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PRIMARY PURPOSE FINANCING

Foreword

Area 20 adopted the financing model known as, “Primary Purpose Financing,” and guidelines for individual service positions appear elsewhere in the, “Northern Illinois Area 20 Service Handbook.” This section is provided as background material and is essential reading for anyone interested in understanding Primary Purpose Financing.

Historical Context

Prior to the development of the ideas described here, Area 20 used an annual line-item budget. That budget routinely had over 80 line items: several non- position-specific line items plus one line item for materials and one line item for expenses for each of the 30+ funded service positions.

This type of budget was easy enough to explain but it made it impossible to answer simple questions frequently raised in our assemblies such as, “How much do we spend on ...?” and these simple questions often escalated into pointless debate. To make matters worse, the budget format necessarily gave rise to assembly motions like, “Servant X seeks approval to increase budget line item Y to \$Z to do ABC.” Such motions, in turn, gave rise to unhealthy and sometimes heated arguments in our assembly meetings that were focused on questions such as, “Where did the rest of your budget go?” These chronically recurring disputes bred distrust between GSRs and the area committee which, in effect, disenfranchised GSRs. Business framed and conducted in this way was, quite simply, a huge turnoff.

Our 7th Tradition specifically warns us that, “nothing can so surely destroy our spiritual heritage as futile disputes over property, money, and authority.” Yet that’s exactly what we were doing! Through our attitudes and actions we were destroying our spiritual heritage: Unity suffered. Our disharmony drove some away from area service work and, possibly, from service work altogether: Service suffered. And when our unity is diminished so is our personal recovery: Recovery suffered! The very Legacies of Alcoholics Anonymous as they are expressed in area service were at stake.

These symptoms pointed to two underlying problems. The first was poor communication between the Assembly and its trusted servants regarding required or expected service activities. The second was our lopsided focus on money that was allowed and even encouraged by our financial process. Would behavioral changes alone be sufficient to address these? Could trusted servants communicate to the Assembly better? Sure. Could the Assembly communicate requirements better to its trusted servants? Certainly not at least not without some new way of communicating. And could we defocus on money just by saying that’s what we wanted to do? Not a chance. That would have been a case of doing the same thing over again and expecting different results.

A better solution and, in fact, the solution we adopted, was to develop financial policies and procedures that respected, embodied, and exposed our Traditions.

Service-Oriented Finance

Consider first the problem of communicating expectations and progress between the Assembly and its trusted servants. The original line-item budget was the default financial vehicle for this but its line-items-per-trusted-servant form simply wasn't up to the task. There was no practical way for anyone in the Assembly to say "do this, but don't do that" or to decipher individual trusted servants' progress towards their service goals. They weren't given the chance.

Our 5th Tradition tells us that the Area has but one primary purpose: to carry the AA message to the alcoholic who still suffers and this Tradition rightfully belongs at the forefront of our financial process. To address this we created a prioritized list of all of the Area's service activities, guidelines for the involved trusted servants, and expected and actual costs. The first column of the list is all about the primary purpose: how to carry the message to the alcoholic who still suffers. The guidelines component enables the Assembly to provide detailed expectations about how it intends for the message to be carried, when, and by whom. The cost components allow budgetary planning and reporting. Finally, to address the reality of a limited budget the list must be prioritized. The area treasury can afford what it can afford but it may not be able to afford every activity; so prioritization is critical to ensure that area funds are used for the highest priority activities first. This list is called "the Primary Purpose Register" or just "the Register."

Just as the Register itself would be rooted in our Traditions so, too, should be its supporting structure. Our 2nd Tradition identifies "but one ultimate authority – a loving God as He may express Himself in our group conscience," so guidelines have been created that enable the Assembly, through its group conscience, to add, remove, prioritize, and detail activities. Not only currently implemented guidelines but also any future guidelines must be designed so that list remains the voice of the Assembly, not that of any body of governors.

