

Rationale,
BUDGET REVIEW AND
UTILIZATION COMMITTEE

In order to effectively serve N.A., we must be able to effectively manage our finances. Current budget and spending practices do not allow us to do that. Most world service projects require the resources of all three world service arms. Yet working plans and budgets for World Service Office activities are created, prioritized, approved, and funded separately from conference and trustee activities. This makes it difficult to responsibly coordinate the allocation of resources for world service projects. It makes accounting for world service activities very complicated.

Attached is a proposal to create a single Budget Review and Utilization Committee for all of N.A. World Services. By creating this committee, the World Service Conference would authorize a unified approach to world service project planning, prioritizing, budgeting, approval, resource allocation, financial reporting, and fiscal accountability. This approach is straightforward, easy to understand, and simple to administer. It would provide for greater financial accountability to the conference and the fellowship. It would make effective world service financial management a reality; in doing so, it would help us serve N.A. more effectively.

First, the proposal describes the membership roster of the Budget Review and Utilization Committee. The committee is drawn from those with direct experience in administering world service finances. Chaired by the WSO board chairperson, the committee includes the treasurers of both the World Service Conference and the World Service Office Board of Directors. Two of the committee's members are appointed by the chairpersons of the World Service Board of Trustees and the WSO Board of Directors. The sixth voting member is elected each year by the World Service Conference from among past conference officers, committee chairs, and trustees. Finally, the proposal lists one nonvoting member, the chief financial officer of the World Service Office--a committee *member*, so that he or she can freely take part in discussions; and *nonvoting*, because he or she is a special worker.

1 The proposed budget process to be administered by this committee begins
2 each April at the annual meeting of the World Service Conference. When the
3 conference approves a world service project, it also establishes that project's
4 relative priority. Over the next five months, while work continues on *this* year's
5 world service projects, detailed work and spending plans are prepared for *next*
6 year's projects. Those plans describe how each project's aims will be fulfilled:
7 how many meetings and workshops will be held, how many committee members
8 and staff will be involved, how many mailings will be sent, and when the project
9 will be concluded. Project plans also include projections of all expected costs
10 involved in completing the project: office equipment, staff, and facilities, as well as
11 conference and trustee administrative, mailing, and travel expenses. In October,
12 all those plans go to the Budget Review and Utilization Committee for
13 consolidation. If a particular project does not appear to be planned in a fiscally
14 responsible way, the committee asks that the plan be adjusted.

15 By that time, a forecast of the total anticipated world service income--
16 conference contributions, literature sales, world convention registrations, and *N.A.*
17 *Way Magazine* subscriptions--has been made for the next calendar year. "Fixed"
18 costs--the cost of producing WSO inventory items, salaries, and facility expenses--
19 are deducted from the gross income forecast. The remainder, our "discretionary
20 income" forecast, is what we expect to be available for trustee and conference
21 service projects. Project work and expenditure plans are lined up, according to
22 WSC-established priorities, against the discretionary income projection. If more
23 work is planned than the income forecast allows, funding for lower priority
24 projects is deferred to the next budget year.

25 The draft budget is reviewed and approved in three stages. Late in October,
26 the Budget Review and Utilization Committee reviews the draft budget with the
27 World Service Board of Trustees, our primary service advisory body. The
28 following month, after factoring in the trustees' recommendations, the budget
29 committee reviews the draft with the WSO Board of Directors, our primary
30 business advisory body. After final adjustments are made, the budget is
31 submitted for approval of the WSO board in January. The approved budget is
32 included in the Budget Review and Utilization Committee's report to the World
33 Service Conference each spring.

34 The budget committee monitors world service income and project expenses
35 throughout the year. If income falls short of what was expected, the committee

1 may cut allocations to low-priority projects. If expenses for a particular project run
2 ahead of the budget, or if a project goes astray from its stated purpose or
3 production plan, the committee may revoke that project's funding. In either case,
4 the project's sponsoring board or committee can appeal the budget committee's
5 decision to an independent appeals board.

