

Northern Illinois Area 20

Unity - Service - Recovery

April 13, 2022

2022 Spring Committee Meeting

Delegate's Report

Welcome to the 2022 Spring Committee Meeting!!

So, what's new since my last report? Well for one, I attended the 72nd General Service Conference in Brooklyn, New York from April 24-April 30. Thank you to everyone who has inquired about the experience and trust me when I tell you, I can't wait to tell you about it!!



(Business for 2022 is concluded after the final session and a closing brunch)

I will be giving a full report at the Summer Assembly on June 11 in Kankakee and have commitments to do a shorten report at the dates and times shown below.

- Thurs. May 19 D20 - Elgin (Hispanic Linguistic District)
- Tues. Jun 21 D21 - Palatine
- Thurs. Jul 7 D11 - Woodstock / Crystal Lake

Please let me know if you would like to schedule a date and time when I can visit your District (or event) and give a report there as well.

Many people I've spoken with have asked what "The big takeaways" were from the conference, and while it's hard to categorize "big", I'll offer a few suggestions below-

Translations of background material and the simultaneous availability of all the material in all three languages (English, Spanish & French) was a major issue at the conference. A recommendation (from Policy & Admissions) that the compilation of all Conference committee background be made available annually on or before February 15 in English, French, and Spanish was eventually amended to read that ALL background would be available in ALL three languages at the same time, even if this means that the date is beyond the February 15 date. This motion, which was voted on, reconsidered, then motioned to be re-committed (which failed), was amended (from everything due 2/15 to everything simultaneously) and then had the question called and was ultimately passed 111/11 (91%). This was about a 2 -1/2-hour process. Basically, the conference said, "We're all going to eat at the same time, even if some of us (who already have our dinner prepared) are going to have to wait.

Safety in AA - People may be familiar with the service piece SMF-209 "Safety in AA" which was released in late 2021 and then due to negative feedback from the fellowship was pulled out of circulation, edited, and redistributed in April 2022 just prior to the conference. These events were the topics of many comments relating to the creation of service materials and the review process which is undertaken prior to pieces being released. An AAWS ad-hoc committee has been created to review the process of service material. Literature item (B), which dealt with this topic was thoroughly discussed on the conference floor and underwent several procedural attempts to modify it including motions to amend, reconsider and recommit. The final vote was 106/24 (82%) in favor of passing as recommended. This was the first of many literature items that took most of Wednesday and Thursday to dispose of.

Literature Items – There were no action passed to undo anything the 71st GSC did last year. The Preamble stayed as modified last year, the 12x12 modifications which were passed last year remained “as modified”, and nothing was done to limit the changes in the Appendices coming in the 5th edition (although there will likely be 3-4 more years on this issue).

Participation of Online Groups in the Service Structure – This is a serious topic amongst the board and a lot of people are looking at how we can keep participation in our service structure open to as many people as possible. I will have more details on this topic in the official “report back”.

Finance – The attached “Key Takeaways” document has the overall financial overview while the “Additional Information” presentation contains an abbreviated slide deck of financial details from the conference. Once again, group contributions reached an all-time high while gross profit from literature sales continued to decline. We ended the year with an approximate \$1.3M surplus which will be used to fund the budgeted \$1.3M deficit in 2023. I will have complete financial details in the final “report back” and will also have Kevin Prior, Class A Trustee and Treasurer of the General Service Board on hand during our Summer Assembly to give a brief financial presentation and answer questions.

There really is so much more to tell and I promise I’ll get to it all when I begin giving my “report backs”. I will also begin posting the Trustees Committee reports, corporate Board reports, and Conference Committee Reports onto our website once they have been anonymity protected. In the meantime, if there are any questions, I’d be happy to try and address them.

Respectfully submitted-

Chris D.
Delegate
Area 20 / Northern Illinois
Panel 72

Key Takeaways and Talking Points from the 72nd GSC Financial Report

2021 Results Overall

External Audit resulted in a “Clean” Opinion from the auditors and several routine recommendations to enhance reconciliation processes

GSO Experienced Accounting Surplus of \$1.7 million with cash surplus of \$53,000.

