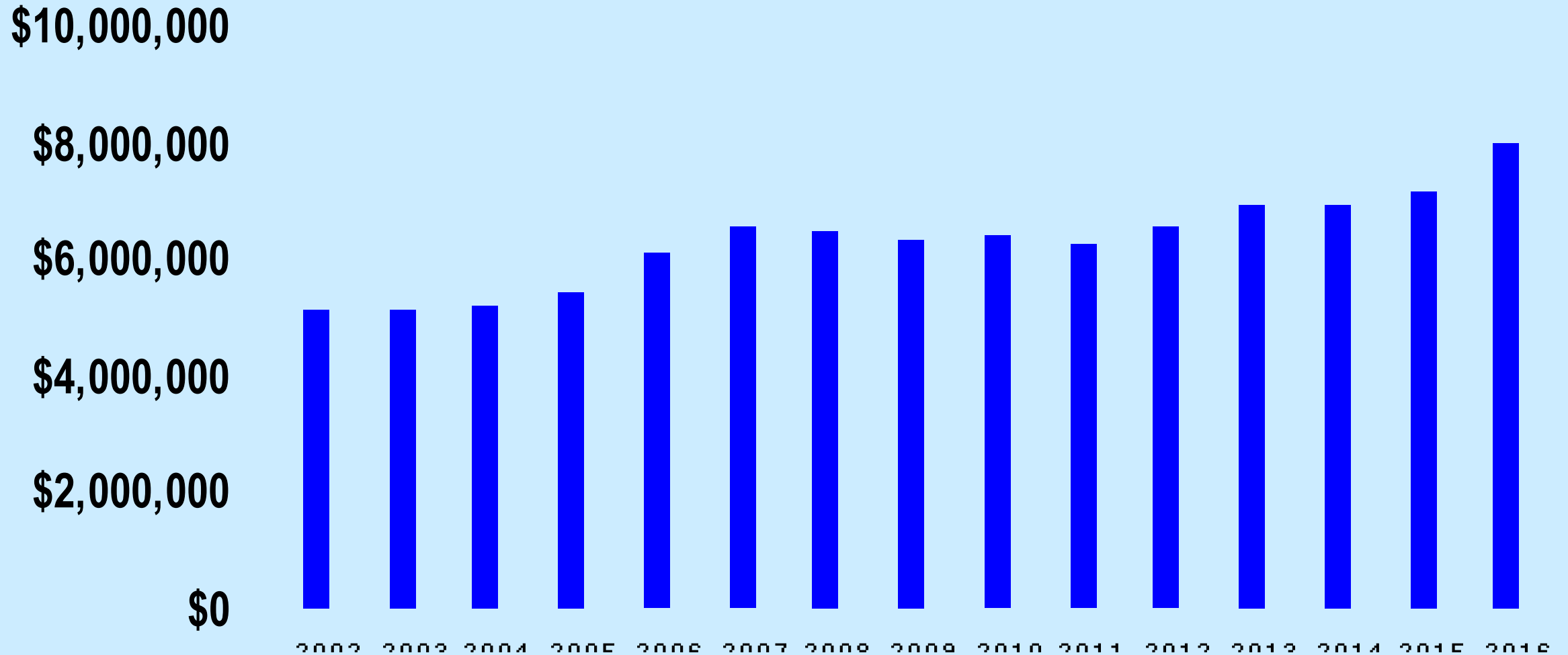


## 7<sup>TH</sup> TRADITION

# 7<sup>TH</sup> TRADITION SELF-SUPPORT – 2016 – \$7.9 MILLION



# 7<sup>TH</sup> TRADITION SELF-SUPPORT – 2002 – 2016



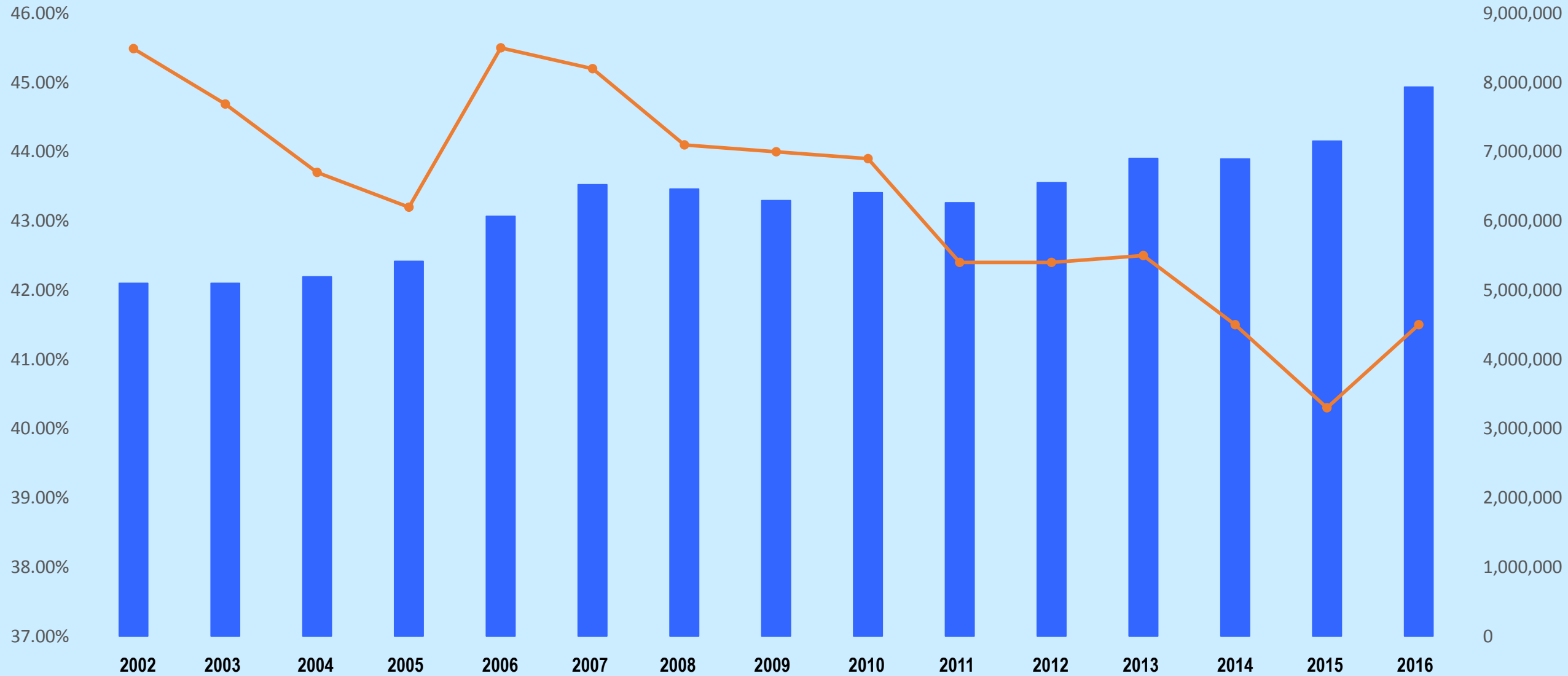


# PERCENTAGE OF GROUPS CONTRIBUTING – 2002 – 2016

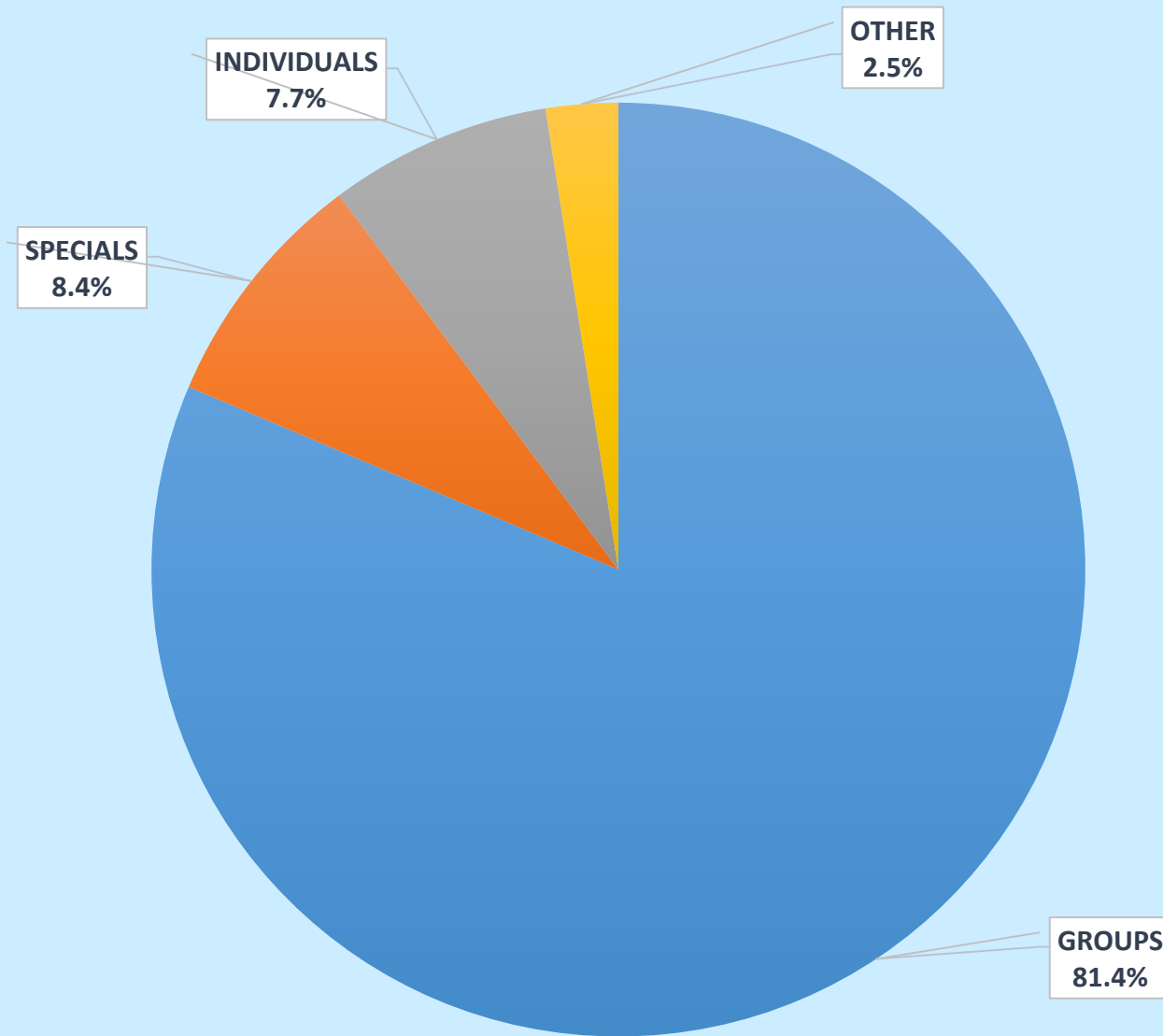


# 7<sup>TH</sup> TRADITION SELF-SUPPORT – 2002 – 2016

■ Total Contributions    ● Total % of Groups Contributing



# 7<sup>TH</sup> TRADITION SELF-SUPPORT – 2016



# 7<sup>TH</sup> TRADITION SELF-SUPPORT – 3 YEAR HISTORY

	2016	PERCENTAGE OF TOTAL DOLLARS	2015	PERCENTAGE OF TOTAL DOLLARS	2014	PERCENTAGE OF TOTAL DOLLARS
<b>Groups<sup>1</sup></b>	\$6,456,174	81.4	\$5,973,124	83.5	\$5,816,065	84.3
<b>Specials<sup>2</sup></b>	668,423	8.4	550,592	7.7	507,201	7.4
<b>Individuals<sup>3</sup></b>	608,582	7.7	471,558	6.6	396,445	5.7
<b>Memorials</b>	92,410	1.2	60,528	0.8	31,473	0.5
<b>Foreign</b>	19,555	0.2	33,721	0.5	57,822	0.8
<b>Special meetings<sup>4</sup></b>	18,064	0.2	13,308	0.2	14,509	0.2
<b>Other</b>	<u>8,776</u>	<u>0.1</u>	<u>6,515</u>	<u>0.1</u>	<u>4,975</u>	<u>0.1</u>
<b>Sub-total</b>	7,871,984	99.2	7,109,346	99.4	6,828,490	99.0
<b>International Literature Fund<sup>5</sup></b>	<u>62,885</u>	<u>0.8</u>	<u>44,800</u>	<u>0.6</u>	<u>69,578</u>	<u>1.0</u>
<b>Total</b>	<b>7,934,869</b>	<b>100.0</b>	7,154,146	100.0	6,898,068	100.0

<sup>1</sup> Includes individuals who contribute utilizing the online system and who specifically identify that their contribution is being made on behalf of their Group.

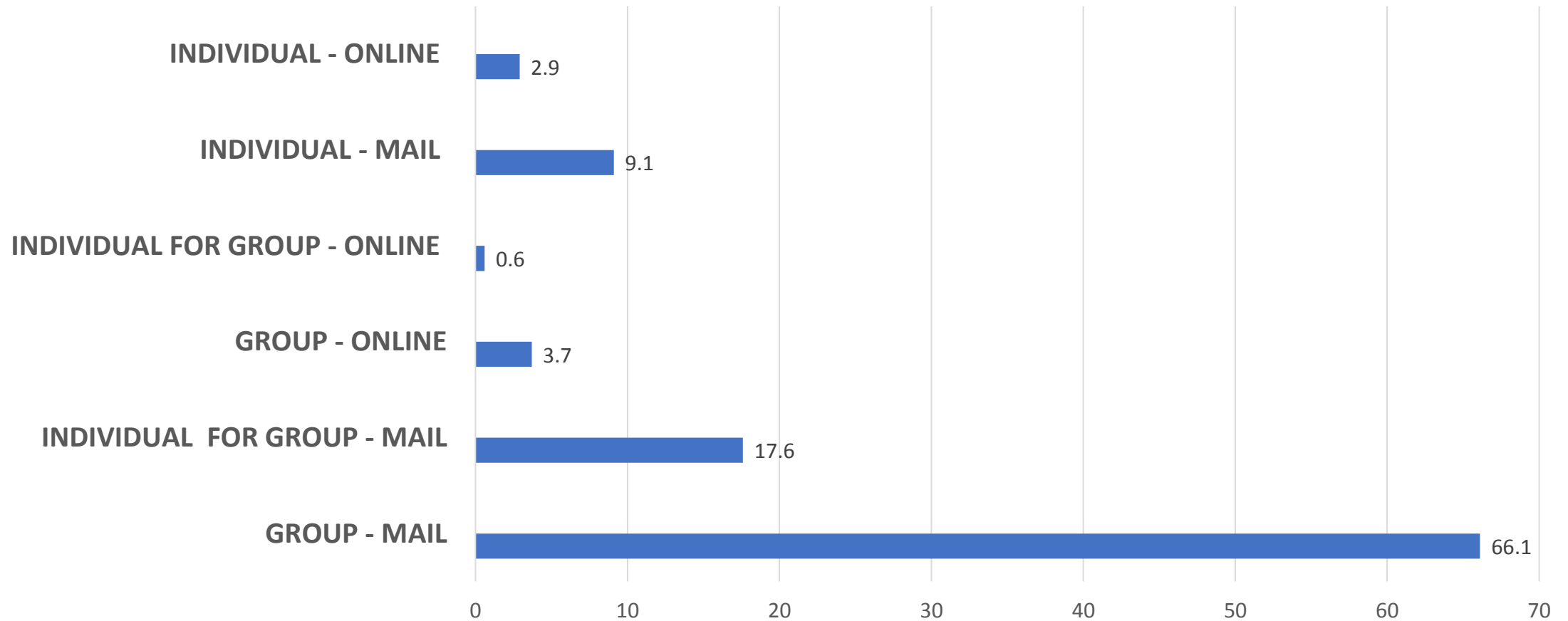
<sup>2</sup> Special contribution is one that comes from any number of A.A. entities that is not an A.A. Group, for example, a Conference, a Committee, an Area, a District, an Intergroup, etc.

<sup>3</sup> Contribution from Individual who does not designate a Group.

<sup>4</sup> A Special Meeting is a meeting that does not want to be a group but does want to contribute to the General Service Board.

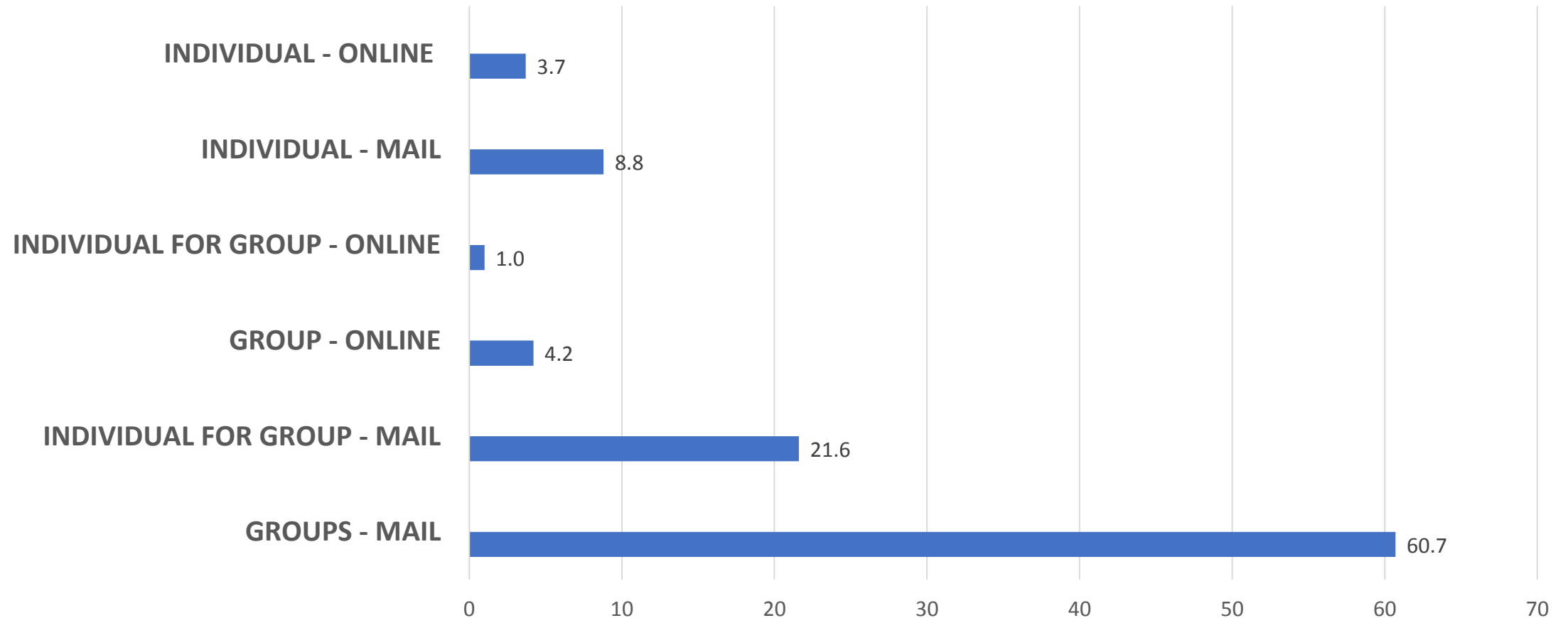
<sup>5</sup> ILF contributions in 2013 - \$36, 130; 2012 - \$34,665; and 2011 - \$74,588.