6 Project plans can be altered during the course of the year, and new projects
7 can be added to the budget. The world service board or committee that wants to
8 revise its approved plan, or add a new one, simply submits a proposal to the
9 Budget Review and Utilization Committee.

10 Just as the proposed budget process begins with the World Service
11 Conference, with WSC establishment of project priorities, so the budget process
12 ends with the conference. Thirty days prior to the conference, the Budget Review
13 and Utilization Committee submits a detailed annual report to conference
14 participants. The report includes a complete analysis of the world service budget
15 for the previous calendar year, comparing it with actual income and expenses.
16 The annual report also includes the approved world service budget for the current
17 calendar year. When the conference meets in April, it has the authority to alter the
18 budget in any way it sees fit, and to issue direction to the budget committee
19 concerning development of future budgets..

20 The proposal for a Budget Review and Utilization Committee allows world
21 services to prioritize *all* its service projects, according to the express wishes of the
22 World Service Conference; to draw upon *all* its physical, fiscal, and personnel
23 resources when making allocations; to responsibly monitor and regulate *all* its
24 financial activity; and to maintain fiscal accountability for *all* world service affairs to
25 the fellowship's decision-making body, the World Service Conference. The
26 proposed guidelines for budget committee operations is attached to this rationale.
27 Also attached is an example of a comprehensive world service budget; it has
28 been included to help the reader see precisely what kind of budget may be
29 produced by the proposed Budget Review and Utilization Committee.

WORLD SERVICE OFFICE, INC.
COMBINED BUDGET - WSO, WSC & WCC
PROJECT FORMAT EXAMPLE

INCOME		
WSO SALES	4,000,000	
WSC CONTRIBUTIONS	300,000	
WCC INCOME	400,000	
TOTAL INCOME		4,700,000
COST OF GOODS SOLD		
COST OF MERCHANDISE	1,600,000	
SHIPPING SALARIES	175,000	
SHIPPING RENT	70,000	
CONVENTION EXPENSES	300,000	
TOTAL COST OF GOODS SOLD		2,145,000

GROSS INCOME		2,555,000
BOARD OF DIRECTORS		
FIXED COSTS		
ALLOCATED OVERHEAD	98,117	
ADMINISTRATIVE COSTS	3,000	
WSC & 2 JAC MEETINGS	12,000	
BOD MEETINGS (4 MEETINGS)	28,000	141,117
DISCRETIONARY COSTS		
WSC WORKSHOPS (2 MEETINGS)	2,000	
CROSS-REPRESENTATION AT MEETINGS	3,000	
WSO CONSULTATION	1,000	
DIRECTOR TRAVEL	5,000	11,000

TOTAL BOARD OF DIRECTORS		152,117
NA WAY MAGAZINE		
FIXED COSTS		
ALLOCATED OVERHEAD	96,300	
PERSONNEL EXPENSES	50,000	
ADMINISTRATIVE COSTS	3,000	
TOTAL NA WAY MAGAZINE		149,300
BOARD OF TRUSTEES		
FIXED COSTS		
ALLOCATED OVERHEAD	361,579	
PERSONNEL EXPENSES	50,000	
ADMINISTRATIVE COSTS	8,000	
WSC & 2 JAC MEETINGS	15,000	
BOT MEETINGS (3 MEETINGS)	35,000	469,579
DISCRETIONARY COSTS		
WSC WORKSHOPS (2 MEETINGS)	2,000	
TRADITIONS AD HOC (10 MEETINGS)	55,000	
WSO TRAVEL & ADMINISTRATIVE	10,000	
CROSS-REPRESENTATION AT MEETINGS	3,000	
WSO CONSULTATION	1,000	
TRUSTEE TRAVEL	20,000	91,000