The 5 biggest components of the difference between cash surplus and accounting surplus are:

322,000	Build up of Publications Inventory > Will create cash when sold
322,000	2021 contributions received/deposited in 2022 > Creates cash in 2022
250,000	GSB Transfer to Reserve Fund in 2021
278,000	Payment of Deferred Social Security Tax > Expensed in 2020 and used cash in 2021
222,000	Amount owed from Grapevine for shared services purchased in 2021 – will create cash in 2022

The surplus achieved was greater than the 700,000 budgeted surplus due to:

780,000	Contributions of 10.7 million versus budget of 10 million
(542,000)	Literature Gross Profit Versus Budget – Due to much higher printing and distribution costs without raising prices
775,000	Savings in key expense categories: <ul style="list-style-type: none">• professional fees (\$345,000 – primarily IT),• salary and benefits (223,000 – primarily vacant positions)• other expenses (\$207,000 – largely driven by the pandemic)

Note: 700k budgeted surplus is net of support for LaViña which is approximately \$400k per year that is a service funded from the GSB

Grapevine Results for 2021 were favorable versus budget:

Paid print subscriptions decreased 11%. Online/mobile app subscriptions increased 73%. This digital expansion drives engagement but not revenue.

Decrease in La Viña circulation of 12% versus 37% decrease in 2020. Prior to 2020 growth was on a positive trajectory

Grapevine loss of \$113,000 versus loss of \$299,000 in 2020 and budgeted loss of \$354,000.

2022 Budget

GSO Budget Includes a Deficit of \$1.35 million, to be funded from 2021 surplus

Contribution Revenue budgeted conservatively (\$10 million versus \$10.7 million actual in 2021)

Literature gross profit budget of \$6.5 million versus \$6.3 million in 2021, \$6.6 million in 2020 and \$8.4 - \$8.8 million each year from 2017 – 2019

Transition back to in-person Conference, Board meetings, and Virtual Forums,

2021 Surplus allowed for 2022 to be a transition year, investing in post-Covid expenses while assuming Covid-era revenue

It is NOT the intention of Trustees Finance Committee or the GSB to run recurring deficits on an ongoing basis

Grapevine Budget includes stabilization of trends as we emerge from Covid

Break-even results for Grapevine and stable level of GSB support for LaViña (\$400,000)

Print magazine subscriptions expected to increase 11% while digital is expected to decline slightly

Partial rebound in LaViña subscriptions expected

Contributions

Contributions of \$10.7 million in 2021 versus \$10.3 million in 2020, \$8.9 million in 2019 and \$8.4 million in 2018 and 2017

45% of total contribution revenue was for contributions of \$50 or less and two-thirds came from contributions of \$100 or less. Only 4% of contributions revenue came from the “over \$500 category”. Bottom Line – Larger contributions from areas and groups are the icing on the cake but the “cake” is smaller contributions from individuals and groups

Online contributions were 23% of the total in 2021 versus 3% in 2012

Immense gratitude to the Fellowship for stepping up contributions during these uncertain times. This revenue does not however represent a bonanza – it is helping to offset the drop in publications gross profits (see next section)

Self Support: Your 7th tradition dollars fulfilling our primary purpose:

- Newly revised Service Manual
- Meeting Guide App
- Fellowship Connection
- 27 books uploaded to Jpay, available to those confined in correctional facilities
- New Group form
- Two new AA Public Service Announcements
- New redesigned website

Literature Sales

Gross Literature Sales have Fallen During the Pandemic while the gross profit on each item has dropped due to increased printing and mailing costs. Contribution growth has only partially offset these losses as noted below. Combined gross profit and contributions are running at least \$1 million below 2019 levels.

Year	Literature Gross Sales	Literature Gross Profit	Change in Literature Gross Profit from 2016	Contributions	Change in Contributions from 2016	Change in Contributions plus literature since 2016
2016	13,413,929	10,549,316		7,934,869		
2017	13,693,752	11,056,366	507,050	8,409,452	474,583	981,633
2018	14,235,594	9,452,615	(1,096,701)	8,385,009	450,140	(646,561)
2019	14,405,490	9,358,751	(1,190,565)	8,863,480	928,611	(261,954)
2020	9,098,279	6,582,266	(3,967,050)	10,256,687	2,321,818	(1,645,232)
2021	12,110,603	6,297,678	(4,251,638)	10,775,870	2,841,001	(1,410,637)
2022	11,000,000	6,534,000	(4,015,316)	10,000,000	2,065,131	(1,950,185)

Big Question – How much of drop in gross sales is due to factors other than the Pandemic that may or may not reverse? This question is why we allowed the budgeted deficit in 2022 – We assumed minimal rebound in the budget as we emerge from the Pandemic

Additional contributions are still needed.

Reserve Fund

In 2020, the Reserve Fund was drawn down by \$4 million dollars. The *initial draw* was due to the immediate cancellation of the international convention. Much of the convention loss was ultimately covered by insurance. However, by that time, literature sales dropped precipitously as outlined above. Contributions have offset part of this loss but net from 2019 we are still taking in less revenue.

