

NAWS Budget - Rubber Stamped by World Board

In recent months I have read over and over how we once were a Fellowship that had an office, and today we are an Office that has a fellowship. I am really beginning to see the truth in that statement, especially after viewing the minutes from the World Board (WB's) January 2014 meeting. On January 10th the WB's – The Corporate Board of Directors (BOD) of NAWS Inc. – basically rubber stamped the budget that was most certainly prepared by our special workers at the World Service Office (WSO). The minutes listed the special workers (SW's) attending the WB's meeting as being Anthony Edmondson, Executive Director (ED); Becky Meyer, additional ED; Eileen Perez, one of two ED Personal Assistants; Jane Nickels, Public Relations (PR) Manager; and Travis Kaplow, the PR Managers Personal Assistant. The BOD's meeting and five special workers were in attendance. Here is a listing of the WB's that were in attendance at the four day event that boiled down to merely eight pages of minutes and a large amount of those pages were header and footer; Ron Blake, Sharon Harzenski-Deutsch, Bob Gray, Arne Hassei-Gren, Tali McCall, Odilson Gomes Braz Junior, Jim Buerer, Paul Fitzgerald, Mark Hersh, Iliigo calonje Unceta, Irene Crawley, Antonia Nikolinakou, Franney Jardine, MaryEllen Polin, Tana Agostini and Paul Craig. Not in attendance were Mary Banner and Ron Miller. This is word for word the way the rubber stamping was documented:

2014-2016 NAWS Budget and cover memo for 2014 CAT

Financial Update

Entries explained. This year's cover budget will be a bit longer and more detailed to help explain the realities of the entries and percentages.

In the past a percentage increase would have been created to offset the conference expenses projection.

- It is the responsibility of each group to fund each level of service and that has nothing to do with how much is or isn't needed. There is always more that we could do if we had more money.
- Line 18 in the financials has a typo[?]

There were no further questions on the budget. The board will receive another updated version with the changes incorporated.

No further questions or input provided.

Did you catch the repeat the repeat about “no further questions” when there were no questions in the first place? The part that really jumped out at me was this, “There is always more that we could do if we had more money.” Was this statement made by the WB's or a SW's, or are they considered one in the same? How much did this meeting of the WB's cost the Office, I mean the Fellowship? In a nut shell here is what the Corporate Directors rubber stamped for the WSO:

2014 -2016	Entry
\$16,642,307	Recovery Literature Income
\$3,126,681	Cost of Literature
\$13,515,626	Profit
\$4,677,273	Other Inventory Income
\$1,064,801	Cost of other inventory
\$3,612,098	Profit
\$17,128,098	Profit + Profit = Boom
\$8,564,049	Yearly Newcomer Tax

The WB's had no questions about how the money in the 2012 - 2014 budget was spent or about how the money in the 2014 - 2016 budget is proposed on being spent. The budget numbers - also known as MONEY - in this year's Conference Approval Tract (CAT) do not go beyond general categories

of spending, and there are no footnotes other than the vague descriptions I have included below. When reviewing the California Attorney General's *Guide for Charities* I discover, "The powers, duties, and liabilities of directors and officers of public benefit corporations are governed by California statutes. Directors are required to discharge their duties consistent with a fiduciary obligation to the charity." So according to State law, the WB's are ultimately responsible to the Corporation. But under the July 2013 version of the WB's Internal Processes and Procedures they make me believe that they are responsible to the fellowship;

Corporate Responsibilities

[abbreviated for pertinence]

To fulfill its legal requirements and its responsibility to the fellowship, the board carries out the following responsibilities each year:

- Carries out the organization's mission and purpose
- Ensures effective organizational planning
- Ensures adequate [not excessive] resources for the world service system
- Reaffirms its commitment to managing world services' resources effectively
- Ensures the legal and ethical integrity of the world service system and maintains its accountability
- Approves the budget for world services which is presented to the conference, and regularly reviews financial statements and progress against the budget
- Ensures that a financial audit [why not a performance audit] is performed, presented to the board, and distributed to conference participants
- Affirms the authority of the Executive Director and assesses performance through the Executive Committee (EC) that functions as the personnel committee