TOTAL BOARD OF TRUSTEES		560,579

WSC ADMINISTRATIVE COMMITTEE

FIXED COSTS

ALLOCATED OVERHEAD	125,372	
ADMINISTRATIVE COSTS	7,000	
WSC & 2 JAC MEETINGS	17,000	149,372

DISCRETIONARY COSTS

WSC WORKSHOPS (2 MEETINGS)	8,000	
ADMIN TRAVEL	20,000	
CROSS-REPRESENTATION AT MEETINGS	8,000	
WSO TRAVEL & ADMINISTRATIVE	7,000	
WSO CONSULTATION	2,000	45,000

TOTAL WSC ADMINISTRATIVE

194,372

LITERATURE COMMITTEE

FIXED COSTS

ALLOCATED OVERHEAD	341,592	
ADMINISTRATIVE COSTS	10,000	
WSC & 2 JAC MEETINGS	4,000	
PERSONNEL EXPENSES	80,000	435,592

DISCRETIONARY COSTS

WSC WORKSHOPS (2 MEETINGS)	2,000	
STEPS AD HOC (10 MEETINGS)	50,000	
LITERATURE COMMITTEE MEETINGS	21,000	
WSO TRAVEL & ADMINISTRATIVE	20,000	
WSO CONSULTATION	1,000	94,000

TOTAL LITERATURE COMMITTEE

529,592

PUBLIC INFORMATION COMMITTEE

FIXED COSTS

ALLOCATED OVERHEAD	172,613	
ADMINISTRATIVE COSTS	2,000	
WSC & 2 JAC MEETINGS	5,000	
PERSONNEL EXPENSES	50,000	229,613

DISCRETIONARY COSTS

WSC WORKSHOPS (2 MEETINGS)	2,000	
WORKSHOPS & LEARNING DAYS	6,000	
NON-NA EVENTS	6,000	
WSO TRAVEL & ADMINISTRATIVE	20,000	
PUBLISHING PROJECTS	2,000	
WSO CONSULTATION	2,000	38,000

TOTAL PUBLIC INFORMATION COMMITTEE

267,613

HOSPITALS & INSTITUTIONS COMMITTEE

FIXED COSTS

ALLOCATED OVERHEAD	174,430	
ADMINISTRATIVE COSTS	3,000	
WSC & 2 JAC MEETINGS	5,000	
PERSONNEL EXPENSES	50,000	232,430

DISCRETIONARY COSTS

WSC WORKSHOPS (2 MEETINGS)	2,000	
WORKSHOPS & LEARNING DAYS	6,000	
LITERATURE STOCKPILE	6,000	
WSO TRAVEL & ADMINISTRATIVE	10,000	
PUBLISHING PROJECTS	12,000	
WSO CONSULTATION	2,000	38,000

TOTAL HOSPITALS & INSTITUTIONS COMMITTEE

270,430

POLICY COMMITTEE		
FIXED		
ALLOCATED OVERHEAD	18,170	
ADMINISTRATIVE COSTS	1,000	
WSC & 2 JAC MEETINGS	5,000	24,170
DISCRETIONARY COSTS		
WSC WORKSHOPS (2 MEETINGS)	3,000	
WSO CONSULTATION	1,000	4,000

TOTAL POLICY COMMITTEE		28,170
AD HOC ON NA SERVICE		
FIXED COSTS		
ALLOCATED OVERHEAD	78,130	
ADMINISTRATIVE COSTS	4,000	
WSC & 2 JAC MEETINGS	2,000	84,130
DISCRETIONARY COSTS		
WSC WORKSHOPS (2 MEETINGS)	2,000	
WORKSHOPS & LEARNING DAYS	6,000	
COMMITTEE MEETINGS (6 MEETINGS)	17,000	
WSO TRAVEL & ADMINISTRATIVE	10,000	
WSO CONSULTATION	2,000	37,000

TOTAL AD HOC ON NA SERVICE		121,130
WORLD CONVENTION CORPORATION		
FIXED COSTS		
ALLOCATED OVERHEAD	181,698	
ADMINISTRATIVE COSTS	10,000	
BUD MEETINGS (4 MEETINGS)	20,000	
WSO TRAVEL & ADMINISTRATIVE	10,000	221,698
DISCRETIONARY COSTS		
RESERVE FOR FUTURE CONVENTIONS		60,000