Trustees Finance and the GSB are taking a cautious approach to the reserve fund:

A small transfer of \$250,000 was made in 2021

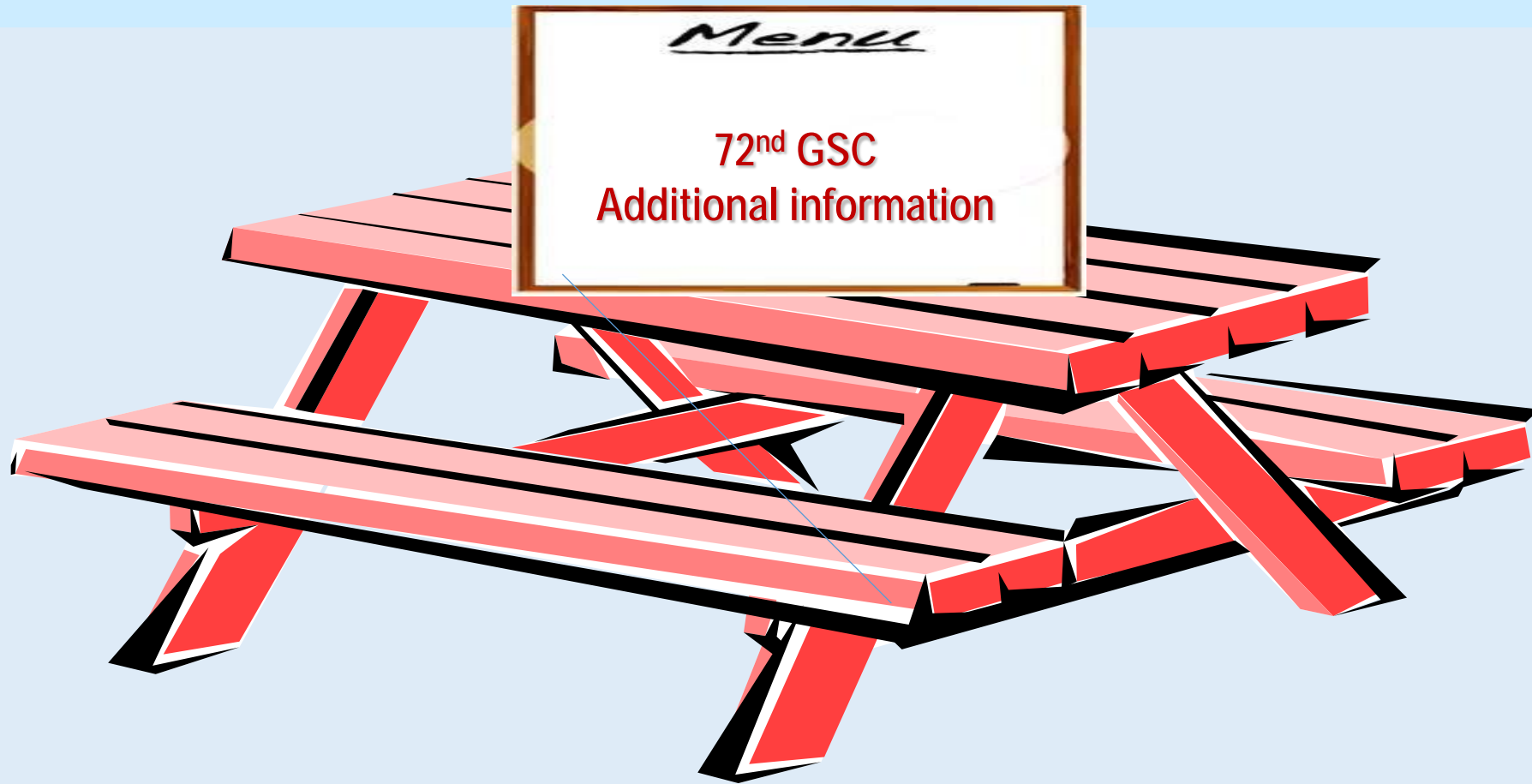
A transfer in January 2022 was not made despite the 2021 surplus in light of the budgeted loss for GSO in 2022 (transition year)

Strong desire not to put more in the reserve than we can truly afford resulting in ill-timed budget changes or the need to withdraw from the fund in the near term

Based on the 2021 balance and the 2022 budgeted expenses the reserve fund 7.84 months of expenses are in reserve. The generally understood target range is 9 to 12 months.