# PERCENTAGE BREAKDOWN OF ALL GROUP AND INDIVIDUAL CONTRIBUTIONS MAIL VERSUS ONLINE \$7.9 MILLION – 2016



# PERCENTAGE BREAKDOWN OF ALL GROUP AND INDIVIDUAL CONTRIBUTIONS MAIL VERSUS ONLINE

## 82,600 CONTRIBUTIONS RECEIVED & PROCESSED IN 2016



# A DOLLAR IS NOT WHAT IT USED TO BE

1935: \$1.00

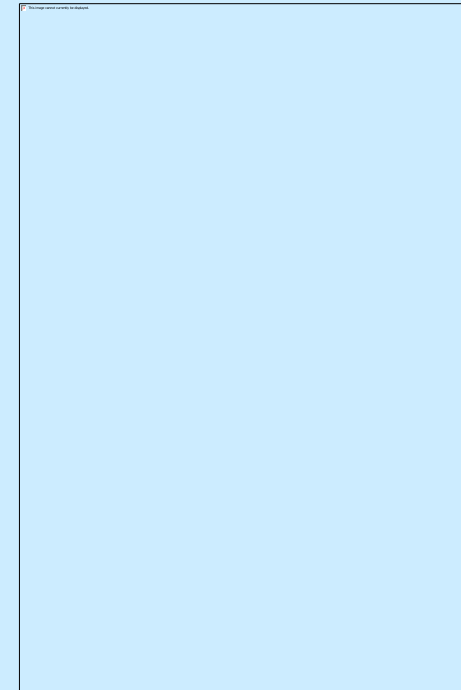


Remember inflation  
when deciding upon  
your  
7<sup>th</sup> Tradition  
Self-Support

**Contributions for:**

- Group Meetings
- Online Recurring Contributions
- Birthday Gifts
- November Gratitude Month

APR. 2017: \$17.78



# INFLATION CALCULATOR OF A DRINK OVER TIME

## Bill W. & Dr. Bob

**Cost of a drink - \$0.15**  
**in**  
**1935**  
**is equivalent to**  
**\$2.67**  
**in**  
**April 2017**

## Average delegate's sobriety – 25 years

**Cost of a drink - \$2.00**  
**in**  
**1992**  
**is equivalent to**  
**\$3.47**  
**in**  
**April 2017**



# THROUGH OUR OWN SELF-SUPPORT



# EXAMPLE – RECEIVED FROM THE FELLOWSHIP

**A.A.® was founded on the premise that it would be self-supported through member contributions.**

For over 50 years, contributing a single dollar has almost become a tradition. But will just one dollar per person per meeting sustain us today?



1960 ... 26c  
2016...\$8.00

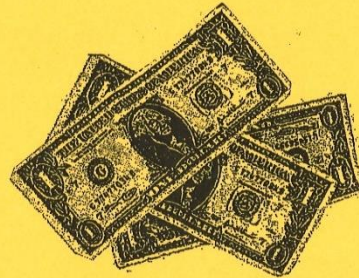


1960 ... .10c  
2016...\$1.00



1960 ... 28c  
2016...\$2.16

Today's dollar has only 19 cents of the purchasing Power of a 1960 dollar.



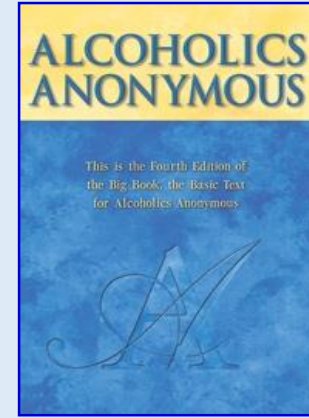
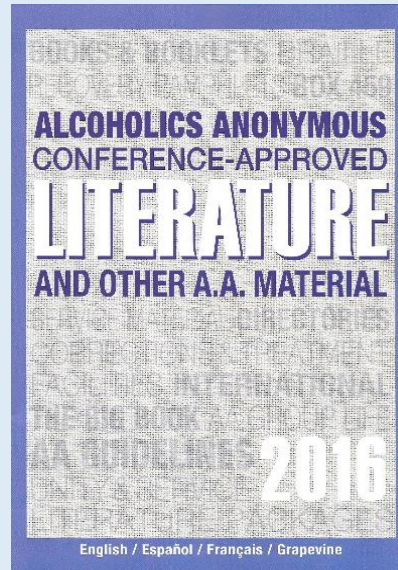
*Please help keep us self-supporting.  
Do what you can—and if you can, make it:*

**3 Bucks in 2016!**

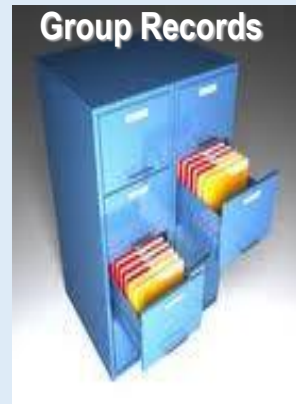
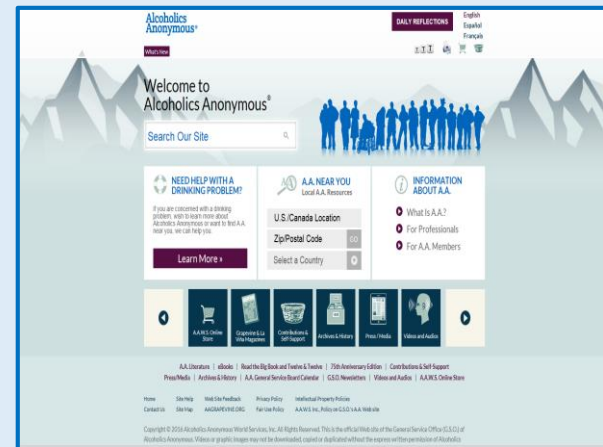
This flyer is unofficial, and is unaffiliated with AAWS, Inc.

# G.S.O.'s TWO BASIC FUNCTIONS

## • Publishing



## • Services on Behalf of the G.S.B.



# UNDERSTANDING 2016 TOTAL EXPENSES – \$22.6 MILLION

■ \$ in Thousands

**TOTAL COSTS & EXPENSES**

**22,645**

**LESS—COST OF LITERATURE**

**5,235**

**RECURRING OPERATING EXPENSES  
(AMOUNT USED – RESERVE FUND)**

**17,410**

**LESS—OPERATING EXPENSES –  
GSO, GV & LV**

**7,503**

**COSTS OF SERVICES PROVIDED  
TO FELLOWSHIP**

**9,907**

# SUMMARY OF ACTIVITY – 2016

\$ - in Thousands	GSO	Publishing	Grapevine	La Viña	2016	2015
<b>REVENUE</b>						
Net Sales		\$13,189	\$2,818	\$153	\$16,160	\$15,579
Contributions	\$7,935				7,935	7,154
Interest		.5	15		16	8
<b>TOTAL REVENUE</b>	<b>7,935</b>	<b>13,190</b>	<b>2,833</b>	<b>153</b>	<b>24,111</b>	<b>22,741</b>
<b>EXPENSES</b>						
Printing		2,640	325	45	3,010	3,134
Shipping & Warehouse		1,604	588	33	2,225	2,232
Program Expenses	6,826	2,824	1,130	227	11,007	10,962
Supporting Services	3,081	2,697	625		6,403	6,112
<b>TOTAL EXPENSES</b>	<b>9,907</b>	<b>9,765</b>	<b>2,668</b>	<b>305</b>	<b>22,645</b>	<b>22,441</b>
<b>NET INCOME (LOSS)</b>	<b>(1,972)</b>	<b>3,425</b>	<b>165</b>	<b>(152)</b>	<b>1,466</b>	<b>300</b>
<b>RESERVE FUND at December 31</b>					<b>14,959</b>	<b>14,584</b>
<b>Operating Expenses</b>					<b>17,410</b>	<b>17,075</b>
<b>Number of months coverage</b>					<b>10.3</b>	<b>10.2</b>

\*Excludes nonoperating Funds: Reserve, Capital Projects, Pension, Post-Retirement Medical Benefits

# UNDERSTANDING TOTAL EXPENSES – 3 YEAR HISTORY

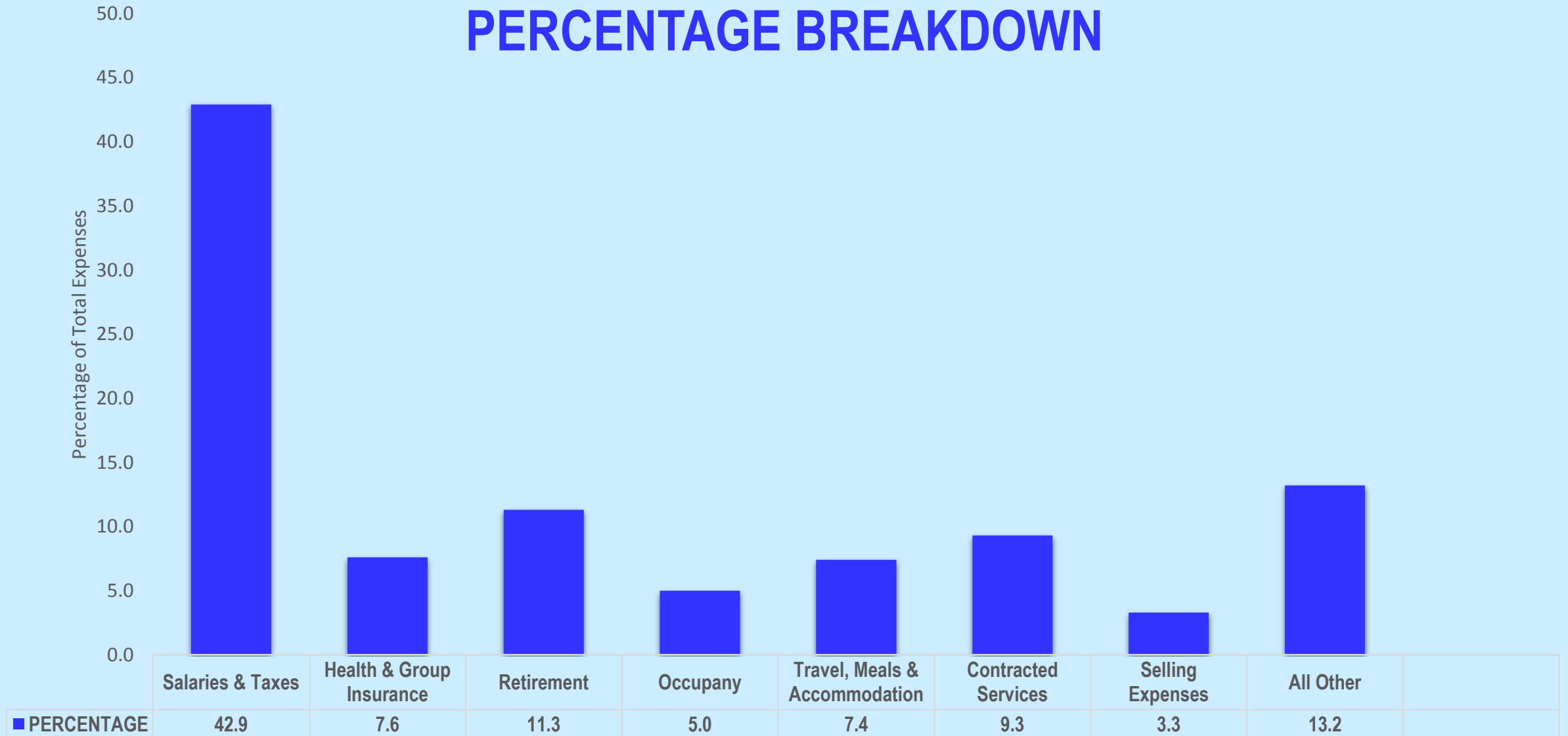
\$ in Thousands	2016	2015	2014
<b>Total Costs and Expenses – Slide 3</b>	<b>\$22,645</b>	\$22,441	\$25,354
Less - Cost of Literature Distributed – AAWS, GV & LV	5,235	5,366	8,017
<b>Recurring Operating Expenses<sup>1</sup> - Slide 15 – S 1</b>	<b>17,410</b>	17,075	17,337
Less - AAWS operating expenses	5,521	5,490	5,691
Less - GV & LV operating expenses	1,982	1,956	1,921
Total Operating Expenses	7,503	7,446	7,612
<b>Cost of Services Provided – Slide 17</b>	<b>9,907</b>	9,629	9,725

1- Amount of recurring operating expenses used in determining **Reserve Fund Ratio**. See **Slide 42**.

# RECURRING OPERATING EXPENSE – 2016 – \$17.4 M

## FINANCIAL STATEMENT EXPENSE CATEGORIES

### PERCENTAGE BREAKDOWN



# RECURRING OPERATING EXPENSE FINANCIAL STATEMENT EXPENSE CATEGORIES 3 YEAR HISTORY

\$ in Thousands	2016	% of Total	2015	% of Total	2014	% of Total
Salaries & Taxes	\$7,476	42.9	\$7,478	43.8	\$7,518	43.4
Health & Group Insurance	1,327	7.6	1,373	8.0	1,358	7.8
Retirement – Slide 39 – S 9	1,971	11.3	1,893	11.1	2,041	11.8
Occupancy	863	5.0	889	5.2	869	5.0
Travel, Meals & Accommodations – Slide 15 – S 2	1,291	7.4	1,110	6.5	985	5.7
Contracted Services	1,627	9.3	1,518	8.9	1,440	8.3
Selling Expenses	570	3.3	504	3.0	591	3.4
Office Service & Expense	453	2.6	414	2.4	399	2.3
Postage & Express	342	2.0	382	2.2	420	2.4
All Other	<u>1,490</u>	<u>8.6</u>	<u>1,514</u>	<u>8.9</u>	<u>1,716</u>	<u>9.9</u>
<b>Total</b>	<b>17,410</b>	100.0	<b>17,075</b>	100.0	17,337	100.0



# NET TRAVEL, MEALS & ACCOMMODATIONS – 3 YEAR HISTORY

\$ in Thousands	2016	% of Total	2015	% of Total	2014	% of Total
General Service Conference – Net* - Slide 17 – S 4	\$404	31.3	\$479	43.2	\$311	31.6
Regional Forums	100	7.8	81	7.3	69	7.0
World Service Meeting – Net*	116	9.0	2	0.1	94	9.5
Corporate Board Meetings**	637	49.3	479	43.2	475	48.2
Other	<u>34</u>	<u>2.6</u>	<u>69</u>	<u>6.2</u>	<u>36</u>	<u>3.7</u>
<b>Total – Slide 15 – S 1</b>	1,291	100.0	1,110	100.0	985	100.0

\* Net of delegate fees and additional contributions from Areas or countries

\*\* T,M&A for trustees and directors to attend GSB, AAWS and GV board meetings

# UNDERSTANDING 2016 TOTAL EXPENSES – \$22.6 MILLION

■ \$ in Thousands

**TOTAL COSTS & EXPENSES**

**22,645**

**LESS—COST OF LITERATURE**

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**RECURRING OPERATING EXPENSES  
(AMOUNT USED – RESERVE FUND)**

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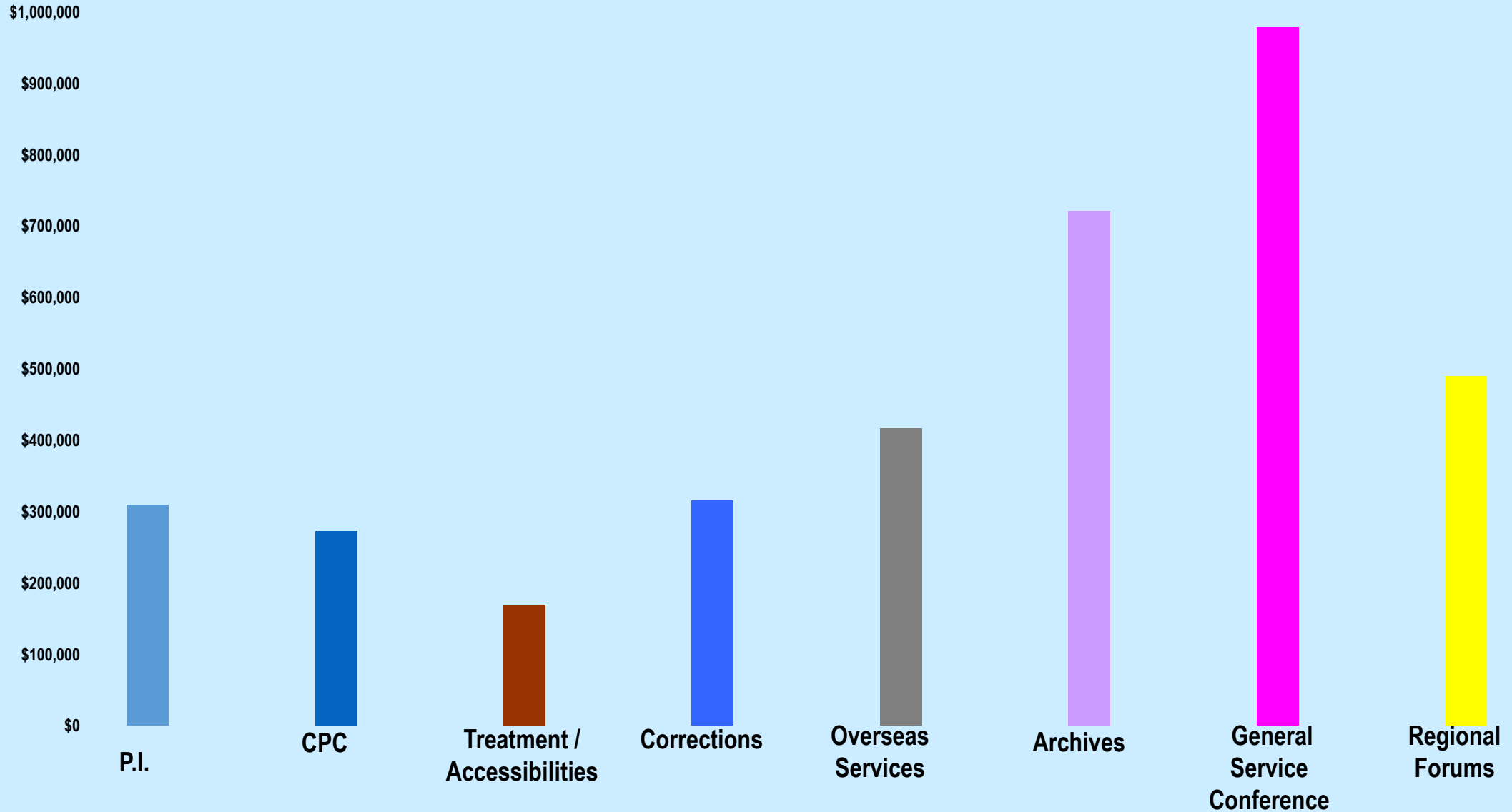
**LESS—OPERATING EXPENSES –  
GSO, GV & LV**

**7,503**

**COSTS OF SERVICES PROVIDED  
TO FELLOWSHIP**

**9,907**

# COSTS OF SERVICES\* PROVIDED TO FELLOWSHIP – 2016



\* - See Slide 17 – S 1 for breakdown of total costs of services provided to the Fellowship of \$9.907 million, including Group Services, WSM, Trustees Activities and Supporting Services.