A friend asked NAWS a few questions concerning the proposed budget, by sending an e-mail requesting some documents and answers;

- A. I would like to request a copy of all the procedural manuals for the WSO. I would also like a copy of the job descriptions for all the "special workers" that are employed by Narcotics Anonymous at all the locations around the world.
- B. I would like to have a copy of your policy & practices with regard to spending the money you are requesting in the 2014 -2016 WSC Budget. Here is the amount and the description you have published in the CAT. Public Relations—\$150,316
- C. I would like to have a copy of your policy & practices with regard to spending the money you are requesting in the 2014 -2016 WSC Budget. Here is the amount and the description you have published in the CAT. Developmental Literature—\$764,682
- D. I would like to have a copy of your policy & practices with regard to spending the money you are requesting in the 2014 -2016 WSC Budget. Here is the amount and the description you have published in the CAT. World Board—\$630,988

There was no reply for seventeen days, so all four of the requests were sent again. However, this time they were sent to the address that had originally sent the following auto response. "We've received your email message and want you to know that it's important to us. The appropriate Board members will see the information or question you sent, if it pertains directly to the Board's business. Otherwise, a member of the WSO staff will send any further response to you very soon."

The request labeled D, the \$630,988 question has never been responded to by the WB's.

Shortly after the second request was submitted some information began arriving. The response received for request labeled A, the \$6,871,475 question, follows. "Regarding your request for procedural

manuals, attached are copies of NAWS Articles of Incorporation and the World Board Internal Guidelines, and Human Resource Panel Internal Guidelines, and below is a link to A Guide to World Services. Regarding a complete file of job descriptions, we considered the work that might be needed to fulfill your request and are unable, at this time, to commit the resources that would be necessary to accomplish that. It is helpful to note that job descriptions are updated as positions at the WSO are vacated and filled, and many of our staff have been with us for a number of years. That considered, we do not have a file of up-to-date job descriptions."

Probably the most complete response was in regard to the request labeled B, the \$150,316 question. Even though it was the most complete a second follow up e-mail was needed. These questions were then asked. Does the annual budget of \$75,158 have no policy & practices? How involved is the World Board in determining how to spend the budgeted money? In other words is the World Board making the decisions about where they spend the budgeted money? And here is the response to those questions. "Thank you for your additional questions. Even though staff develops the budget based in past practices, current trends, and available resources, the board needs question, discuss and approve the budget. The Executive Committee of the board is responsible for all travel decisions including PR."

As for the request labeled C, the \$764,682 question the response was less than forthcoming, "In response to your initial question from February 19, in practice, on a daily basis we respond to requests for free literature. As just a few examples, we send starter kits to new groups, books to inmates, and PR materials to service committees in need. There have been times where NA communities have had their literature supply destroyed by a natural disaster and NAWS has replaced that supply at no cost. Generally, when an individual, group, or service committee contacts us with a specific need for NA literature, but is unable to purchase it, we do our best to provide that NA literature, free of charge. Policy requires that the World Service Conference approve the NAWS budget at the upcoming WSC." A follow up request was then sent for some clarification; the initial question/request was simply asking for a copy of the policy & practices with regard to spending the money in the 2014 -2016 WSC Budget. The response did not answer that question/request. So the following information from the 2004 CAR was provided to NAWS:

"Strategic Framework - Some of the most important things we will talk about at the WSC are the items contained in our "strategic framework." Some of you have read about our strategic planning process or have heard us report on the strategic framework at a world service event. For many of you, though, this may be your first introduction to such ideas. Even those of you who have been keeping pace with these developments may not realize the importance of the strategic framework.

The strategic framework is an outline of all of the major areas for change in world service's efforts. It increasingly shapes the work of world services as we try to become an organization that is defined by systematic and organized planning rather than scattered and reactive efforts..."