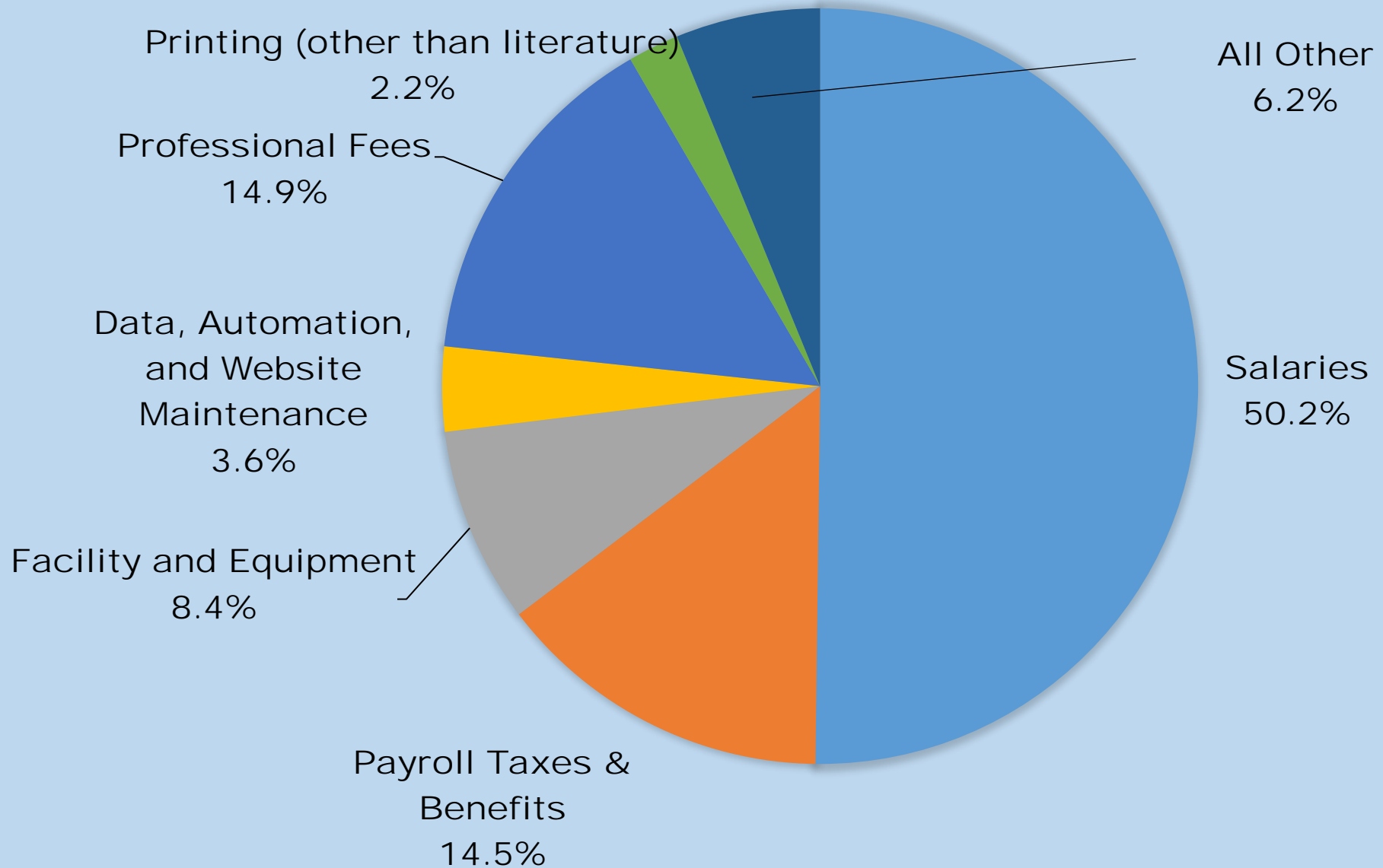
Trustees Finance discusses all of these issues at every meeting