# FELLOWSHIP SERVICE ACTIVITIES – DIRECT COSTS & PERCENTAGES

	\$ in Thousands	2016	% of Total	2015	% of Total
<b>Group Services – Slide 17 – S 3</b>		\$2,557	25.8	2,300	23.9
<b>Public Information</b>		309	3.1	355	3.7
<b>Cooperation with Professional Community</b>		273	2.8	303	3.1
<b>Treatment Facilities</b>		170	1.7	123	1.3
<b>Corrections</b>		316	3.2	299	3.1
<b>Overseas Services (Literature Assistance) &amp; Loners</b>		416	4.2	425	4.4
<b>Archives</b>		722	7.3	691	7.2
<b>General Service Conference – Slide 17 – S 4</b>		978	9.9	1,076	11.2
<b>Regional Forums</b>		490	4.9	393	4.1
<b>World Service Meeting</b>		195	2.0	9	-
<b>International Convention</b>		3	-	207	2.2
<b>Trustees &amp; Directors Activities</b>		<u>397</u>	<u>4.0</u>	<u>388</u>	<u>4.0</u>
<b>Program Expenses</b>		6,826	68.9	6,569	68.2
<b>Supporting Services (Technology, Finance, etc.)</b>		<u>3,081</u>	<u>31.1</u>	<u>3,060</u>	<u>31.8</u>
<b>Total Costs of Services Provided</b>		<b>9,907</b>	<u>100.0</u>	<b>9,629</b>	<u>100.0</u>

# FELLOWSHIP SERVICE ACTIVITIES – DIRECT COSTS – 3 YEAR HISTORY

	\$ in Thousands	2016	2015	2014
<b>Group Services – Slide 17 – S 3</b>		\$2,557	\$2,300	\$2,406
<b>Public Information</b>		309	355	317
<b>Cooperation with Professional Community</b>		273	303	294
<b>Treatment Facilities</b>		170	123	117
<b>Corrections</b>		316	299	307
<b>Overseas Services (Literature Assistance) &amp; Loners</b>		416	425	400
<b>Archives</b>		722	691	675
<b>General Service Conference – Slide 17 – S 4</b>		978	1,076	797
<b>Regional Forums</b>		490	393	440
<b>World Service Meeting</b>		195	9	158
<b>International Convention</b>		3	207	263
<b>Trustees &amp; Directors Activities</b>		<u>397</u>	<u>388</u>	<u>369</u>
	<b>Program Expenses</b>	6,826	6,569	6,543
<b>Supporting Services (Technology, Finance, etc.)</b>		<u>3,081</u>	<u>3,060</u>	<u>3,182</u>
	<b>Total Costs of Services Provided</b>	<b>9,907</b>	<u>9,629</u>	<u>9,725</u>
<b>Increase (decrease) over prior year – % increase (decrease) over prior year</b>		278 – 2.9%	(96) – (1.0%)	218 – 2.3%

# GROUP SERVICE ACTIVITIES – DIRECT COSTS – 3 YEAR HISTORY

	\$ in Thousands	2016	2015	2014
<b>Group Services Staff Assignment Activities</b>		\$717	\$546	\$489
<b>Box 459</b>		222	214	212
<b>A.A. Directories</b>		11	8	49
<b>Records &amp; Files Department</b>		573	649	680
<b>Contributions, Processing, Verification &amp; Documentation</b>		619	569	633
<b>French Services</b>		24	19	28
<b>Spanish Services</b>		25	21	23
<b>Special Needs</b>		73	67	66
<b>Nominating</b>		<u>293</u>	<u>207</u>	<u>226</u>
<b>Total – Slides 17 S 1 &amp; S 2</b>		<b>2,557</b>	<b>2,300</b>	<b>2,406</b>

# GENERAL SERVICE CONFERENCE – 5 YEAR HISTORY

	\$ in Thousands	2016 - NYC	2015 - NYC	2014 - RYE	2013 - NYC	2012 - RYE
Hotel Rooms		\$307	\$325	\$221	\$298	\$218
Meals		325	<u>361</u>	<u>262</u>	<u>329</u>	<u>219</u>
Sub-total		<u>632</u>	<u>686</u>	<u>483</u>	<u>627</u>	<u>437</u>
Less - Delegate Fee (93 delegates @\$1,600)		(149)	(149)	(149)	(149)	(112)
Less - Area Contributions		<u>(164)</u>	<u>(132)</u>	<u>(99)</u>	<u>(140)</u>	<u>(116)</u>
Total Contributions		<u>(313)</u>	<u>(281)</u>	<u>(248)</u>	<u>(289)</u>	<u>(228)</u>
Difference between Hotel & Meals and Contributions		319	405	235	338	209
Travel		<u>85</u>	<u>74</u>	<u>76</u>	<u>74</u>	<u>83</u>
Total Travel, Meals & Accommodations – Slide 15 – S 2		<u>404</u>	<u>479</u>	<u>311</u>	<u>412</u>	<u>292</u>
Other Direct Costs – Materials, translation, etc.		<u>240</u>	<u>275</u>	<u>185</u>	<u>167</u>	<u>169</u>
Total Direct Costs		644	754	496	579	461
Operating Expenses - Salaries, Etc.		<u>334</u>	<u>322</u>	<u>301</u>	<u>327</u>	<u>314</u>
Total – Slides 17 – S 1 & S 2		978	1,076	797	906	775

There are 93 delegates, 21 trustees and 20 GSO & GV staff members.

# GENERAL SERVICE OFFICE NUMBER OF EMPLOYEES

Records/Files	3
A.A. Support Services	14
Archives	6
Publishing	9
Inventory Control	2
Order Entry	3
Mail & Shipping	4
Contributions	5
Human Resources	4
Finance	7
Staff & Administration	14
Information Services	5
Office Services	2
<b>Total</b>	<b>78</b>



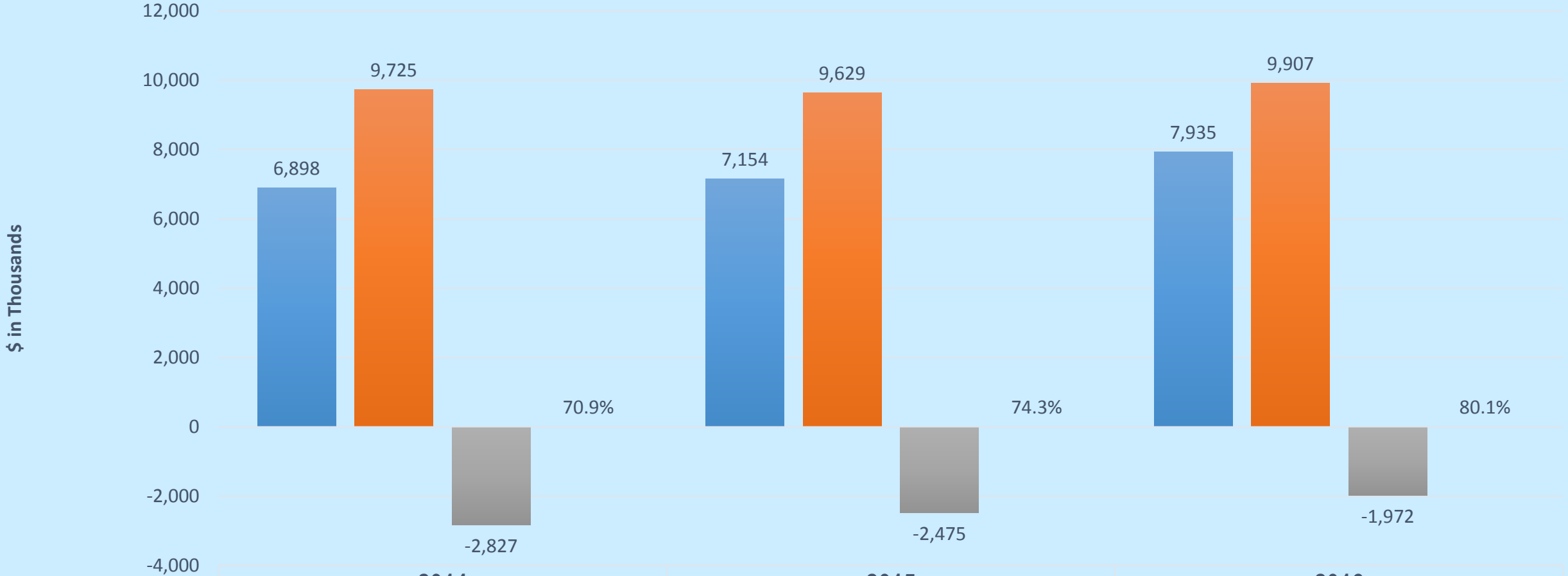
# THE HAND OF A.A. IS ALWAYS THERE

- ❖ A few examples of what the 90 people of both GSO and Grapevine do each working day to make sure that the hand of A.A. is always there for the Fellowship and the still suffering alcoholic:
  - ❖ 13,600 booklets, pamphlets, and miscellaneous items shipped daily
  - ❖ 4,900 Big Books and other books shipped daily
  - ❖ 390 people (216 first timers) on average attended each of 14 Regional Forums held during last three years
  - ❖ 230 emails responded to daily
  - ❖ 65 phone calls answered daily
  - ❖ 300 Seventh Tradition contributions processed daily & thank you letters sent
  - ❖ 200 Grapevine and La Vina mailed daily
  - ❖ 6 requests for information from the Archives answered daily
  - ❖ Archives conserves A.A.'s history
    - Manages over 2,700 cubic feet of our history – materials are equivalent to nearly **three quarters of a mile** of 8½” x 11” pages of paper stacked end to end.

# CORRECTIONS VIDEO STORY

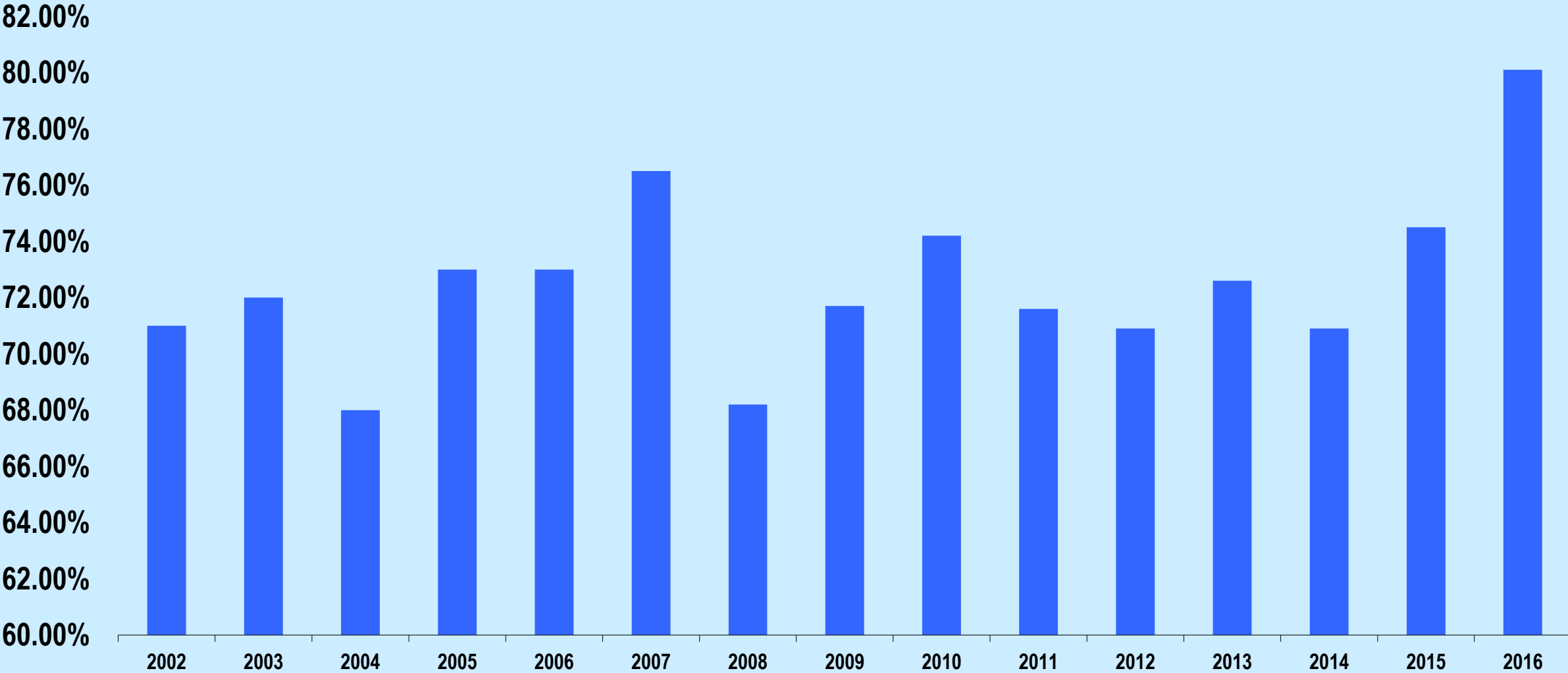
- “It Sure Beats Sitting in a Cell” produced in 1980s was old and out of of date
- Conference agreed in 2014 to create a new video that would do a better job of carrying the message at a cost of not more than \$70,000
- Corrections Desk reached out to areas in NY, CA, MO, NC, and Ontario to interview inmates
- Our Vendor then edited down hundreds of hours of interviews into a 30 minute video, added music and graphics
- Draft video shown to 2016 General Service Conference, who approved it with some edits
- Final video uploaded to AA.org in July. Started selling DVDs in September
- Over 850,000 on-line views and 550 DVDs distributed by year-end
- The California Department of Corrections and Rehabilitation requested 175 copies to show at various facilities which Area 07 delivered to them within weeks of the request.
- The 4 Texas Areas are currently working on having the video shown at Texas Department of Criminal Justice facilities on their closed circuit network.
- Everyone who has seen the new video agrees that it is a rousing success in carrying the message, all for \$70,000.

# PERCENTAGE OF SERVICES SUPPORTED BY 7<sup>TH</sup> TRADITION OF SELF-SUPPORT – THREE YEAR HISTORY



	2014	2015	2016
7th Tradition	6,898	7,154	7,935
Cost of Services	9,725	9,629	9,907
Shortfall	-2,827	-2,475	-1,972
PERCENTAGE	70.9%	74.3%	80.1%

# PERCENTAGE OF SERVICES SUPPORTED BY 7<sup>th</sup> TRADITION OF SELF-SUPPORT – 2002 – 2016



■ Percentage of Services Supported by Contributions

# MEMBER SERVICES & STATISTICS – 3 YEAR HISTORY

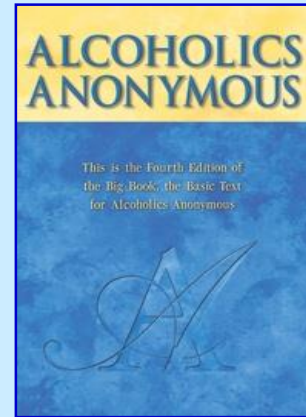
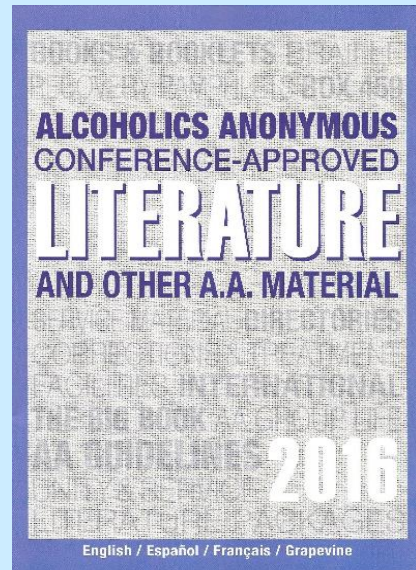
	2016	2015	2014
Number of Members	1,362,402	1,348,072	1,373,497
Cost of Services per Member	\$7.27	\$7.14	\$7.08
7 <sup>th</sup> Tradition Self-Support Contributions per Member	<u>5.82</u>	<u>5.24</u>	<u>5.02</u>
Cost of Services <b>NOT</b> covered by Self-Support	<b>1.45</b>	<b>1.90</b>	2.06
Number of Groups	66,336	65,741	65,222
Cost of Services per Group	\$149.34	\$146.48	\$149.11
7 <sup>th</sup> Tradition Self-Support Contributions per Group	<u>119.62</u>	<u>108.82</u>	<u>105.76</u>
Cost of Services <b>NOT</b> covered by Self-Support	<b>29.72</b>	<b>37.66</b>	43.35
Percentage of Groups Contributing	41.5%	40.3%	41.6%
Number of Groups that Contributed	27,542	26,500	27,103
7 <sup>th</sup> Tradition Self-Support Contributions of Groups that contributed	<b>\$288.10</b>	<b>\$269.97</b>	\$254.51

# MEMBER SERVICES & STATISTICS – 2016

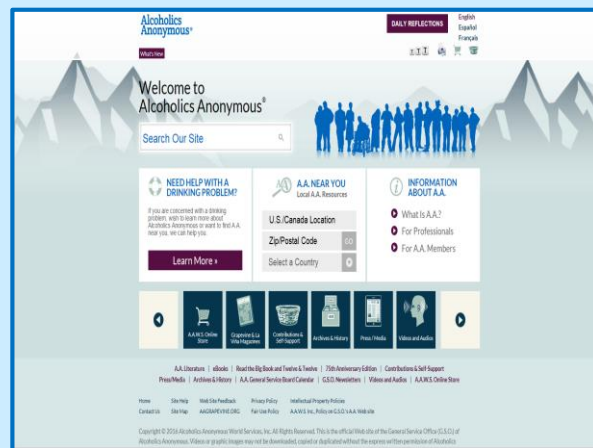
	FINANCIAL STATEMENT	PER GROUP OR MEMBER AMOUNT
Number of Members	1,362,402	
Cost of Services	\$9,906,588	\$7.27
7 <sup>th</sup> Tradition Self-Support Contributions	<u>7,934,869</u>	<u>5.82</u>
Cost of Services <b><u>NOT</u></b> covered by Self-Support	1,971,719	<b>1.45</b>
Number of Groups	66,336	
Cost of Services	9,906,588	\$149.34
7 <sup>th</sup> Tradition Self-Support Contributions	<u>7,934,869</u>	<u>119.62</u>
Cost of Services <b><u>NOT</u></b> covered by Self-Support	1,971,719	<b>29.72</b>