Again the request was made for a copy of the policy & practices - "strategic framework" - with regard to spending the money. This is the reply from NAWS, "In response, noting your concern regarding how we describe that expense, to be clear the term "free literature" does not mean that it is free to NAWS, but rather that we offer it to NA communities at no charge. The budgeted amount covers our cost of production of that literature, and it also includes various shipping expenses. Typically those shipping charges are for the most cost effective means. As one option when it makes best sense, at times we will send free literature with a NAWS traveler who was headed to a community as a part of another effort, but any volunteer/staff travel expenses (airfare, hotel, etc.) would be assigned elsewhere in the budget. The costs here are for production and shipping of the literature, as described in the paragraph above."

Do you feel as if those requests/questions were satisfactorily answered by NAWS? Do you feel that those requests were to demanding or over reaching? Or were they simply asked to fill a need to learn about some astronomical figures that are being presented in this year's CAT. Perhaps the WB's are fully

versed on the lack of policy and procedures or to use their term “strategic framework” when it comes to financial accountability at NAWS. After reading the questions and responses I think we can all agree that the “strategic framework” has not been created, if it was created it has not been implemented. How can our representatives vote for a budget with such a lack of concern, or perhaps a disregard for financial accountability? Why are we not provided exact numbers on how NA money has been spent in the past? I think they do a great job asking for money in the budget, but they are not following up on how that money was actually spent. Do they not keep track of literature distributions? Do they not know who they provided travel expenses to? What does \$764,682 in developmental literature look like? Is it 355,665 English editions of our Basic text? (NAWS cost of \$2.15 each) How does English literature help communities that do not primarily speak English?

I wonder if the WB’s were as lackadaisical - rubber stamping – all the past proposed budgets as they were toward the proposed 2014 – 2016 budget. If they were then perhaps it’s time for us to stop voting for the proposed budgets, additionally we should stop electing WB’s into a position of trust. Maybe we should just change our Ninth Tradition to read; NA as such, ought never be organized, but we may create service boards or committees “a little bit” responsible to those they serve.

Over the last ten years - some of these WB’s could very well have been on the BOD the entire time - the NAWS reports can be broken down into the following categories and amounts:

2004	2006	2008	2010	2012	2014	Entry
5,213,063	6,158,437	6,105,290	7,026,682	6,999,578	\$6,871,475	Personnel
2,436,959	2,830,039	2,643,398	3,378,350	3,172,278	\$3,768,422	Overhead
2,068,926	2,967,331	3,324,486	4,002,136	4,084,753	\$3,126,681	Cost of Literature
2,367,036	2,764,419	2,788,762	2,945,727	2,785,711	\$2,771,869	Discounts
665,389	815,363	936,629	1,032,220	1,048,518	\$1,299,413	Shipping
813,046	1,029,777	1,175,914	994,708	1,107,883	\$1,064,801	Cost of other inventory
212,512	480,648	544,377	844,146	750,424	\$764,682	Developmental literature
345,596	390,915	533,223	491,476	480,000	\$630,988	World Board
260,154	434,944	444,586	262,259	577,416	\$617,352	Technology
68,020	291,019	503,223	635,688	360,000	\$569,034	Fellowship support
290,000	339,526	419,726	466,000	481,538	\$491,441	World Service Conference meeting
280,472	476,206	544,984	413,330	512,392	\$417,867	Developmental Subsidies & Allowances
383,679	340,795	320,371	430,995	226,567	\$200,172	Publications
N/A	134,362	125,056	74,037	161,921	\$194,856	Literature Distribution - Iran (?)
98,888	160,279	49,237	117,451	128,093	\$191,161	In-House Production
66,101	123,540	281,105	251,551	129,369	\$150,316	Public Relations/Professional Events
65,638	92,135	87,414	74,552	100,083	\$119,501	Accounting
23,331	190,175	96,000	38,031	8,455	\$58,289	Legal
44,987	56,357	85,349	138,768	54,177	\$51,731	Translations(not included in cost of goods)
26,639	27,289	39,780	97,703	48,065	\$48,080	Future (and prior) Conventions
26,800	*68,400	56,000	37,740	28,147	\$34,934	Business Plan Workgroup
29,550	55,516	57,037	28,199	26,270	\$22,782	Human Resource Panel
N/A	N/A	N/A	17,906	7,300	\$22,110	Literature Production & Distribution Travel
162,047	211,496	185,848	141,343	3,999	\$5,071	Marketing
3,450	6,750	4,988	5,040	5,000	\$397	World Service Conference Co-Facilitators