The Primary Purpose Register is a central discussion point in all of our committee and assembly meetings. It improves the communication between the Assembly and its trusted servants. It provides a necessary means for the Assembly's active participation in planning and decision making. It also enables fiscally responsible reporting back to the Assembly. It is the key tool to ensure that all use of the area treasury is fiscally responsible to the Assembly. The treasurer only pays or reimburses expenses for approved service activities in accordance with either their detailed guidelines in the Register or the area spending guidelines. In cases of dispute the treasurer may not pay the expenses in question until the Register has been amended through Assembly action. As an aside, the cost objects in the Area's accounting program correspond directly to the service activities in the Register so standard accounting reports automatically provide the Register-based financial status. The Register and its supporting process provide transparent financial visibility into the service activities in the area.

But what impact does this have on our trusted servants? Using this service-oriented financial process, trusted servants are required to associate their expenses appropriately with some approved service activity. The treasurer either pays or denies their requests according to the intent of the Assembly as documented in the Register and individual trusted servants retain their right of appeal through the amendment process. This system of checks and balances is not micromanagement; rather, it is a self-evident expression of the fiscal responsibility that is required by our Traditions.

Financial Management and Reporting

The Primary Purpose Register addresses all of the major issues on the cost side so we'll explore the income side of the equation. How do we manage contributions to pay for the activities in the Register? Since individual trusted servants no longer "own" their budget line items, who is responsible? How do we decide what we can afford? When and how much do we contribute to the General Service Office? Before digging in to answer these questions, let's step back and look at some money management roles and how they are implemented in our area service structure.

In corporate money management, the treasurer role manages cash, cashes checks, and pays bills. The treasurer remains focused on purely financial matters. A logically separate role, the controller role, focuses

on operational matters like planning, forecasting, and evaluating. If we think about this role in our service structure, the “controller” would, for example, plan annual budgets, recommend our 7th Tradition contributions, and evaluate how much can be spent on new initiatives.

There is absolutely nothing controversial about the authority delegated to the treasurer role: money comes in, money goes out, and reports are created. The controller role is different, however, because value-based judgments are required to manage funds that belong to the Assembly. Consequently we should be very clear in defining this delegated authority and very careful to expose and observe the Traditions in this part of our service structure.

In better keeping with our 2nd Tradition, the controller role has been assigned to the Area Finance Committee: this makes the necessary group conscience possible. The committee is directly responsible to the Assembly and includes some voting members of the Assembly and the area Treasurer for obvious reasons. The guidelines that appear in the “Northern Illinois Area 20 Service Handbook enable the committee to do its work and, at the same time, limit and shape its delegated authority so that the ultimate authority remains the Assembly itself. An overview of these guidelines follows.

At the most basic level, the committee directs the area’s finances in accordance with the will of the Assembly as documented in the Primary Purpose Register. It allows reimbursement and payment of actual expenses and accrues for upcoming expenses only for the listed service activities in accordance with whatever detailed guidelines are available in the Register. It monitors expected operating reserve and, when reserve runs low, throttles or delays expenses on activities in the Register. It is responsible for the creation of the initial Register for any given year. It is not allowed, however, to request its own amendments to the Register, except in cases of emergency. Emergency amendment requests that originate within the committee must be authorized by the assembly when possible and by, or jointly with, the Operating Committee per guidelines for these committees. Finally, the Finance Committee faithfully reports at each assembly meeting all financial activity that has taken place since the last. All of this is necessary to ensure fiscal responsibility to the Assembly but it only describes the committee’s tactical role; the key planning responsibilities of the committee still need to be described.

The committee has the authority and responsibility to add two more components to each and every service activity in the Primary Purpose Register, the date to begin accruals and the date of the last expense. Then it creates and maintains time-phased “budgeted cost” and “budgeted income” reports: tables or spreadsheets that show monthly costs and income by service activity in the Register. These are updated at least once per quarter to reflect all Register amendments, actual expenses, refined understanding of future expenses, adjusted dates, and actual income. To complete the quarterly update process these are reconciled with the treasury. These reports are the key ingredients to understand and plan the affordability of the area’s service activities.