TOTAL WORLD CONVENTION CORPORATION		281,698
TOTAL WSO & WSC PROJECTS		2,555,000
		=====

THESE COSTS ARE INCLUDED IN THE BUDGET AS "ALLOCATED OVERHEAD"

ADMINISTRATIVE COSTS

PERSONNEL EXPENSES	1,025,000
E.S.O. OPERATING COSTS	60,000
C.S.O. OPERATING COSTS	30,000
RENT	70,000
OFFICE EXPENSE	26,000
TRAVEL	50,000
POSTAGE	100,000
TELEPHONE	47,000
SERVICE CONTRACTS	40,000
UTILITIES	15,000
EQUIPMENT LEASE	20,000
FREE PUBLICATIONS	30,000
INSURANCE	25,000
TRANSLATIONS	10,000
DEPRECIATION	100,000

TOTAL ADMINISTRATIVE COSTS

1,648,000

3rd DRAFT—NOT FOR DISTRIBUTION

**BUDGET REVIEW AND
UTILIZATION COMMITTEE**

4	Purpose, primary activities.....	2
5	Organization	
6	Membership.....	3
7	Voting members	3
8	Nonvoting member.....	3
9	Conference election of one member	3
10	Leadership	4
11	Meetings	4
12	Decision-making	
13	Majority	4
14	Decision-making by telephone	4
15	Administration	
16	Conference-established priority ratings	5
17	Budget proposals	5
18	Project entries.....	5
19	General entries.....	6
20	Income forecasts.....	6
21	Budget development.....	6
22	Budget advisors.....	7
23	Budget approval.....	7
24	Revising approved project plans	7
25	Funding additional projects	7
26	Monitoring and reporting	8
27	Budget shortfalls.....	8
28	Revocation of funding	8
29	Appeals process.....	8
30	Annual report.....	9

PURPOSE, PRIMARY ACTIVITIES**PURPOSE**

The purpose of the Budget Review and Utilization Committee is to insure that world service funds are properly allocated and prudently utilized. The committee has authority to develop a comprehensive budget, allocate funds, monitor use of allocated funds, and revoke funding.

PRIMARY ACTIVITIES

The Budget Review and Utilization Committee fulfills its purpose by carrying out four primary activities:

1. The budget committee develops a comprehensive world service budget, based on specific project and expense plans submitted by each board or committee, for the approval of the WSO Board of Directors.
2. The budget committee allocates funds based on the approved budget.
3. The budget committee conducts an ongoing fiscal review of each of the board or committee projects to insure that those projects are adhering to the submitted project plans and approved budget.
4. Through its annual report, the budget committee provides the N.A. Fellowship with accountability for the utilization of world service funds. The report lists budgeted and actual expenditures for each project.

3rd DRAFT

NOT FOR DISTRIBUTION

PAGE 3

ORGANIZATION

MEMBERSHIP

The committee is composed mostly of members who serve by virtue of their primary world service positions. They serve throughout the year.

Voting members¹

- * Chairperson of the World Service Office Board of Directors
- * Treasurer of the WSO Board of Directors
- * Treasurer of the World Service Conference
- * A member of the WSO Board of Directors appointed by the WSO board chairperson
- * A member of World Service Board of Trustees appointed by the WSB chairperson
- * A past member of the world service leadership elected by the World Service Conference as described below

Nonvoting member

The World Service Office chief financial officer serves as a nonvoting member of the committee.

Conference election of one member

The past world service member of the committee is elected by the World Service Conference to serve a three-year term. This member must have served previously as a WSC officer, WSC committee chairperson, or member of the World Service Board of Trustees.²

¹ An alternate slate of voting members has also been developed, composed of two members of the WSC Administrative Committee, the chairperson and treasurer of the WSO Board of Directors, two members of the World Service Board of Trustees, and one former member of the world service leadership elected to the committee by the World Service Conference. This alternate slate would replace the slate listed under the current heading if the unified budget proposal is not accepted.