 Here is a recap of the totals – no questions asked - that are being presented in the 2014 - 2016 CAT:

1	\$6,871,475	personnel
2	\$3,768,422	overhead
3	\$3,126,681	cost of literature
4	\$2,771,869	discounts
5	\$1,299,413	shipping
6	\$1,064,801	cost of other inventory
7	\$764,682	developmental literature
8	\$630,988	World Board
9	\$617,352	technology
10	\$569,034	fellowship support
11	\$491,441	World Service Conference biennial meeting
12	\$417,867	developmental subsidies & allowances
13	\$200,172	publications
14	\$194,856	literature distribution - Iran (?)
15	\$191,161	In-house production
16	\$150,316	public relations
17	\$119,501	accounting
18	\$58,289	legal
19	\$51,731	translations (not included in cost of goods)
20	\$48,080	future (and prior) conventions
21	\$34,934	business plan workgroup
22	\$22,782	Human Resource Panel
23	\$22,110	literature production & distribution travel
24	\$5,071	marketing
25	\$397	World Service Conference Cofacilitators
	\$23,493,425	Total NAWS Expense
	\$70,000	SS Project
	\$250,000	Traditions Book
	\$38,000	PR roundtable
	\$358,000	Total WSC Expense
	\$23,851,425	Total Expense
26	\$16,642,307	Recovery Literature Income
27	\$4,677,273	Other Inventory Income
28	\$1,189,316	Shipping
29	\$1,526,034	Contributions
30	\$68,661	Miscellaneous Income
	\$24,103,591	Total Income
	\$252,166	NAWS Profit

	\$1,246,275	LITERATURE INCOME (IRAN)
	\$744,995	LITERATURE PRODUCTION (IRAN)
	\$194,856	LITERATURE DISTRIBUTION (IRAN)
	\$306,424	Total

2014–2016 World Services Projected Budget

1 Personnel— \$6,871,475

This contains all wages and salaries, payroll taxes, health and workers compensation insurance, training, recruitment, relocation, and retirement plan expenses associated with employees at all five branches of the World Service Office. It also includes contract labor hired for specific purposes. There are no projected increases.

2 Overhead— \$3,768,422

This is the facility lease expense, maintenance and repair, telephone, utilities, postage, auto service and lease, office expense, general insurance, amortization, bad debts, depreciation, bank charges, and dues and fees associated with the five branches of the World Service Office. Bank charges continue to rise as use of the shopping cart and credit card sales increase.

These expenses rose in this past cycle due to the aging of our assets in Amortization and Depreciation, an increase in bad debts from a few RSO closures, increased postage costs in all branches, obtaining additional warehouse space in Chatsworth, and new equipment in production to allow us to produce more items in-house.

3 Recovery Literature Cost of Goods—\$3,126,681

This section covers the cost of goods for recovery literature as defined under the *Fellowship Intellectual Property Trust* (generally all of the direct costs from manufacture to placing the item on the inventory shelf). Through staff efforts we have been able to avoid the standard increases in this area experienced by most publishers, but the publishing world is changing. Paper costs continue to rise worldwide, and we have forecast an overall increase in expense of 2% for year one and 2% for year two for all literature cost of goods. The exception(s) are the expense line item for *Living Clean*, which shows a decrease of 13% for year one and no increase for year two. This adjustment is due to the decrease in the number of books we are expecting to sell, which is reflected in *Living Clean* income.

4 Discounts— \$2,771,869

This is based on estimated literature sales and the projected discount level for those sales. The discount level varies based on the customer and size of orders.

5 Shipping— \$1,299,413

This expense is based on the shipping charges for estimated literature sales and announced or anticipated rate increases from our major carriers.

6 Other Recovery Literature—\$1,064,801

This refers to the cost of goods for the remaining *FIPT* literature other than books (primarily recovery pamphlets and some booklets). Also reflects a 2% overall projected increase each year.