The committee also has responsibility to optimize the effectiveness of area contributions. It would compare month-by-month income and expenses and would optimize the affordability of the service activities listed in the Register by adjusting begin and end dates. It would have the authority to throttle individual service activities either by moving expected start date into the future or by extending the end date and it is empowered to carry individual projects from one year to the next or to spread costly projects over multiple years. Because of this authority it also has the responsibility to notify both the Assembly and individual trusted servants if their service expenses – therefore service activities – need to be delayed or accelerated.

The ability to stretch individual service activities across calendar year boundaries simplifies the “annual budget process” tremendously. The process reduces to a simple amendment to the Primary Purpose Register to include all known activities for the coming year, namely those activities on the coming year’s approved area calendar and our area’s participation in the general service conference. The end of a year is no longer special: in the beginning, middle, and end of a year the Register always includes all of the current service activities plus all known future activities. In effect, this melts away the unnatural “go broke each year and start over next year” rollercoaster.

The committee is also responsible to handle the cases of too little or too much money in the treasury. On one hand the projected cost of the service activities in the Primary Purpose Register may exceed the area's income and lower priority activities could be delayed indefinitely; they would be effectively killed. So the committee has the responsibility to report this condition to the Assembly and to ask for the affected activities to be reprioritized or removed from the Register. On the other hand, income may exceed expenses and so, over time, the area treasury may accumulate more money than the area needs. Our 7th Tradition guides us to stay poor, allowing only bare operating expenses plus a prudent reserve. In keeping with this Tradition, the committee is responsible to authorize sending excess funds to the General Service Office on a quarterly basis.

The key concept for this analysis is called the "operating reserve." The operating reserve is calculated as actual contributions minus actual (past) and expected (future) expenses. The minimum amount in the operating reserve – the point where the committee would say the area is "broke" and begin to throttle service activities is about 1 ½ months' average total expenses or around \$7,500 at the time of this writing. The maximum amount in the operating reserve, the point where the committee would say the area is accumulating funds for no stated purpose and so contribute to the General Service Office, would be double this amount or around \$15,000 today. Using guidance provided by the Finance Committee, the treasurer contributes to the General Service Office, on a quarterly basis, the amount in excess of the maximum allowable in the operating reserve.

Summary

Consistently using the Primary Purpose Register as the financial communication vehicle defocuses the Assembly on money by focusing more transparently on service. It improves quantity and quality of communication between the Assembly and its trusted servants.

The Treasurer is individually responsible only for the treasurer role – to manage cash and to pay the bills. The Finance Committee has responsibility for the controller role – to plan and manage the treasury and the time-sequence for service activities on the Assembly's behalf. Detailed guidelines for each service activity provide common direction to trusted servants responsible for service activities and to the committee responsible for paying the expenses for those activities.

Annual budgeting, mid-year budget increases, and the "new service activity" process, are simplified. The annual budget rollercoaster that was common previously is gone: we endure no more quibbling over contributions to the General Service Office or scrambling to do something at the end of a year to spend area contributions "at home". Clearer delegation of these financial responsibilities by the Assembly has shifted the area's focus from money to service.

Section Revisions

Revision Guidelines

Revisions to this section are approved by a substantially unanimous vote of the Area Committee. All approved revisions must be reported to the Assembly when it next meets, discussed if necessary, and accepted or rejected by a "sense of the Assembly."

Revision History

- Content taken from "Focus on the Primary Purpose in Area 20 Finance," by Judd W., dated 12/2007.
- Reformatted to standardized document style, added standard section headers, etc. Text changes only as needed to support style. Judd W., 9/29/2012.
- Substantially shortened and updated by Judd W., 12/19/2012-1/7/2013.
- Removed from the unabridged version of the Northern Illinois Area 20 Service Handbook. Approved by Assembly, December 9, 2017