# G.S.O.'s TWO BASIC FUNCTIONS

## • Publishing

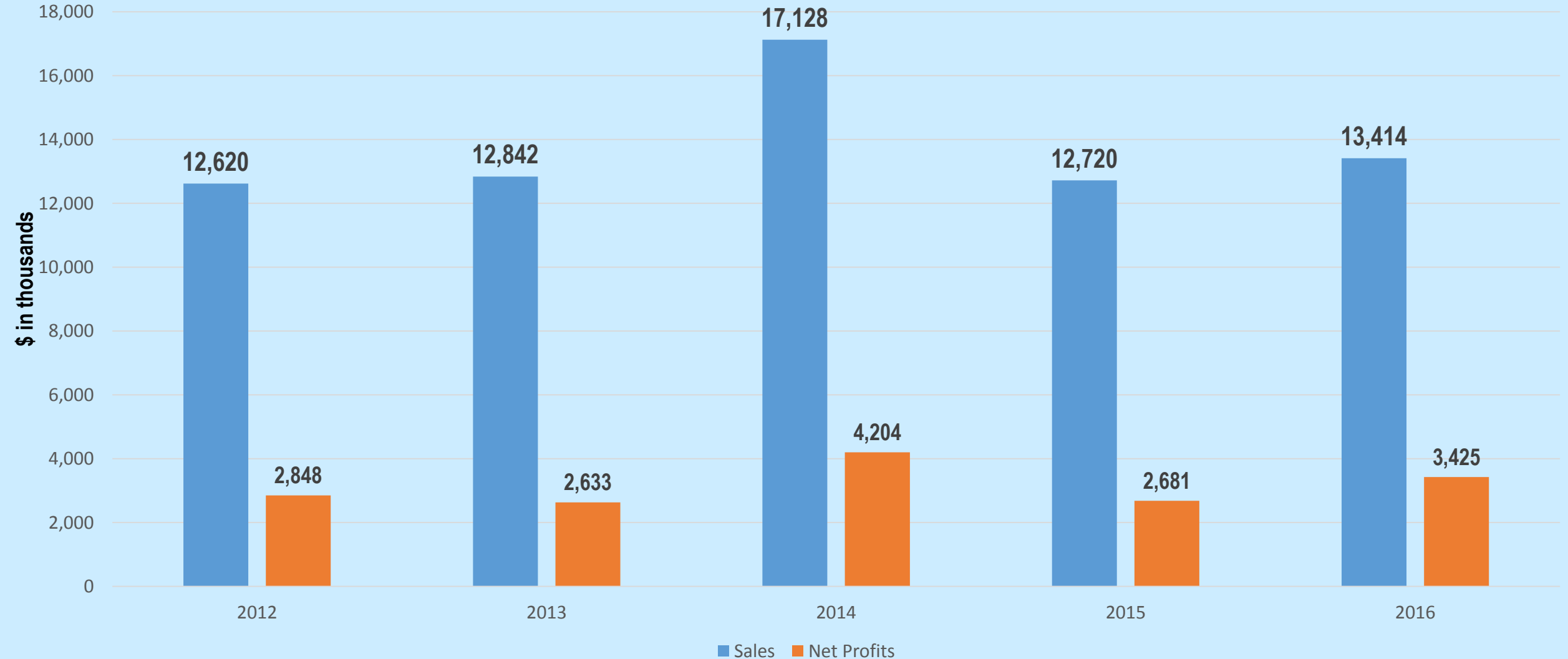


## • Services on Behalf of the G.S.B.



# AAWS – PUBLISHING ACTIVITY – 5 YEAR HISTORY

## Gross Sales & Net Profits





# AAWS – PUBLISHING – STATEMENT OF ACTIVITY

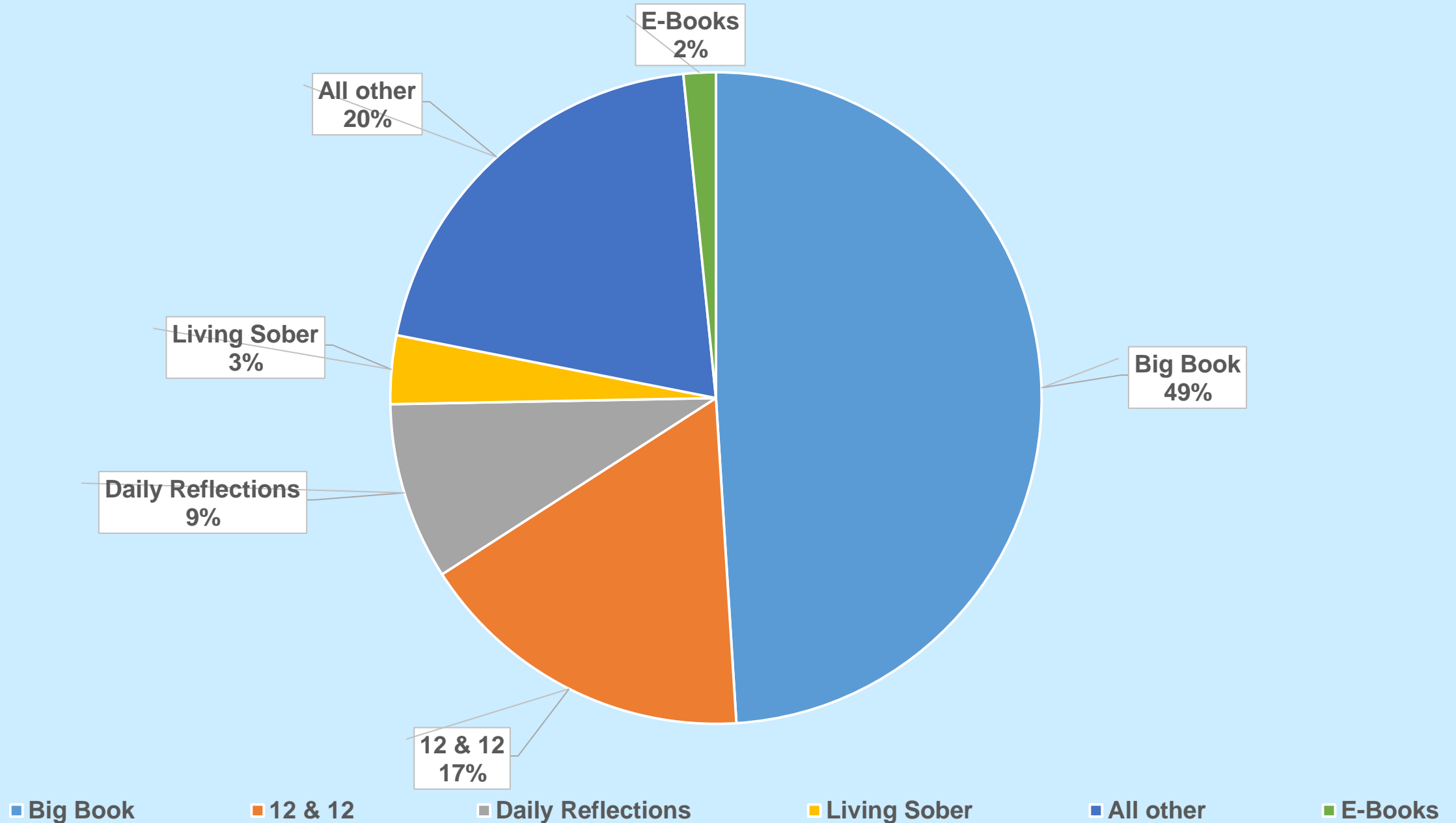
	\$ in Thousands		
	2016	2015	INCREASE (DECREASE)
Gross Sales	\$13,414	\$12,720	694
Less – Discounts allowed	225	231	(6)
Interest earned	.5	.5	-
Net Sales – Literature	13,190	12,490	700
Cost of Literature sold	2,640	2,757	(117)
Direct Shipping and Warehousing	<u>1,604</u>	<u>1,562</u>	<u>42</u>
Gross Profit	<u>8,946</u>	<u>8,171</u>	<u>775</u>
Gross Profit Percentage	67.8%	65.4%	2.4%
Program Expenses	2,824	2,977	(153)
Supporting Expenses	<u>2,697</u>	<u>2,513</u>	<u>184</u>
Total Expenses	<u>5,521</u>	<u>5,490</u>	<u>31</u>
Net Operating Income	<b>3,425</b>	<b>2,681</b>	<b>744</b>

# RECONCILIATION OF UNITS SOLD & REVENUES

Units & \$ in Thousands	2016	2015	2014	2013
Units Sold	1,574	1,485	2,282	1,794
Less – 75 <sup>th</sup> Anniversary Big Book	<u>(7)</u>	<u>(13)</u>	(178)	
Less – 3Q 2014 Bulk Purchases*			<u>(307)</u>	
Normalized Units Sold	1,567	1,472	1,797	1,794
2015 – 2014 Variance Normalized		(325) or (18%)		
Actual Revenues – Slide 23 – S 1	\$13,414	\$12,720	\$17,128	\$12,842
Less – 75 <sup>th</sup> Anniversary	(69)	<u>(130)</u>	(1,889)	
Less – 3Q/14 Bulk Sales*			<u>(2,000)</u>	
Normalized Revenues	13,345	12,590	13,239	12,842
2015 – 2014 Variance Normalized		(649) or (5%)		
* - Third quarter 2014 bulk purchases made prior to 10/1/14 literature price increase				

Normalization means removing noncomparable items in each year and then comparing the remaining balances so as to observe a “normal” or “like items” trend. 23 – S 2

# 2016 LITERATURE SALES – \$13.4 MILLION

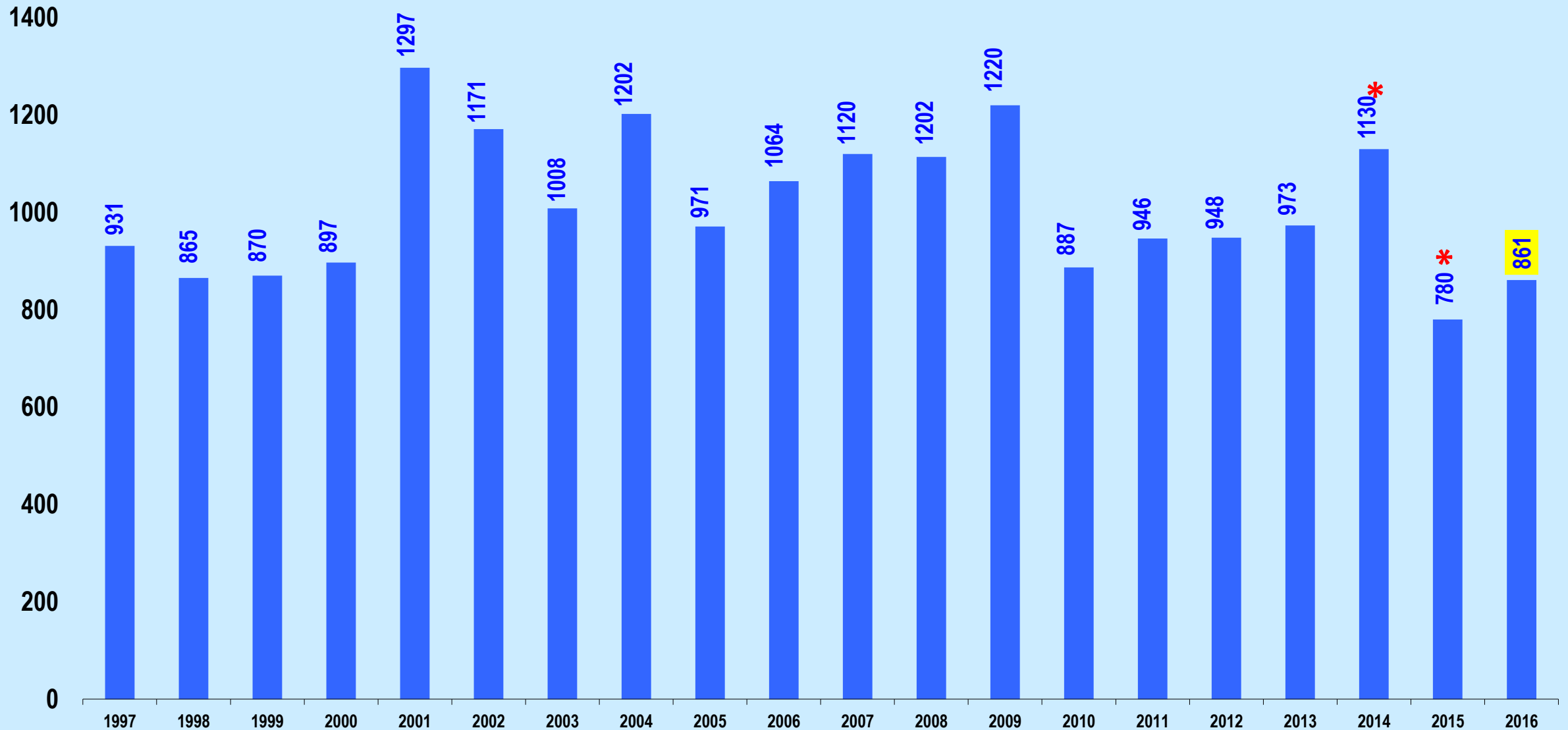


# LITERATURE TITLES

Units and \$ in Thousands	<u>2016</u> Units Sold	<u>2016</u> Units Sold as % of Total	<u>2016</u> Revenue	<u>2016</u> Revenue as % of Total	<u>2015</u> Units Sold	<u>2015</u> Units Sold as % of Total	<u>2015</u> Revenue	<u>2015</u> Revenue as % of Total
Big Book	861	54.7	\$6,569	49.0	793	53.4	\$6,039	47.5
12 Steps & 12 Traditions	308	19.6	2,266	16.9	282	19.0	2,061	16.2
Daily Reflections	128	8.1	1,179	8.8	129	8.7	1,118	8.8
Living Sober	102	6.5	452	3.4	102	6.9	451	3.5
All Other <sup>1</sup>	<u>117</u>	<u>7.4</u>	<u>2,733</u>	<u>20.3</u>	<u>116</u>	<u>7.8</u>	<u>2,813</u>	<u>22.1</u>
Total Physical Books	1,516	96.3	13,199	98.4	1,422	95.8	12,482	98.1
E-Books – Slide 26	<u>58</u>	<u>3.7</u>	<u>215</u>	<u>1.6</u>	<u>62</u>	<u>4.2</u>	<u>238</u>	<u>1.9</u>
Total	1,574	100.0	13,414	100.0	1,484	100.0	12,720	100.0

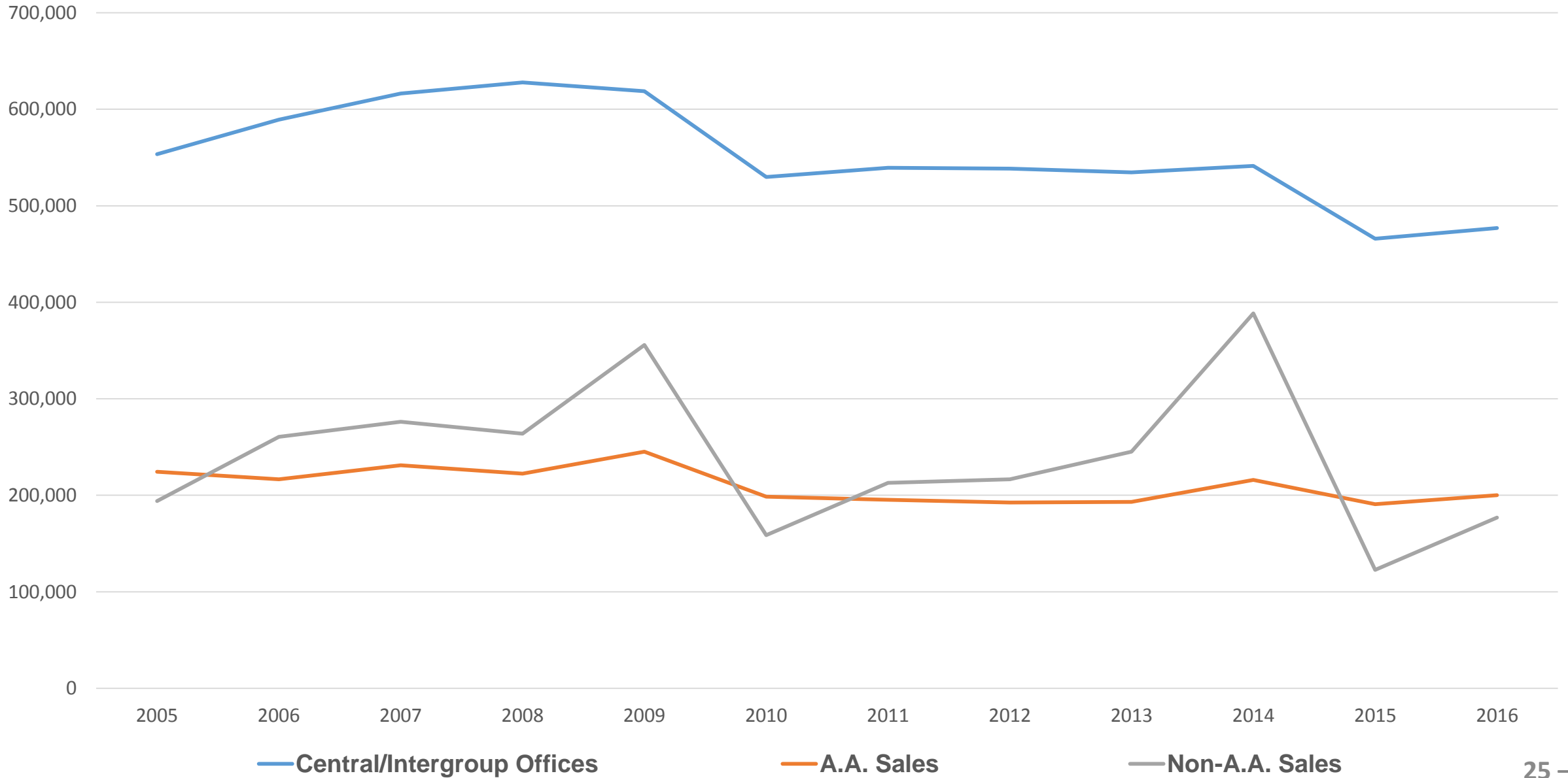
<sup>1</sup> Includes pamphlets (2016 - \$470; 2015 - \$501) and foreign literature (2016 - \$867; 2015 - \$852)

# BIG BOOK – UNITS SOLD – 1997 – 2016



\*Excludes 75<sup>th</sup> Anniversary Edition

# BIG BOOK – ALL ENGLISH VERSIONS – DISTRIBUTION OF SALES

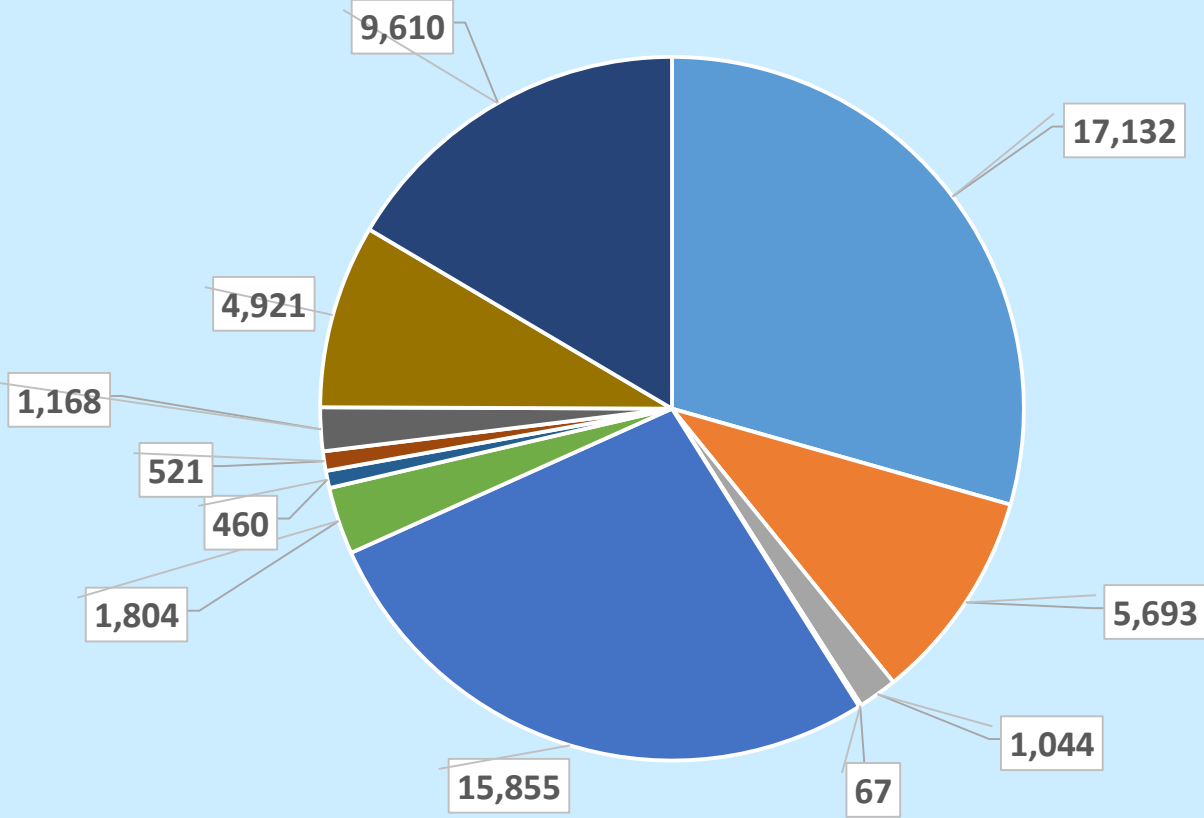


# HISTORY OF LITERATURE PRICING ACTIONS

- ❖ Restored the price of the Big Book in July 2004 by raising the price by \$1.
- ❖ Announced increases in certain book prices and handling charges effective July 1, 2005.
- ❖ Price increases July 2009 and October 2014 for long-term fiscal health.
- ❖ Decision made in 2016 that there will be no general literature price increase in 2017.