7 Developmental Literature—\$764,682

This is the cost to distribute free literature to a growing number of developing NA communities, to hospitals and institutions, and for public relations purposes. The amount also includes the expenses for shipping, customs, and duties. We are still working on better reflecting this activity in our financial reports. Presently, to see the full value of this provision, you have to add this amount to the line in the Income portion of the budget called “Developmental Subsidies & Allowances.”

8 World Board—\$630,988

The World Board will meet a minimum of eight times in this conference cycle, plus during the conference itself. An orientation for new board members is included as a separate meeting at the beginning of the conference cycle. Additionally, in each conference cycle, training needs for the full board are included. With the election of a full board from more diverse locations, this expense has increased approximately 15%. The Executive Committee has been planning their meetings to coincide with a World Board or Business Plan meeting.

9 Technology—\$617,352

This is the expense for information services, computer leases, software, supplies, software application upgrades and updates, equipment leases and repair, and service contracts. Expenses associated with maintaining the na.org website; the expense associated with the database, online group data collection, and meeting information; as well as web and software fees for event registration are also included here. This category has increased, which is to be expected when you have an operation that is as dependent upon technology as ours, but is held in check by staff efforts.

As already mentioned, the major expense in the upcoming cycle to transition to a new accounting platform and related technology needs will come from reserve funds.

10 Fellowship Support—\$569,034

This is World Services' face-to-face interaction with the fellowship, primarily in workshops and forums. This includes interactions at zonal forums, worldwide workshops, and local fellowship development activities. In the past we have also had a line item for travel and workshops under World Service Conference Support, but all travel and workshop expense is now captured here.

The distinction of tracking delegate-focused workshops separately in financial reports has been difficult since they often include fellowship development efforts. We have projected an increase in year two to discuss the Service System transition.

11 World Service Conference—\$491,441

These are the expenses for the site and equipment needed for the event; hiring the parliamentarian; funding for staff, World Board, WSC Co-facilitators, and the Human Resource Panel; and the travel expense for currently 115 delegates from around the world.

12 Developmental Subsidies & Allowances—\$417,867

This is the cost of subsidizing or reducing the price of literature (often free) provided to a growing worldwide fellowship. We are not projecting an increase in this proposal. Presently, to see the full value of this cost you have to add this amount to the line in the expense portion of the budget under Fellowship Development labeled "Developmental Literature" which includes the expenses for shipping, customs, and duties. This line item had increased between 7% and 25% each year for the previous seven fiscal years, but we were actually able to better stabilize our costs for this important service in the last fiscal year by printing in various alternative locations.

13 a Publications—\$53,649

These are the expenses associated with the production of the *Annual Report* once a year, and the *Conference Report*, the *Conference Agenda Report*, and Conference Approval Track material once each conference cycle, and *NAWS News* approximately four times per year. The expense for translating *NAWS News* and the *CAR* is also included here.

13 b Publications—\$146,523

These are the projected expenses for producing, publishing, and distributing *Reaching Out* four times per year and *The NA Way Magazine* four times per year in six languages. *The NA Way* is also translated into a seventh language, Farsi, but since WSO Iran charges for these issues, there is no expense. The conference decided at WSC 2010 that we did not have to automatically send paper copies of the *NA Way* to all registered groups; groups and members who wanted a paper copy of the magazine were asked to re-subscribe. In the next conference cycle, we were able to save almost \$175,000 for this expense over the previous two-year cycle. Since then, the number of paper copies of the *NA Way* has continued to increase – by about 40% in fiscal years 2012 and 2013 and an estimated 24% in the current

2014 fiscal year. We are happy to report that at the same time we have had an increase of 18% in subscriptions of the e-version of *The NA Way*. For the same period, paper subscriptions to *Reaching Out* also increased by 11%, and the subscriptions for *Conference Report* and at WSC 2014.

14 Literature Distribution (Iran)—\$194,856

This is the allocation for the literature that is sold in Iran.