AROUND THE PICNIC TABLE

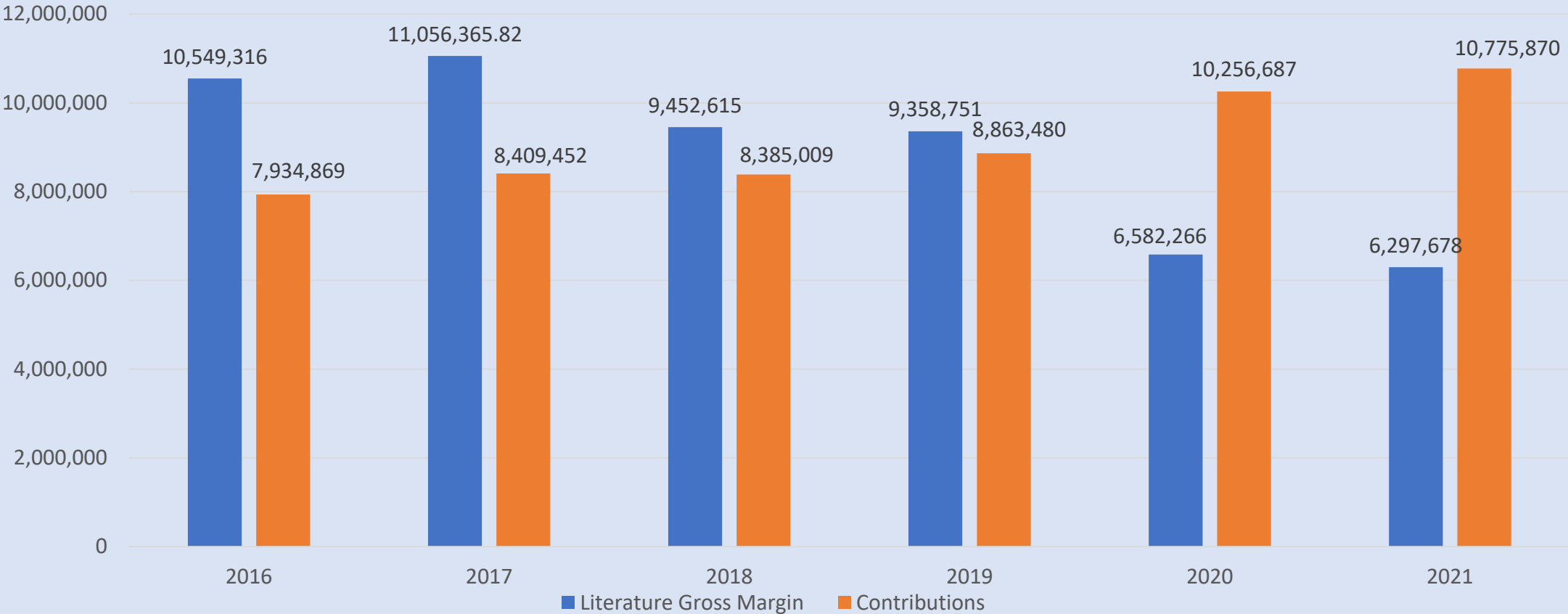


Kevin Prior, CFA, CPA
Class A (nonalcoholic) Trustee
General Service Board Treasurer

CONSOLIDATED OPERATING EXPENSES - 2021 - \$17.52 M
FINANCIAL STATEMENT EXPENSE CATEGORIES
CORRECTED PERCENTAGE BREAKDOWN



IMPACT OF PANDEMIC ON GSO REVENUE DISTRIBUTION



GSO FIRST QUARTER OF 2022

- ❖ Year to date contributions are \$2,715,237. This represents 27% of the 2022 budget of \$10,000,000 (with 25% of the year elapsed) and is \$214,656 more than last year.
- ❖ Year to date gross literature sales are \$3,082,012. This represents 28% of the 2022 budget of \$11,000,000 and is \$172,711 more than last year.
- ❖ Year to date gross margin (gross sales minus cost of goods sold) is \$1,447,097 which is 22% of the 2022 budget of \$6,534,000 and \$334,661 less than last year.
- ❖ Total operating expense year to date is \$3,770,769 which is 21% of the budget amount of \$17,558,625 and \$53,546 more than last year.
- ❖ Operating surplus to date is \$643,783 compared to a budgeted operating deficit of \$797,225 and an operating surplus of \$723,413 at this time last year.
- ❖ Including non-operating revenue and expense, there is a surplus of \$209,258 compared to a budgeted total deficit of \$1,350,569 and a surplus of \$509,780 at this time last year.
- ❖ As of March 31, the reserve fund balance net of Grapevine subscription liability is \$12,872,329, which represents 7.64 months of 2022 G.S.O., Grapevine, and La Viña expenses.

GRAPEVINE FIRST QUARTER OF 2022

- ❖ Grapevine paid print subscriptions decreased 12.2% in 1Q of 2022. Subscriptions for the online and mobile app magazine decreased 20.73%
- ❖ 2022 Grapevine 1Q results were a gross profit of \$218K on the magazine and a gross profit of \$182K on other published items. Operating expenses of \$493K resulted in an operating loss of \$85.7K compared to an income of \$32K (Excluding the \$180K insurance payment) in 2021.
- ❖ General Fund support of La Viña service activity was \$120K in 1Q 2022, compared to \$96K (invoiced in early April 2021).
- ❖ La Viña magazine circulation increased by 3.4% in 1Q 2022 compared to a 33.9% decrease in 2021.