# E-BOOK UNIT SALES – 2016

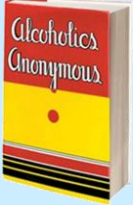
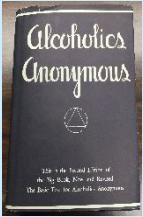
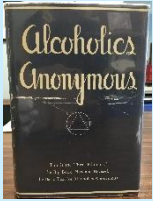
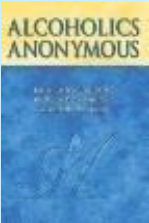
(Units)



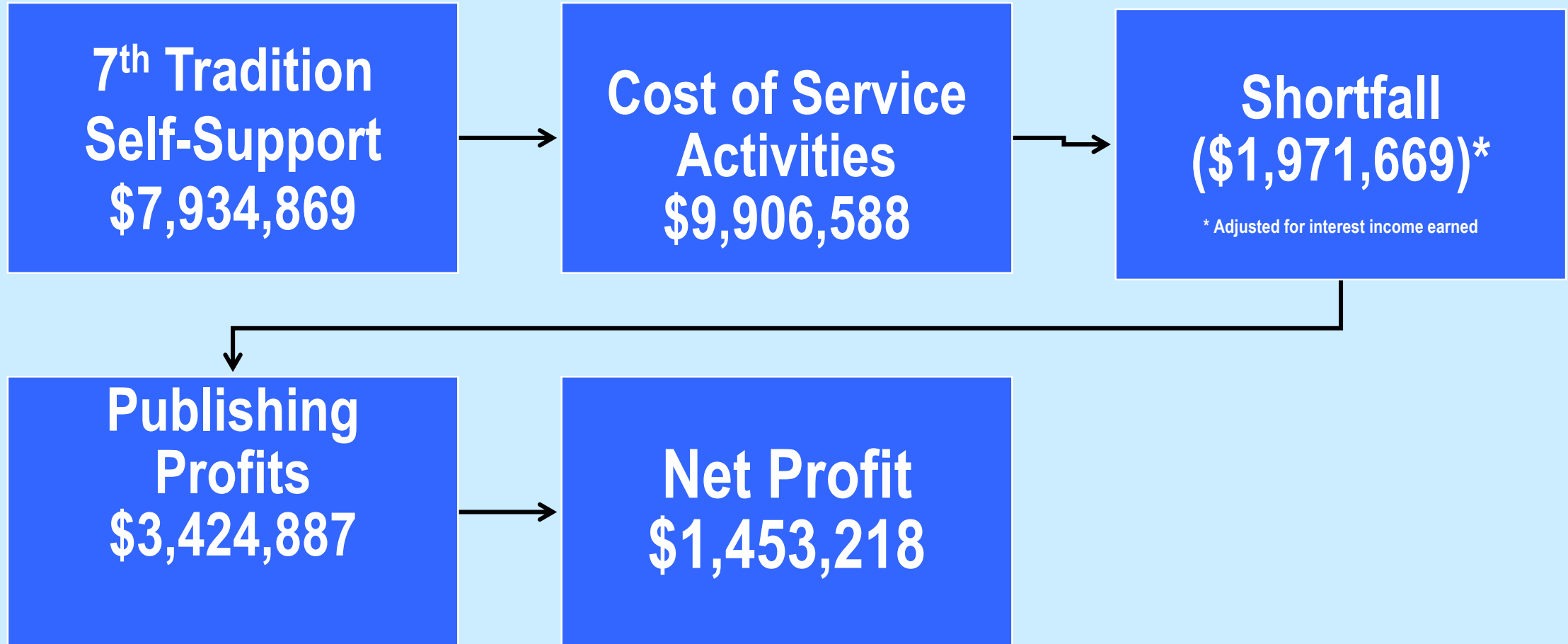
- Big Book - 17,132
- Inmate to Inmate - 67
- Pass It On - 460
- Living Sober - 4,921
- As Bill Sees It - 5,693
- Twelve & Twelve - 15,855
- Experience, Strength and Hope - 521
- Daily Reflections - 9,610
- Dr. Bob and the Good Oldtimers - 1,044
- Came to Believe - 1,804
- A.A. Comes of Age - 1,168
- Total - 58,275



# BIG BOOK PRICING

	Year Published	Original Price	April 2017 Inflation Adjusted Price
First 	1939	\$3.50	\$61.34
Second 	1955	\$4.50	\$40.90
Third 	1976	\$5.65	\$24.19
Fourth 	2001	\$6.00	\$8.25

# GSO & AAWS – OPERATING RESULTS – 2016



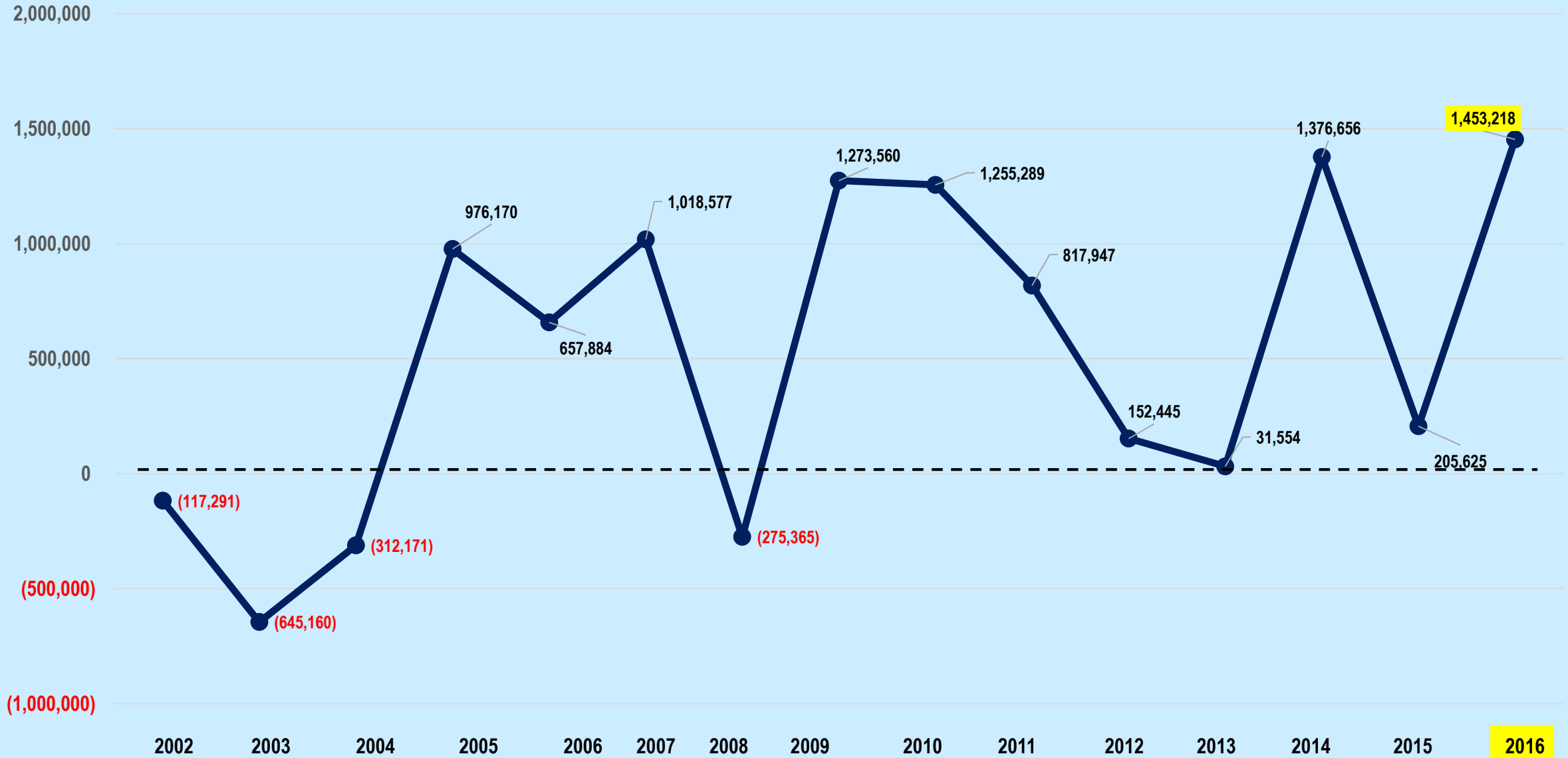
# GSO & AAWS – OPERATING RESULTS – 2016 & 2015

	2016	2016	2015	2015
\$ in Thousands	GSO	PUBLISHING	GSO	PUBLISHING
<b>REVENUE</b>				
Net Sales		13,189		\$12,489
Contributions	\$7,935		\$7,154	
Interest		.5		.5
<b>TOTAL REVENUE</b>	<b>7,935</b>	<b>13,190</b>	<b>7,154</b>	<b>12,490</b>
<b>EXPENSES</b>				
Printing		2,640		2,757
Shipping & Warehouse		1,604		1,562
Program Expenses	6,826	2,824	6,569	2,977
Supporting Services	3,081	2,697	3,060	2,513
<b>TOTAL EXPENSES</b>	<b>9,907</b>	<b>9,765</b>	<b>9,629</b>	<b>9,809</b>
<b>NET INCOME (LOSS) OPERATIONS</b>	<b>(1,972)</b>	<b>3,425</b>	<b>(2,475)</b>	<b>2,681</b>

**\$1,453**

**\$206**

# GSO & AAWS – OPERATING RESULTS – 2002 – 2016



Since the Reserve Fund Ratio was nearing its suggested 12 month upper limit in the early part of the decade, A.A.W.S., consistent with established policy, lowered literature prices to incur an operating loss as the way of reducing the Reserve Fund.

Fiscal Year Ended December 31

# AAWS – PUBLISHING – 2016 ACTUAL vs BUDGET

\$ in Thousands	2016 ACTUAL	2016 BUDGET	INCREASE (DECREASE)
Gross Sales	\$13,414	\$13,707	(293)
Less – Discounts allowed	225	235	(10)
Interest earned	<u>.5</u>	<u>.5</u>	-
Net Sales – Literature	13,190	13,473	(283)
Cost of Literature Sold	2,640	2,710	(70)
Direct Shipping and Warehousing	<u>1,604</u>	<u>1,755</u>	<u>(151)</u>
Gross Profit	<u>8,946</u>	<u>9,008</u>	<u>(62)</u>
Gross Profit Percentage	67.8%	66.9%	0.9%
Program Expenses	2,824	3,176	(352)
Supporting Expenses	<u>2,697</u>	<u>2,682</u>	<u>15</u>
Total Expenses	<u>5,521</u>	<u>5,858</u>	<u>(337)</u>
Net Operating Income	<b>3,425</b>	<b>3,150</b>	<b>275</b>

# AAWS – PUBLISHING – 2017 BUDGET

\$ in Thousands	2017 BUDGET	2016 ACTUAL	INCREASE (DECREASE)
Gross Sales	\$13,750	\$13,414	\$336
Less – Discounts allowed	235	225	10
Interest earned	<u>.5</u>	<u>.5</u>	-
Net Sales – Literature	13,515	13,190	325
Cost of Literature Sold	2,888	2,640	248
Direct Shipping and Warehousing	<u>1,817</u>	<u>1,604</u>	<u>213</u>
Gross Profit	<u>8,810</u>	<u>8,946</u>	<u>(136)</u>
Gross Profit Percentage	65.2%	67.8%	(2.6%)
Program Expenses	2,947	2,824	123
Supporting Expenses	<u>2,815</u>	<u>2,697</u>	<u>118</u>
Total Expenses	<u>5,762</u>	<u>5,521</u>	<u>241</u>
Net Operating Income	3,048	<b>3,425</b>	(377)

GSO/AAWS combined projected net profit in 2017 - \$397,798; net loss in both 2018 - \$255,000 & 2019 - \$746,000

# GRAPEVINE

AA'S MEETING IN PRINT  
APRIL 2017  
WWW.AAGRAPEVINE.ORG

SPECIAL SECTION: AA & TREATMENT CENTERS

## ROOM 307

Alone and afraid, a young alcoholic enters a facility that will connect her to AA and a better life

# GRAPEVINE

AA'S MEETING IN PRINT  
MAY 2017  
AAGRAPEVINE.ORG

## DIVERSITY IN AA

ALSO  
NEVER TOO OLD &  
FULL SPECTRUM

SPECIAL SECTION  
Members share stories of hope about feeling different and finding their place in AA

MAYO/JUNIO 2017

# LA VIÑA

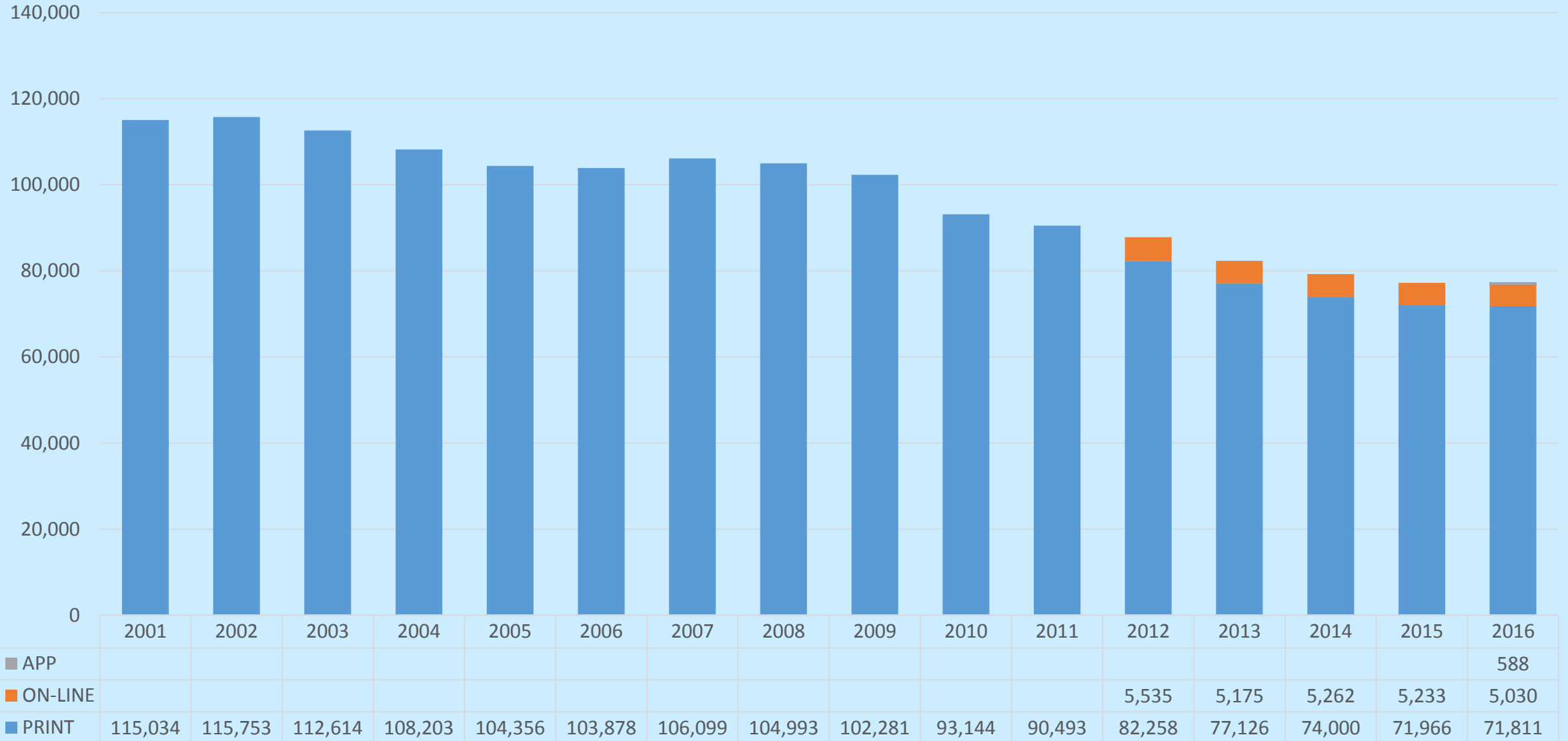
NUESTRA REUNION IMPRESA DEL GRAPEVINE DE AA  
aagrapevine.org/español

SECCIÓN ESPECIAL: MUJERES EN AA

## EL ENGAÑO

PERSONAS Y COSAS LA  
ALEJAN DEL PROGRAMA

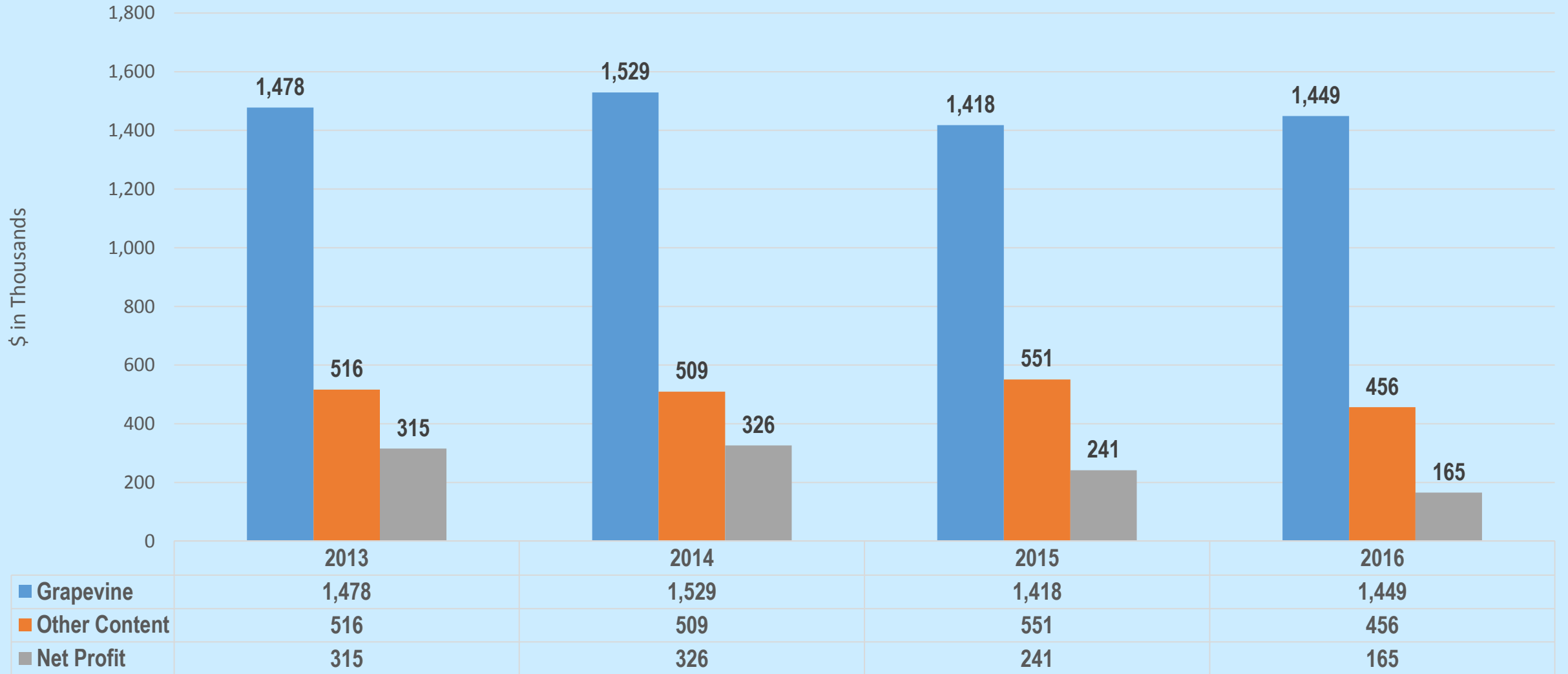
# GRAPEVINE – AVERAGE CIRCULATION – 2001 – 2016