² An earlier draft of this plan stated that the conference could choose from among former WSO directors, as well as former WSC leaders and former trustees, when electing a member of the budget committee. If, in consideration of this plan, one of the WSO Board of Directors members of the budget committee is eliminated from the *ex officio* membership slate above, then this section should also be revised to again allow for conference election of a former director to the committee.

1 **LEADERSHIP**

2 The chairperson of the World Service Office Board of Directors also chairs this
3 committee.

4 **MEETINGS**

5 The committee will meet a minimum of three times a year, including its annual
6 meeting at the World Service Conference.

7 **DECISION-MAKING**

8 **Majority**

9 Decisions can be made only by a two-thirds majority of the voting membership of
10 the committee.

11 **Decision-making by telephone**

12 The committee may hold meetings by telephone conference call to reach its
13 decisions. Except in case of emergency, decisions of the committee will not be
14 reached through polling the individual members by telephone.

ADMINISTRATION

CONFERENCE-ESTABLISHED PRIORITY RATINGS

When the World Service Conference approves the commencement of a project, it also assigns a project priority rating. Priority ratings run from 1 to 5, with Priority One being the highest and Priority Five being the lowest. These priority ratings will guide the Budget Review and Utilization Committee as it carries out its responsibilities.

BUDGET TRAINING

Following the annual meeting of the World Service Conference, the budget committee conducts a training session to familiarize newly-elected conference, board, and committee officers with budget procedures.

BUDGET PROPOSALS

On September 30, the various world service boards and committees are required to submit detailed work and expense plans to the Budget Review and Utilization Committee. Proposals cover expenses for the next calendar year. (For example, on September 30, 1995, proposals will be submitted for calendar year 1996.)

All proposals must be submitted in writing, using the format described below. Proposals will contain two kinds of entries: project entries, and general entries.

Project entries

Plans for each service board or committee will include descriptions of all projects being proposed for the budget year. All project plans must include a production overview, indicating:

1. A project timeline, showing how much work is expected to be accomplished in how much time, and when the project will be completed. The project timeline should describe the entire life of the project, not just work scheduled for the budget year, though the timeline may be less detailed for work scheduled to be completed in following budget years.
2. Meeting schedules, including the location, maximum number of participants, and any additional expenses proposed for each meeting.
3. A listing of any additional expenses associated with the project.

In addition to using project plans while evaluating budget proposals, the budget committee will use them to evaluate the allocation of funds as each project progresses.

General entries

Budgets for each service board or committee must include a listing of all general expenses for the budget year, such as full committee or board meetings, administrative mailings and telephone calls. Each general expense entry must include a brief narrative explanation. This information should be based upon current prices for goods or services.

INCOME FORECASTS

On September 30, the chief financial officer of the World Service Office is required to present a forecast of WSO and World Convention Corporation income and expenses for the budget year.

On September 30, the treasurer of the World Service Conference is required to present a forecast of income from donations for the budget year.

BUDGET DEVELOPMENT

Early in October, the Budget Review and Utilization Committee meets to develop a draft budget. To insure the proper allocation and prudent utilization of N.A.'s world service funds, the committee is required to judge the fiscal and administrative merits of each proposal, and to reconcile requests for resources with the income expected for the budget year. The committee considers the accuracy, viability, and completeness of each proposal, project priority ratings, and the overall financial picture for the budget year.

The income forecast may prevent lower priority projects from being included in the draft budget. If this is the case, the respective board or committee responsible for that project has recourse to any of three options.

1. It may include the project in its next budget proposal.
2. Once the budget year actually begins, more funds may become available than were originally anticipated. If this occurs, the respective board or committee may request an allocation of funds for the project. (See "Funding of Additional Projects," below.)
3. It may appeal the decision of the budget committee. (See "Appeals Process," below.)