15 In-House Production—\$191,161

This includes the lease for reproduction equipment to print most translated books, booklets, and IPs that are not outsourced (and not included in Cost of Goods)—primarily non-English recovery books, pamphlets, and booklets, service materials, publications other than English *NA Way*, and reports. We have brought more of this activity in-house which has given us greater flexibility and control of those items that we produce in small quantities.

16 Public Relations—\$150,316

This is the expense for attendance at and participation in professional events, both NAWS and locally attended, that in some way address addiction and/or addicts. Some of these events have been the International Society of Addiction Medicine (ISAM), the World Federation of Therapeutic Communities (WFTC), the annual meeting of the American Society of Addiction Medicine (ASAM), the South-East Conference on Alcoholism and Drug Addiction (SECAD), the National Association of Alcohol and Drug Abuse Counselors (NAADAC), and some minor activity with the United Nations. These activities often overlap our marketing activity.

17 Accounting—\$119,501

This contains professional services for annual audits and random forensic spot checks, costs associated with having an audit committee as required by the Sarbanes-Oxley Act, other professional services associated with financial management, and contract labor.

18 Legal—\$58,289

This is primarily the direct registration and legal expense associated with maintaining worldwide copyright and trademark registrations for Narcotics Anonymous, *The NA Way*, the NA Logo, the Group Logo, and the Service Symbol, as well as all recovery and service material. It may also include direct costs to defend our intellectual property.

19 Translations—\$51,731

This covers the direct expense for translations of recovery and service material into languages other than English that is not already captured under the COG for each specific project.

20 Future and Prior Conventions—\$48,080

These are the expenses associated with planning up to five conventions at any time.

21 Business Plan Workgroup—\$34,934

This is the allocation for a workgroup that focuses on the routine business operations of NAWS and makes recommendations to the board on business matters. Additionally, as required by law, a portion of this group fulfills the audit committee function. This workgroup's function and expenses have been moved into fixed operations with the concurrence of the conference.

22 Human Resource Panel—\$22,782

This group is scheduled to meet a minimum of five times during the cycle to work on nominations and manage the World Pool. Part of one of these meetings will be used for orientation and training.

23 Literature Production and Distribution Travel—\$22,110

This allocation allows us to interact directly with RSOs, in addition to the quarterly webinars we have been holding, as well as travel to branch offices as needed.

24 Marketing—\$5,071

This covers the expense for attendance at and participation in professional events primarily related to corrections and treatment. Although we call this marketing, it is public relations-focused activity. These efforts are primarily conducted by staff with local volunteers. This includes the registration and preparation for events, travel, and follow-up for this activity.

25 WSC Co-facilitators—\$397

The WSC Co-facilitators are scheduled to meet to prepare for the conference, with the parliamentarian and the World Board and HRP.[hummm]

26 Recovery Literature—\$16,642,307

Year one is estimated to provide no increase in income, and year two is estimated to provide an increase of 2.5% for the Basic Text and 5% for everything else over year one income. *Living Clean* is projected to have a \$150,000 or 13% decrease because it has now been available for almost two years. We believe these are realistic estimates.

We include a separate line item for Literature Income (Iran) in both income and cost of goods. We show this separately and call out the budget totals without Iran because, as we have repeatedly reported, these are not funds readily available to us.

27 Other Inventory—\$4,677,273

We have estimated the same overall increase as reported above for recovery literature.

28 Shipping—\$1,189,316

This income is based on the estimated literature sales and the annualized actual income and expense. Since the last shipping increase took place 1 July 2013 this may vary somewhat.

29 Fellowship Contributions—\$1,526,034

We are forecasting that contributions will remain the same as the actual monies received this year. Since 2008, when we received almost one million dollars, contributions declined 17% in 2009, then decreased an additional 20% in 2010, increased 15% in 2011, and then decreased 10% in 2012. For the fiscal year ending 30 June 2013, we recouped some of that unprecedented decline and showed a 12% increase. There is no consistent trend here. We thank all of the members, groups, areas, and regions who responded to our appeal.

30 Licensed Vendor Payments, Interest, and Miscellaneous—\$68,661

This income estimate is conservatively based on previous actual experience.