# GRAPEVINE – KEY AMOUNTS – 4 YEAR HISTORY

## Gross Profit & Net Profit (\$ in Thousands)



# GRAPEVINE – STATEMENT OF ACTIVITY

	71,811	71,966	(155)
AVERAGE CIRCULATION – PRINT			
ONLINE & APP	5,618	5,233	385
	2016 ACTUAL	2015 ACTUAL	Increase (Decrease)
Magazine Revenue	\$2,126	\$2,144	(18)
Magazine Direct Costs	<u>(677)</u>	<u>(726)</u>	<u>(49)</u>
Gross Profit on Magazine	<u>1,449</u>	<u>1,418</u>	<u>31</u>
Other Publishing Revenue – Slide 56	692	811	119
Costs of Goods Sold	<u>(236)</u>	<u>(260)</u>	<u>(24)</u>
Gross Profit on Other Publishing Items	<u>456</u>	<u>551</u>	<u>(95)</u>
Total Gross Profit	<u>1,905</u>	<u>1,969</u>	<u>(64)</u>
Costs and Expenses			
Editorial Costs	688	667	21
Circulation and Business	899	925	(26)
General and Administrative	<u>168</u>	<u>144</u>	<u>24</u>
Total Costs and Expenses	1,755	1,736	19
Interest Income	<u>15</u>	<u>8</u>	<u>7</u>
Net Income	<b>165</b>	<b>241</b>	<b>(76)</b>

# GV – OTHER PUBLISHING REVENUE – 4 YEAR HISTORY

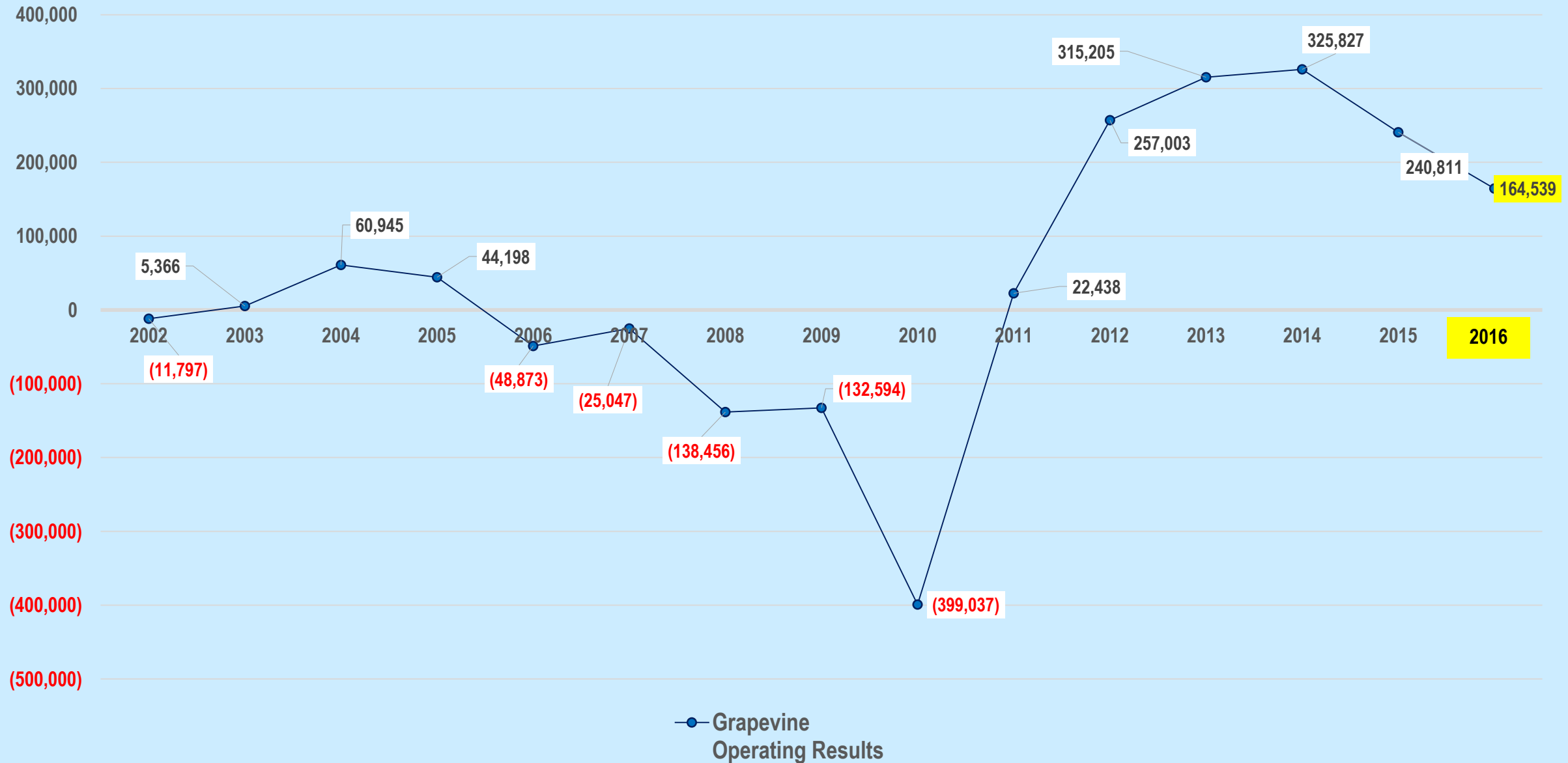
<b>Titles</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Language of The Heart – all languages	\$101,674	\$106,213	\$109,678	\$123,399
Emotional Sobriety - Vol. I & II	72,626	82,936	84,010	87,005
One on One	19,966	22,072	35,884	73,483
No Matter What	20,795	26,198	29,152	57,067
Grapevine Daily Quote	30,904	44,924	81,978	-
Sober & Out	12,656	13,639	31,759	-
Happy, Joyous & Free – all languages	49,295	143,302	18,960	-
Forming True Partnerships	37,357	47,549	-	-
Our Twelve Traditions	54,485	-	-	-
All others <sup>1</sup>	<u>292,356</u>	<u>324,242</u>	<u>390,667</u>	<u>436,022</u>
<b>Other Publishing Revenue</b>	<b>692,114</b>	<b>811,075</b>	782,088	776,976

<sup>1</sup>Includes sales of E-Books in **2016 – \$21,436; 2015 – \$25,324; 2014 – 29,419 and 2013 – \$32,734.**

# GV GROSS PROFIT ANALYSIS – 5 YEAR HISTORY

	2016	2015	2014	2013	2012
<b>Average Circulation:</b>					
<b>Print</b>	71,811	71,966	74,000	77,126	83,258
<b>Online &amp; App</b>	<u>5,618</u>	<u>5,233</u>	<u>5,262</u>	<u>5,175</u>	<u>5,535</u>
<b>Total</b>	77,429	77,199	79,262	82,301	88,893
<b>Gross Profit on:</b>					
<b>Magazines</b>	\$1,449,248	\$1,418,247	\$1,529,061	\$1,477,689	\$1,525,247
<b>Other Content Producing Activities</b>	<u>455,898</u>	<u>550,581</u>	<u>509,303</u>	<u>515,827</u>	<u>423,668</u>
<b>Total Gross Profit</b>	1,905,146	1,968,828	2,038,364	1,993,516	1,948,915
<b>% Other Content Publishing Items to Total Gross Profit</b>	23.9%	28.0%	25.0%	25.9%	21.7%

# GRAPEVINE OPERATING RESULTS – 2002 – 2016



# GRAPEVINE – 2016 ACTUAL vs BUDGET

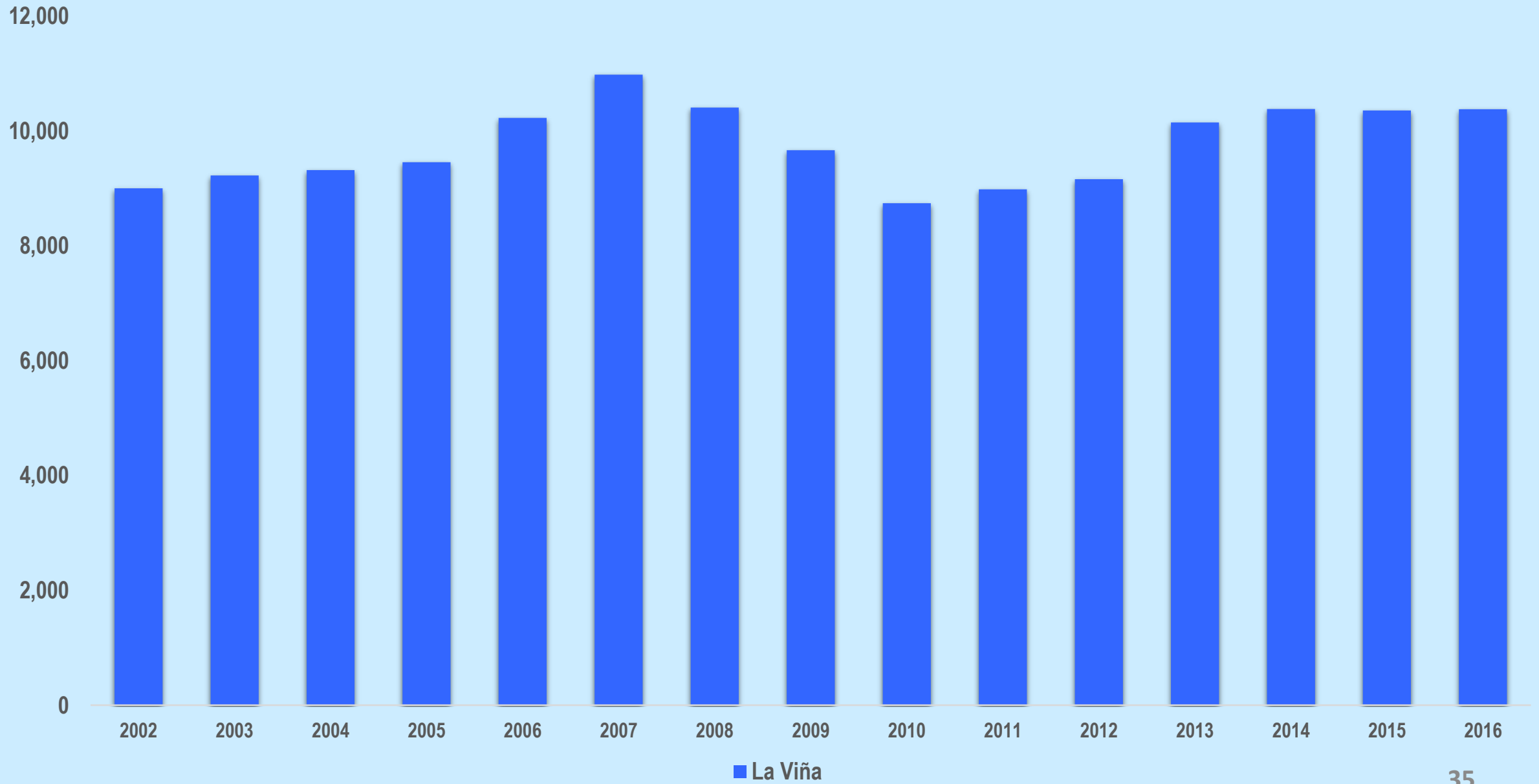
	AVERAGE CIRCULATION – PRINT			
		71,811	70,369	1,441
	ONLINE & APP	5,618	5,241	377
\$ in Thousands		2016 ACTUAL	2016 BUDGET	Increase (Decrease)
Magazine Revenue		\$2,126	\$2,093	\$33
Magazine Direct Costs		<u>(677)</u>	<u>(731)</u>	<u>(54)</u>
Gross Profit on Magazine		<u>1,449</u>	<u>1,362</u>	<u>87</u>
Other Publishing Revenue		692	577	115
Costs of Goods Sold		<u>(236)</u>	<u>(222)</u>	<u>14</u>
Gross Profit on Other Publishing Items		<u>456</u>	<u>355</u>	<u>101</u>
Total Gross Profit		<u>1,905</u>	<u>1,717</u>	<u>188</u>
Costs and Expenses				
Editorial Costs		688	755	(67)
Circulation and Business		899	913	(14)
General and Administrative		<u>168</u>	<u>200</u>	<u>32</u>
Total Costs and Expenses		1,755	1,868	(113)
Interest Income		<u>15</u>	<u>5</u>	<u>10</u>
Net Income		165	(146)	311

# GRAPEVINE – 2017 BUDGET

	AVERAGE CIRCULATION – PRINT			
		68,592	71,811	(3,219)
	ONLINE & APP	5,611	5,618	(7)
\$ in Thousands		2017 BUDGET	2016 ACTUAL	Increase (Decrease)
Magazine Revenue		\$2,017	\$2,126	(109)
Magazine Direct Costs		<u>687</u>	<u>(677)</u>	<u>10</u>
Gross Profit on Magazine		<u>1,330</u>	<u>1,449</u>	<u>(119)</u>
Other Publishing Revenue		689	692	(3)
Costs of Goods Sold		<u>(220)</u>	<u>(236)</u>	<u>(16)</u>
Gross Profit on Other Publishing Items		<u>469</u>	<u>456</u>	<u>(13)</u>
Total Gross Profit		<u>1,799</u>	<u>1,905</u>	<u>(106)</u>
Costs and Expenses				
Editorial Costs		749	688	61
Circulation and Business		976	899	77
General and Administrative		<u>203</u>	<u>168</u>	<u>35</u>
Total Costs and Expenses		1,928	1,755	173
Interest Income		<u>15</u>	<u>15</u>	-
Net Income		(114)	165	279

GV projected net loss – 2018 - \$326,000 & 2019 - \$527,000

# LA VIÑA – AVERAGE CIRCULATION – 2002 – 2016



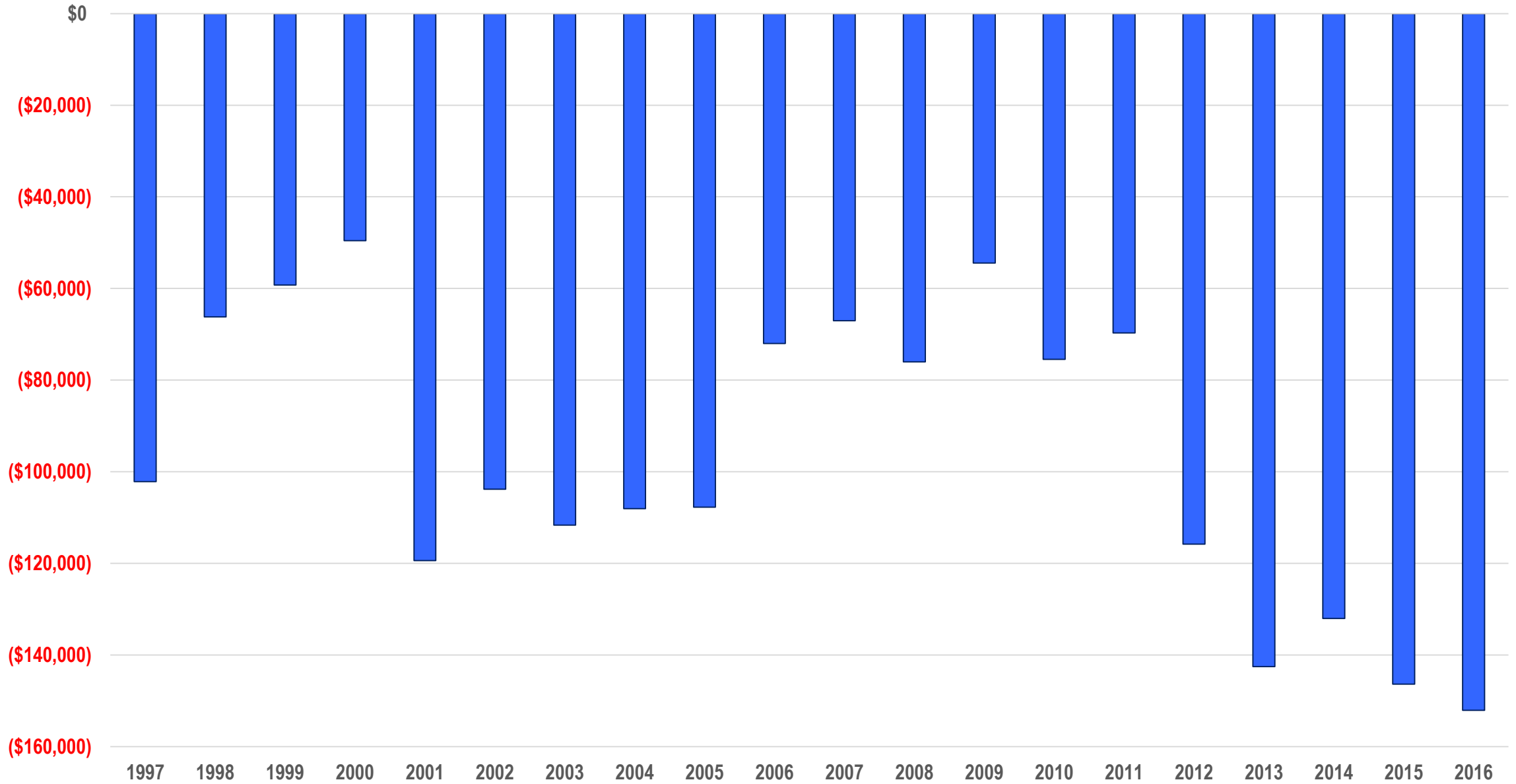


# LA VIÑA – STATEMENT OF ACTIVITIES

Average Circulation	10,374	10,355	10,380
	2016	2015	2014
<b>REVENUE</b>			
Magazine	\$119,882	\$121,130	\$121,886
Related Items	<u>32,895</u>	<u>12,965</u>	<u>12,923</u>
Total Revenue	152,777	134,095	134,809
Costs of Goods Sold	<u>77,910</u>	<u>60,855</u>	<u>65,031</u>
Gross Profit	<u>74,867</u>	<u>73,240</u>	<u>69,778</u>
<b>COSTS AND EXPENSES</b>			
Editorial Costs	133,413	130,204	122,859
Circulation and Business	86,437	81,933	73,337
General and Administrative	<u>7,099</u>	<u>7,481</u>	<u>5,608</u>
Total Costs and Expenses	<u>226,949</u>	<u>219,618</u>	<u>201,804</u>
Shortfall between Revenue and Expenses	(152,082)	(146,378)	(132,026)
Support from GSB General Fund	<u>152,082</u>	<u>146,378</u>	<u>132,026</u>
NET	- 0 -	- 0 -	- 0 -

La Viña projected shortfall: **2017** - \$167,818; **2018** - \$181,854 & **2019** - \$195,129