BUDGET ADVISORS

Once the Budget Review and Utilization Committee has developed a draft budget, each member of the budget committee is assigned to serve as budget advisor to one or more of the other world service boards and committees. Should any given budget proposal require adjustment before inclusion in the final budget, the budget advisor assigned to the proposal's originating service board or committee will resolve the matter with the leadership of that body.

BUDGET APPROVAL³

Late in October, the committee reviews the proposed budget with the World Service Board of Trustees.

In November, the committee reviews the proposed budget with the WSO Board of Directors.

The following January, the budget will be approved by the WSO Board of Directors.

REVISING APPROVED PROJECT PLANS

The committee may review proposals to revise already-approved project plans. Such a proposal must include a detailed description of why the original project plan is no longer preferred. A revision proposal must also state the exact changes being proposed for each affected portion of the original project plan.

FUNDING ADDITIONAL PROJECTS

The committee may review proposals for projects that are not included in the annual budget. Proposals to fund additional projects must include a detailed production plan and cost projection.

Should the committee deny funding for any particular project, the Budget Review and Utilization Committee will provide a report to the respective board or committee, and to the chairpersons of the World Service Board of Trustees and the World Service Conference. The budget committee will include the project on its agenda for consideration when the next year's budget is developed.

³ Note that if the unified budget proposal is not approved, this budget approval process will need to be modified to allow separate approval of budgets for the WSC committees and the World Service Board of Trustees.

MONITORING AND REPORTING

On a monthly basis, the committee's budget advisors are provided with progress and expenditure reports for projects being conducted by the service boards or committees they are assigned to. Budget advisors use this information in developing reports presented to the budget committee at each of its meetings. At the end of each year, these reports are compiled for inclusion in the budget committee's annual report to the World Service Conference.

Each year, a certified public accountant conducts a fiscal audit of world service expenditures. This audit is designed to insure that those expenditures have been consistent with approved project proposals, conference priority decisions, and budget committee policy. A copy of this audit is included in the budget committee's annual report to the World Service Conference.

BUDGET SHORTFALLS

If world services experiences an income shortfall, the budget committee may cut allocations of budgeted funds. Allocations will be cut according to conference-established priorities, starting with low-priority projects.

REVOCATION OF FUNDING

If a world service project deviates substantially from its approved project and expense plan, the Budget Review and Utilization Committee may revoke funding for the project. Thirty days in advance, the chairperson of the service board or committee responsible for the project will be notified in writing that the Budget Review and Utilization Committee intends to consider the matter, and that he or she is invited to meet with the budget committee to provide information relative to the project.

In order to revoke project funding, the decision of the committee must be unanimous. Within seven days of such a decision, the budget committee will provide written notice to the vice chairperson of the WSO Board of Directors, the chairperson and vice chairperson of the World Service Board of Trustees, and the chairperson, vice chairperson, and second vice chairperson of the World Service Conference.

APPEALS PROCESS

Any board or committee that has been denied project funding, or has had funding revoked, may appeal the decision. Within ten days of the decision, the committee's chairperson should present the objection in writing to the

1 chairperson of the World Service Board of Trustees. The WSB chairperson will
2 then convene an appeal board, whose decisions will be final. The appeals board
3 will be chaired by the WSB chairperson, and will be composed of the following
4 additional members:

5 * Chairperson, WSO Board of Directors

6 * Chairperson, World Service Conference

7 * Two members of the World Service Board of Trustees, appointed at the
8 beginning of each conference year by the WSB chairperson

9 No member of the appeals board may vote on an appeal affecting their own
10 board or committee.

11 Revoked funds will be frozen while an appeal is pending.

12 ANNUAL REPORT

13 Each year, the Budget Review and Utilization Committee provides an annual
14 report, including the current year's budget, for review by World Service
15 Conference participants. The report is mailed at least thirty days prior to the
16 World Service Conference. Conference participants are given the opportunity to
17 provide input to the committee. Their input may concern past, present, and future
18 budget activities. The conference may alter or redirect the budget.