# LA VIÑA – SHORTFALL BETWEEN REVENUE AND EXPENSES



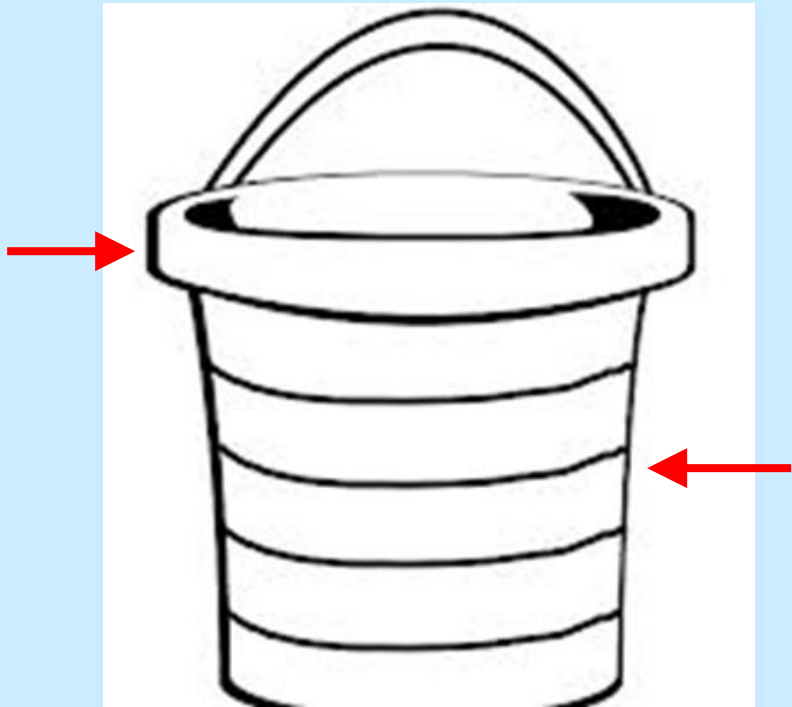
# SHORTFALL BETWEEN PENSION PLAN LIABILITIES AND ASSETS

PENSION  
LIABILITIES

2016 – \$35.2M

2015 – \$33.8M

2014 – \$36.1M



**PENSION FUND**

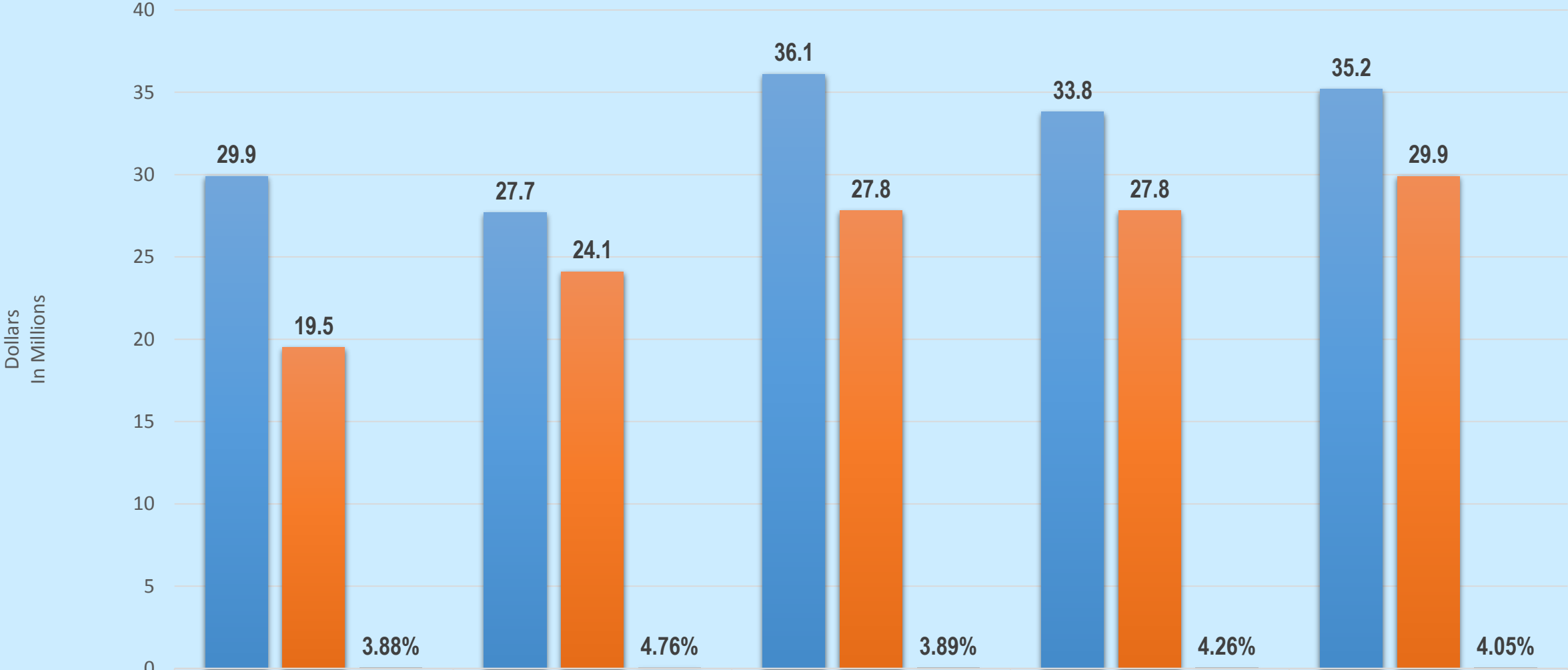
PENSION ASSETS

2016 – \$29.9M

2015 – \$27.8M

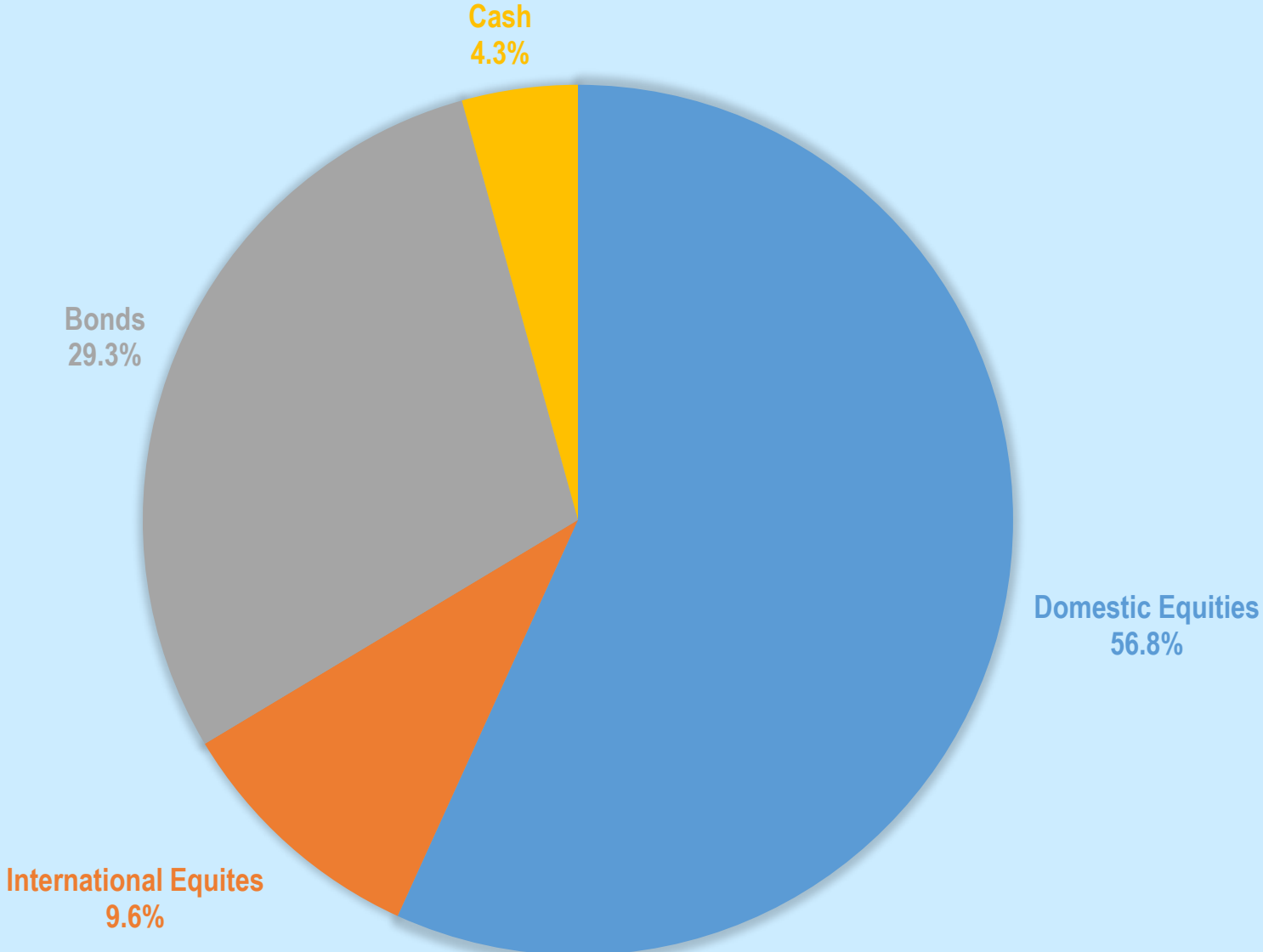
2014 – \$27.8M

# SHORTFALL BETWEEN PENSION PLAN LIABILITIES AND ASSETS



	2012	2013	2014	2015	2016
<b>Liabilities</b>	29.9	27.7	36.1	33.8	35.2
<b>Assets</b>	19.5	24.1	27.8	27.8	29.9
<b>Discount Rate</b>	3.88%	4.76%	3.89%	4.26%	4.05%

# PENSION PLAN ASSETS – 2016 – \$29.9 MILLION



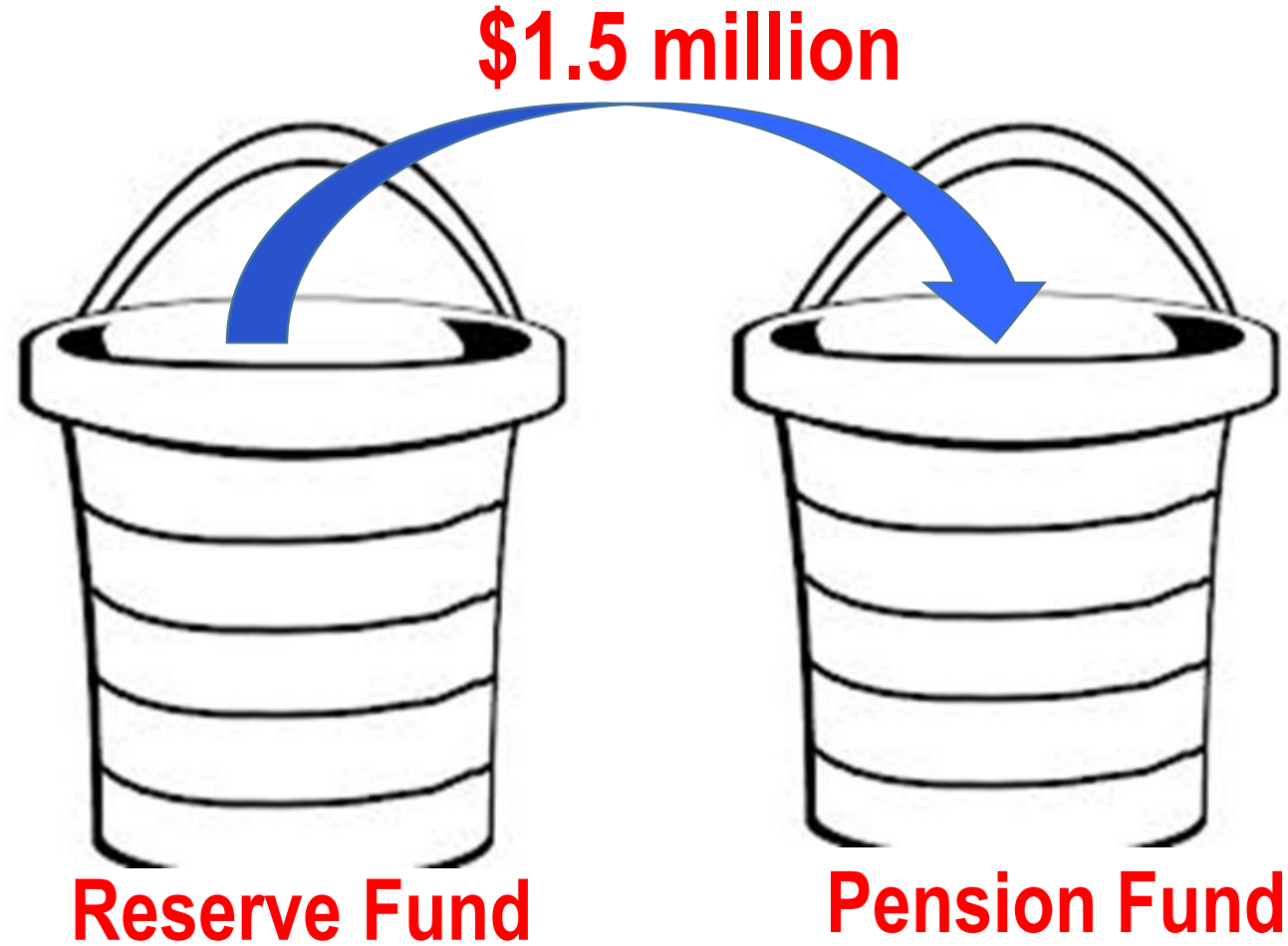
# DEFINED BENEFIT PLAN AND DEFINED CONTRIBUTION PLAN

- ❖ Defined Benefit (DB) Plan created January 1, 1965
  - Employees earn an increasing benefit based on salary and length of service
  - Existing employees continue to earn benefits while employed
- ❖ Defined Contribution (DC) Plan created January 1, 2013
  - New employees hired after January 1, 2013 no longer covered by DB Plan, but are covered by DC Plan where they receive a 5% benefit, plus a 50% match on employee contributions up to 5%. Maximum contribution rate is 7.5%.
- ❖ Special actuarial study conducted in 2016 and reconfirmed that change from DB to DC resulted in a savings of over \$300,000 in 2016

# PENSION PLAN

- ❖ Generally Accepted Accounting Principles (GAAP)
  - ASC 715 or Statement of Financial Accounting Standards 87 — Accounting for Post-Retirement Benefits, as amended
  - Discount rate – 4.05% at 12/31/2016
  
- ❖ ERISA & Internal Revenue Code
  - Pension Protection Act (PPA)
  - Minimum Funding Requirements in Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21)
  - Highway and Transportation Funding Act of 2014 (HATFA) amended Pension Protection Act (PPA)

# TRANSFER FROM RESERVE FUND TO PENSION FUND IN 2014





## IMPACT OF \$1.5 MILLION TRANSFER FROM RESERVE FUND TO PENSION FUND

- ❖ 2014 transfer saved both operating entities significant expense dollars by lowering their aggregate cash pension contributions from \$2,105,000 in 2013 to \$1,567,000 in 2016.
  - **A.A.W.S.:** ~ net saving 2013 compared to 2016 is approximately \$498,000
  - **AAGV:** ~ net saving 2013 compared to 2016 is approximately \$40,000
- ❖ 2017 pension costs budgeted to continue at \$1.5 million

# PENSION PLAN INFORMATION

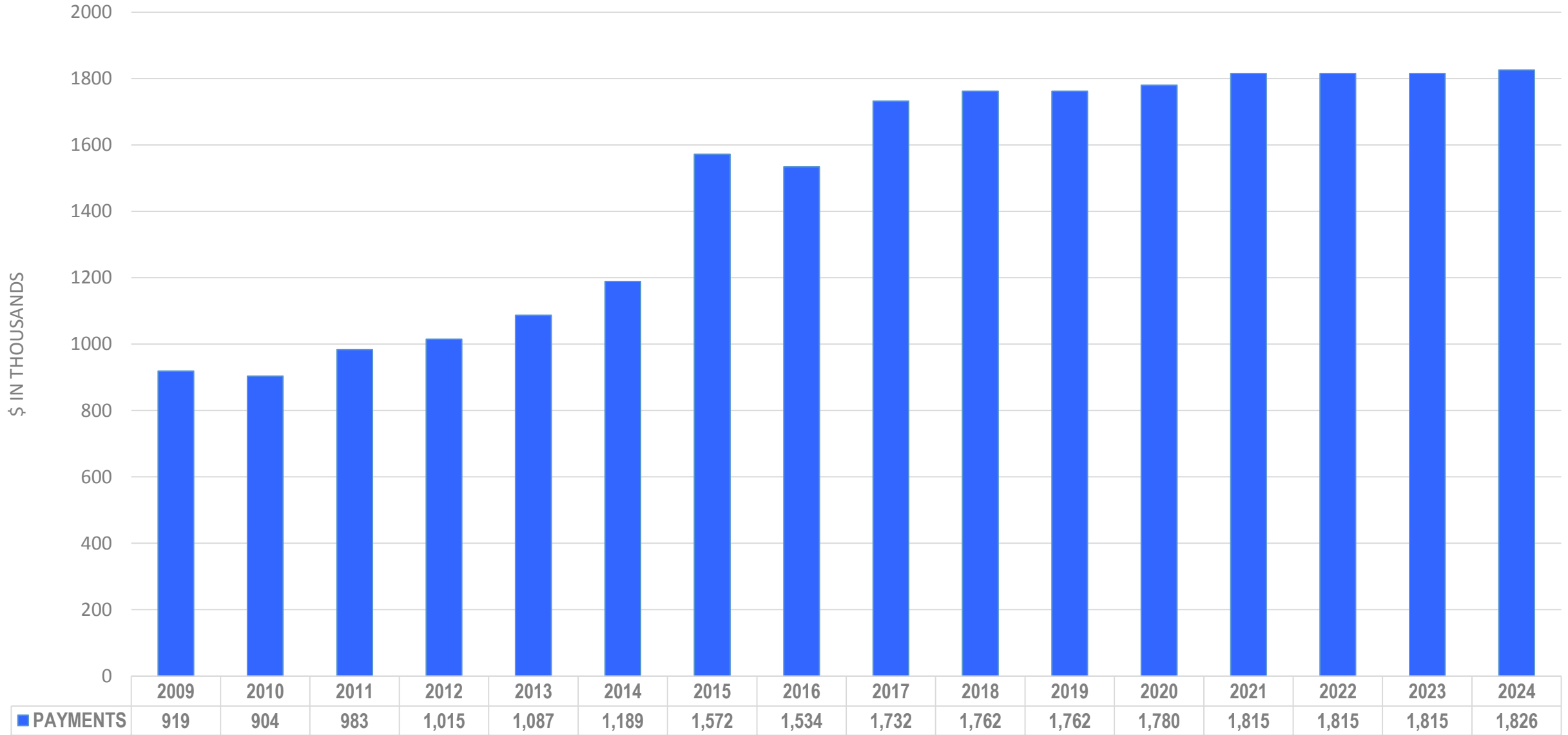
	2016	2015	2014	2013
Active Employees	65	75	84	82
Vested & Terminated	41	38	41	43
Retirees & Beneficiaries	<u>90</u>	<u>85</u>	<u>74</u>	<u>70</u>
<b>Total</b>	196	198	199	195
<b>\$ in Thousands</b>				
Total Valuation Payroll	\$5,010	\$5,575	\$6,138	\$5,799
Average Payroll per Employee	77	74	73	71
Projected Benefit Obligation	35,159	33,848	36,054	27,658
Pension Costs included in Operating Expense – Slide 39 – S 9	1,567	1,567	1,690	2,105
<b>Total Benefits Paid</b>	1,534	1,572	1,189	1,087

Estimated benefit payment over next 5 years: 2017 - \$1,732,443; 2018 - \$1,762,758; 2019 - \$1,762,301; 2020 - \$1,780,852; 2021 - \$1,815,951

# PROJECTED PENSION BENEFIT OBLIGATION

	\$ in Thousands	2016	2015	2014
Discount Rate		4.05%	4.26%	3.89%
Projected Benefit Obligation (PBO) - 1/1		\$33,848	\$36,054	\$27,658
Service & Interest Costs		2,019	2,164	2,024
Pension Benefits Paid		(1,534)	(1,572)	(1,189)
Actuarial (Gains)/Losses		<u>826</u>	<u>(2,798)</u>	<u>7,561</u>
Projected Benefit Obligation (PBO) - 12/31		35,159	33,848	36,054
Plan Assets - 1 /1		27,789	27,848	24,089
Return on Plan Assets		2,090	(55)	1,759
Employer Contributions – Slide 39 – S 9		1,567	1,567	3,190 <sup>1</sup>
Pension Benefits Paid		(1,534)	(1,572)	(1,189)
Plan Assets - 12/31		<u>29,912</u>	<u>27,789</u>	<u>27,848</u>
Net Unfunded (PBO less Plan Assets)		(5,247)	(6,059)	(8,206)
<sup>1</sup> 2014 includes \$1.5 million transfer from Reserve Fund				

# PENSION BENEFIT PAYMENTS (PAST VS. FUTURE)



# PENSION & POSTRETIREMENT MEDICAL OBLIGATIONS

## (\$ in Millions)

	Obligations <sup>1</sup>		Funded <sup>2</sup>		Unfunded <sup>3</sup>	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Pension</b>	\$35.1	\$33.8	\$29.9	\$27.8	\$5.2	\$6.0
<b>Medical</b>	7.7	7.2	3.9	3.4	3.8	3.8
	42.8	41.0	33.8	31.2	9.0	9.8

**Note:**

<sup>1</sup> Discount rate decreased from 4.26% in 2015 to 4.05% in 2016. This interest rate decrease resulted in the combined Obligations increasing by \$1.8 million from 2015 to 2016.

<sup>2</sup> From 2015 to 2016, the combined Funded Status increased by \$2.6 million.

<sup>3</sup> From 2015 to 2016, the combined Unfunded Status decreased by \$0.8 million.

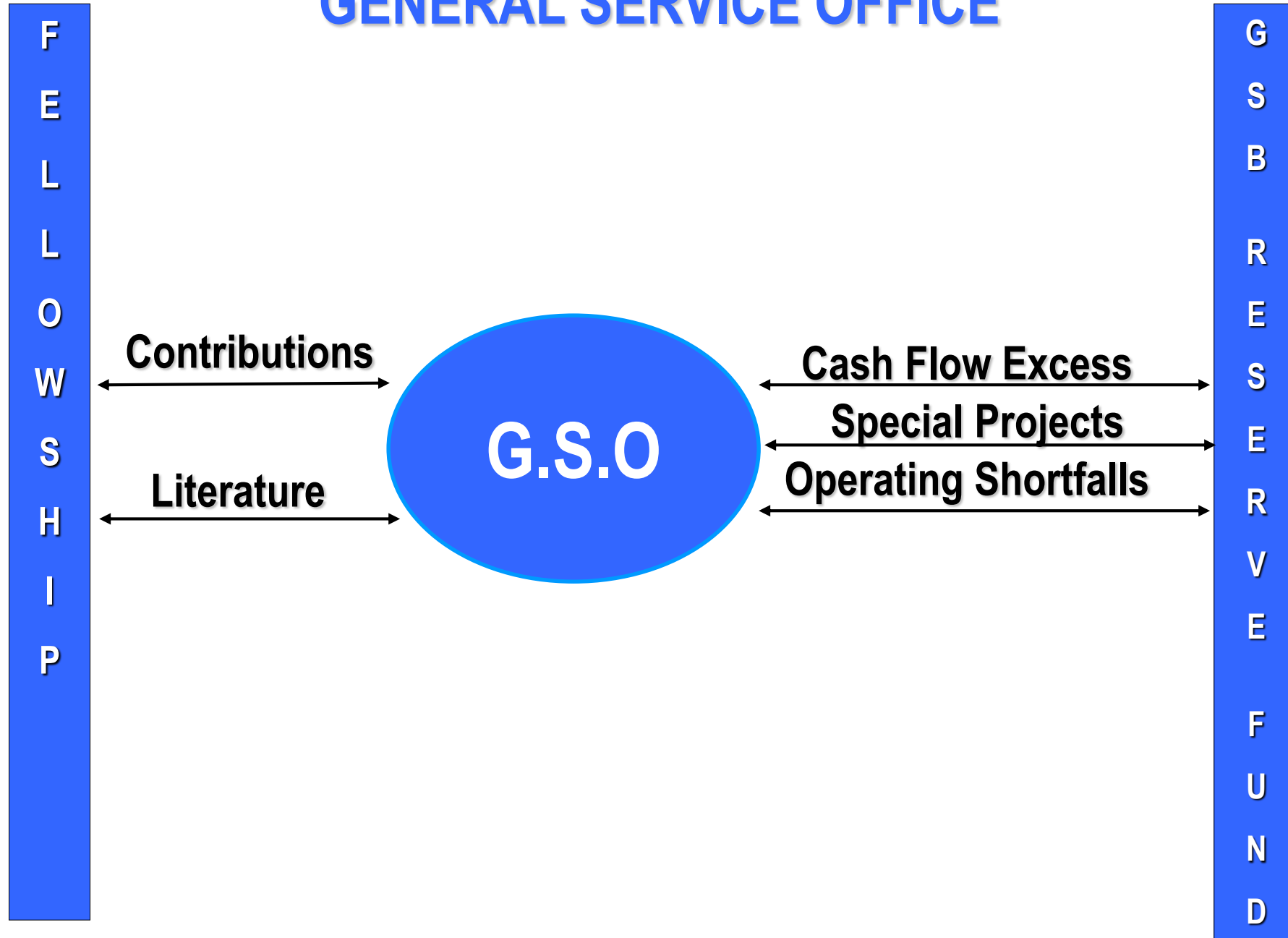
# PERCENTAGE COMPONENTS OF RETIREMENT EXPENSE – 5 YEAR HISTORY

\$ in Thousands	2016	2015	2014	2013	2012
Total Retirement Expense – Slide 15 – S 1	\$1,971	1,893	2,041	2,429	2,112
Defined Benefit Plan Expense – Slide 39 – S 5	1,567	1,567	1,690	2,105	1,812
<u>Percentage of Individual Expense to Total Retirement Expense:</u>					
- Defined Benefit Plan	79.5%	82.8%	82.8%	86.7%	85.8%
- Defined Contribution Plan	5.5	2.7	2.3	1.0	-----
- Retiree Medical Plan Funding	12.7	13.3	12.3	10.3	11.9
- Pension Benefit Guarantee Corporation Insurance Payment	.6	.5	.4	1.5	1.7
- Other (Lump-sum Payments, Professional Fees, etc.)	<u>1.7</u>	<u>.7</u>	<u>2.2</u>	<u>.5</u>	<u>.6</u>
Total	100.0	100.0	100.0	100.0	100.0

# RESERVE FUND RATIO

**Number of months that  
the Reserve Fund  
would cover  
combined  
operating expenses**

# GENERAL SERVICE OFFICE





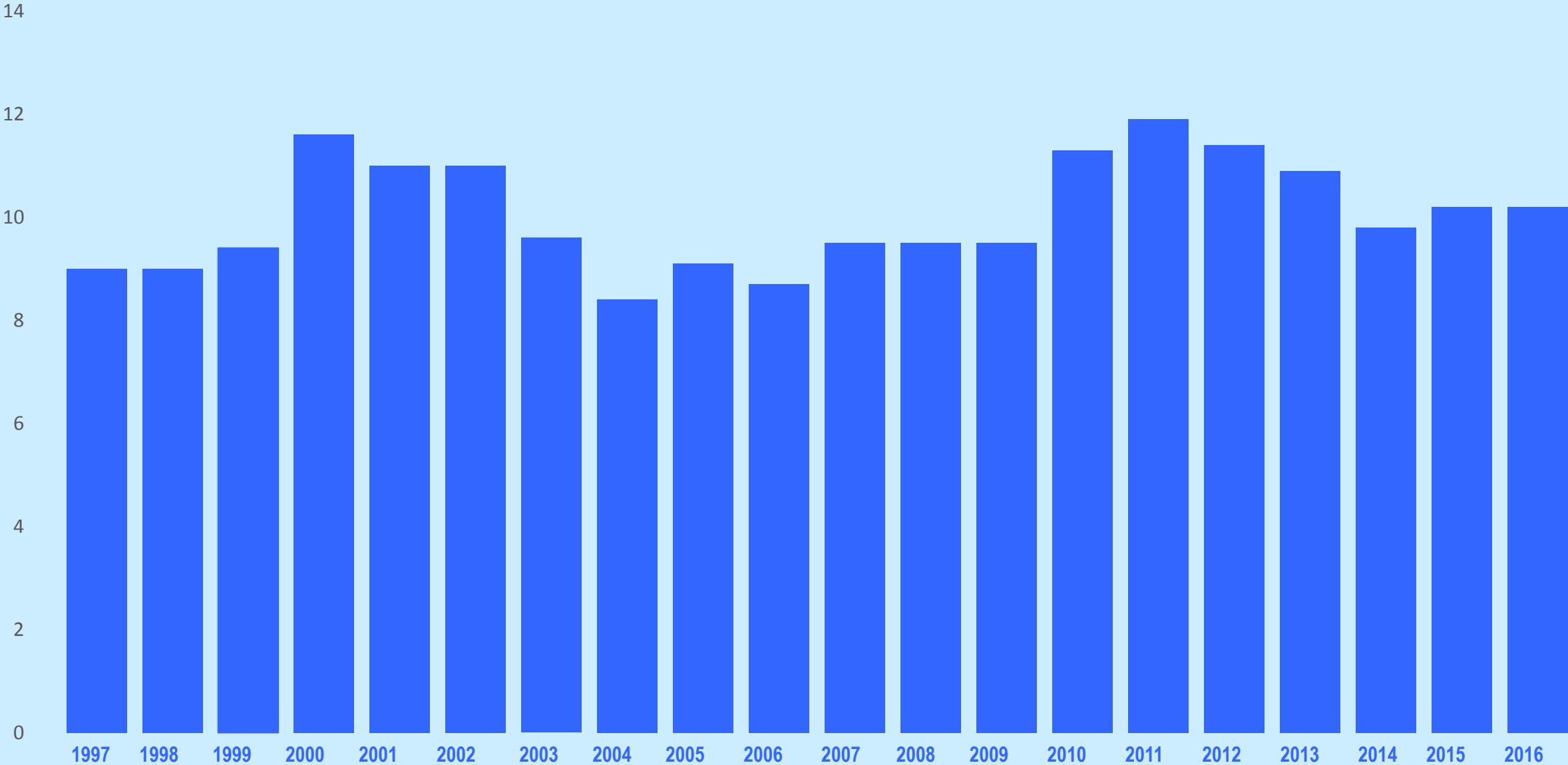
# GRAPEVINE



# USES OF GSB's RESERVE FUND

- ❖ Concept of GSB's Prudent Reserve – not same as in your Home Group's reserve
- ❖ GSB's Reserve Fund covers much more
  - Operating shortfalls between revenues and expenses
  - Capital construction projects
  - Lease guarantees
  - Pension obligations
  - Retirement medical obligations
  - Litigations and legal liabilities
  - Any other unknowns

# RESERVE FUND RATIO – NUMBER OF MONTHS COVERAGE – 1997 – 2016



# RESERVE FUND

	<u>2017 Budget</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Reserved Fund – (\$ in Thousands)	\$16,199	<b>\$14,959</b>	\$14,584	\$14,095	\$15,302
Recurring Operating Expenses – (\$ in Thousands)	\$18,250	<b>\$17,410</b>	\$17,075	\$17,337	\$16,880
Number of months covered	10.7	<b>10.3</b>	10.2	9.8	10.9
<b>Groups</b>	66,350	<b>66,336</b>	65,741	65,222	64,694
Reserve Fund per Group	\$244.14	<b>\$225.50</b>	\$221.84	\$216.10	\$236.52
<b>Members</b>	1,362,000	<b>1,362,402</b>	1,348,072	1,373,497	1,389,602
Reserve Fund per Member	\$11.89	<b>\$10.98</b>	\$10.82	\$10.26	\$11.01

By Conference action, the “Prudent Operating Reserve” was defined as an amount equal to the preceding year’s combined operating expenses of A.A. World Services, A.A. Grapevine and the General Fund of the General Service Board. Operating expenses include “office and operating expenses” and do not include the Cost of Products or Manufacturing cost.

# RECONCILIATION OF RESERVE FUND RATIOS

	\$ in Thousands	RESERVE FUND	EXPENSES	RATIO
2015 Actual (includes use for 11 <sup>th</sup> Floor Co-location)		\$14,584 <sup>1</sup>	\$17,075	10.2
2015 Pro forma Actual		14,844 <sup>2</sup>	17,075	10.4
2016 Budget and remainder of 11 <sup>th</sup> Floor Co-location		14,544 <sup>3</sup>	18,232	9.6
<b>2016 Actual – Slide 14 – S 2</b>		14,959 <sup>3</sup>	17,410	10.3
<b>2016 Pro forma Actual</b>		16,199 <sup>4</sup>	17,410	11.2
<b>2017 Budget</b>		16,199 <sup>5</sup>	18,250	10.7

<sup>1</sup>Balance reflects actual use of \$1,000,000 for 11<sup>th</sup> floor co-location project during 2015

<sup>2</sup>Balance includes contributions of \$260,000 from GV made in early 2016

<sup>3</sup>Balance includes contribution of \$260,000 from GV made in early 2016 and use of another \$300,000 for final payment of 11<sup>th</sup> floor co-location project in 2016. As FYI, it was **NOT** necessary to spend the \$300,000 in 2016 to complete the project.

<sup>4</sup>Balance includes contribution of \$1,200,000 from AAWS and \$40,000 from GV made in early 2017

<sup>5</sup>Balance includes contribution of \$1,200,000 from AAWS and \$40,000 from GV made in early 2017

# RESERVE FUND

## ❖ Reserve Fund Balance

- December 31, 2016 – **\$14,958,734** – Annual earnings – **\$114,799**
- December 31, 2015 – \$14,583,935 – Annual earnings – \$48,969

## *INVESTMENT GUIDELINES*

### **“Minimum Requirement”**

To assure the liquidity, the Reserve Fund shall contain investment instruments having maturities of one year or less in an amount equal to the sum of (a) the unearned Grapevine subscription liability and (b) the operating cash requirements of the service entities. This amount will be reviewed annually by the trustees’ Finance and Budgetary Committee.

### **“No More Than”**

The balance of the Reserve Fund shall be invested in instruments with maturities of between zero (0) and ten (10) years, provided that at no time shall more than 50% of the principal amount of such balance consist of investments having maturity dates of five or more years.

### **Reserve Fund Policy Investment Review**

At its October 31, 2016 meeting the General Service Board accepted the recommendation that no change in the investment philosophy be undertaken, based on the Report of a Subcommittee of trustees’ Finance and Budgetary Committee.

# SUMMARY OF ACTIVITY – 2016

	\$ - in Thousands	GSO	Publishing	Grapevine	La Viña	2016	2015
<b>REVENUE</b>							
	Net Sales		\$13,189	\$2,818	\$153	\$16,160	\$15,579
	Contributions	\$7,935				7,935	7,154
	Interest		.5	15		16	8
<b>TOTAL REVENUE</b>		7,935	13,190	2,833	153	24,111	22,741
<b>EXPENSES</b>							
	Printing		2,640	325	45	3,010	3,134
	Shipping & Warehouse		1,604	588	33	2,225	2,232
	Program Expenses	6,826	2,824	1,130	227	11,007	10,962
	Supporting Services	3,081	2,697	625		6,403	6,112
<b>TOTAL EXPENSES</b>		9,907	9,765	2,668	305	22,645	22,442
<b>NET INCOME (LOSS)</b>		(1,972)	3,425	165	(152)	1,466	300
<b>RESERVE FUND at December 31</b>						<u>14,959</u>	<u>14,584</u>
<b>Operating Expenses</b>						<u>17,410</u>	<u>17,075</u>
<b>Number of months coverage</b>						10.3	10.2

\*Excludes nonoperating Funds: Reserve, Capital Projects, Pension, Post-Retirement Medical Benefits

# 2017 BUDGET

	\$ - in Thousands	GSO	Grapevine	La Viña	2017 BUDGET	2016 ACTUAL
<b>REVENUE</b>						
Net Sales		\$13,515	\$2,706	\$138	\$16,359	\$16,160
Contributions		7,675			7,675	7,935
Interest			15		15	16
<b>TOTAL REVENUE</b>		<u>21,190</u>	<u>2,722</u>	<u>138</u>	<u>24,050</u>	<u>24,111</u>
<b>EXPENSES</b>						
Costs of Good Sold		4,704	907	73	5,684	5,235
All Operating (Program & Supporting) Expenses		<u>16,088</u>	<u>1,929</u>	<u>233</u>	<u>18,250</u>	<u>17,410</u>
<b>TOTAL EXPENSES</b>		<u>20,792</u>	<u>2,836</u>	<u>306</u>	<u>23,934</u>	<u>22,645</u>
<b>NET INCOME (LOSS)</b>		<b>398</b>	<b>(114)</b>	<b>(168)</b>	<b>116</b>	<b>1,466</b>
<b>RESERVE FUND at December 31</b>					<u>16,199</u>	<u>14,959</u>
<b>Operating Expenses</b>					<u>18,250</u>	<u>17,398</u>
<b>Number of months coverage</b>					10.7	10.3

\*Excludes nonoperating Funds: Reserve, Capital Projects, Pension, Post-Retirement Medical Benefits



# 2017 Budget Outlook and Trends

## ❖ GSO/AAWS

- Membership levels remain flat
- Contributions show small growth
- Literature sales show small growth – 2% per year
- Expenses continue to grow slowly – 2% - 3% per year

## ❖ GRAPEVINE

- Subscriptions revert back to decline 2% - 3% per year
- Expenses continue to grow slowly – 2% - 3% per year

## ❖ 2018 & 2019 Budget Outlook

- GSO/AAWS, Grapevine, and La Viña combined budgeted results is \$763,000 loss in 2018, with following year having even larger loss, assuming no changes in contributions levels and operating expenses

Net Results (\$ in Thousands)	2016 ACTUAL	2017 BUDGET	2018 BUDGET	2019 BUDGET
GSO/AAWS Slide 30	\$1,453	\$398	(\$255)	(\$746)
Grapevine Slide 34 – S 2	165	(114)	(326)	(527)
La Viña Slide 36	(152)	(168)	(182)	(195)
Total	1,466	116	(763)	(\$1,468)
Reserve Fund Ratio (months) Slide 42 – S 2	10.3	10.7	9.9	8.8

# THANK YOU

❖ All of the employees of both A.A.W.S. and Grapevine

Especially Greg Tobin, Don Meurer, Robert Slotterback, Ami Brophy and Daniel Pensante

❖ Our Independent Auditors – Owen J. Flanagan & Company, LLP

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Any questions – Please feel free to contact me at: [david.morris.cpa@gmail.com](mailto:david.morris.cpa@gmail.com)