

<p style="text-align: center;">Narcotics Anonymous World Services, Inc. Proposed 2004–2006 Budget Description & Project Plans</p>

Overview

There are a couple of changes to the format of the budget draft for 2004–2006. These changes reflect the current standards for nonprofit financial statements. The draft shows Operating Income (Gross Sales minus Cost of Goods) before the four expense areas (Literature Production & Distribution, World Service Conference Support, Fellowship Development, and Events). Also, we have placed the specific income and expense projections for the World Convention at the end of the budget.

The proposed budget included in this packet covers all proposed world services activity from 1 July 2004 through 30 June 2006. This financial plan has been created with what we believe to be conservative estimates for both income and expense. It is still true that throughout the implementation of a unified world service system, we have been working on better systems to capture the information needed to support the budget you approve, and ways to make the reporting of that information more easily understood.

The *Guidelines for the Budget for NA World Services* calls for three classifications of expense:

- **Fixed Operational Funds**—funds allocated toward world service activities that are recurring in nature and have little to no functional change from budget year to budget year.
- **Variable Operational Funds**—funds allocated toward non-routine world service projects and/or activities that vary from budget year to budget year. This includes those items prioritized by the World Service Conference.
- **Reserve Funds**—allocations that are set aside to meet current and/or future financial needs. These funds are maintained in both short-term and long-term reserve accounts. Funds are also allocated toward the planned use of cash to offset, the effect of depreciation, improving asset value, providing financial resources necessary to effectively address the intellectual property management called for in the FIPT, and/or to acquire any fixed asset that has a depreciable value.

Fixed and variable expenses are identified in the proposed 2004-2006 budget. The proposed project plans included in this document cover the proposed variable operational expenses. Reserve funds are reflected in Cash Basis, which is shown at the end of the proposed budget. We have also provided a brief explanation of some of the kinds of items contained in each line item of this budget. These are identified as Fixed Operations (called Routine or Basic Services in the past).

The first column of this budget shows actual expenses for the fiscal year ending 30 June 2003. These figures are used as the basis for this entire budget. Column two covers year one of this budget, fiscal year 1 July 2004 through 30 June 2005; column three covers year two, fiscal year 1 July 2005 through 30 June 2006; and column four shows the total expense for the cycle, 1 July 2004 through 30 June 2006.

2004-2006 World Services Projected Income

The income projections for this budget are based upon the actual income figures from the 2002–2003 fiscal year. This is what is referred to throughout this document as “prior year’s income.”

Recovery Literature—Year one is projected to show a 1% increase over the prior year. Year two income is projected with no increase over year one. We have not included any projection for income or expense from the *Sponsorship* book since this is pending conference action.

Other Inventory—We have projected the same overall increase as reported above for recovery literature.

Shipping—This income is based on projected literature sales and a portion of the expected expense increase. Year one anticipates an increase of 1.55% and year two’s projected increase is 2.75% above that figure. The Business Plan Workgroup is reviewing our current shipping charges and changes may be made based on their recommendations.

Discounts—This is based on projected literature sales and the current level of discounts.

Developmental Subsidies & Allowances—This is the expense of subsidizing or reducing the cost of literature provided to a growing worldwide fellowship. We have projected the same overall increase as reported above for recovery literature. Presently, to see the full value of this provision you have to add this amount to the line in the expense portion of the budget under Fellowship Development called “Developmental Literature.”

Recovery Literature Expense—This section covers the cost of goods for recovery literature under the Fellowship Intellectual Property Trust.

Other Recovery Literature—This is the cost of goods for all FIPT literature other than books, primarily IPs.

Other Inventory Expense—This section covers the cost of goods for all other items related to the production and distribution.

Fellowship Donations—Donations seem to flatten or decrease in any year with a conference. This is primarily due to a decrease in regional donations. Year one projects a decrease in donations from 2002-2003, and year two is approximately 5% higher than year one. We are projecting that, during this next conference cycle, contributions will have increased by a total of 5%, with the *exception* of regional donations.

Unity Day income will be included in fellowship donations from now on. There will not be Unity Day income for 2004 since we are proposing that Unity Day be a time for the fellowship to have a moment of silence together and that there be no World Services sponsored Unity Day meeting and celebration until 2005 at WCNA-31. We are asking to try this for one cycle and will come back to WSC 2006 to determine if this is a practice that will continue.

Licensed Vendor Payments—This income is based on prior experience.

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Interest—This income is expected to increase 1% for year one and increase an additional 0.5% for year two. The raise is due to expected rate increases and more readily available funds than in this past cycle with two conventions.

Event Specific Income—In an effort to keep the direct income and expense effect of a World Convention easy to see, we have placed the WCNA-31 convention budget at the end of the overall budget. Please remember that this is a working budget only, since many of the specifics about this event have not been finalized.

2004–2006 World Services Fixed Operations

The term “Fixed Operational Expenses” refers to the activities of world services that are ongoing and recurring in nature, and that do not change dramatically from year to year as a result of conference actions. All of these activities require planning, support, and follow-up from world services staff.

The budget is broken into four major expense categories that represent the following percentage of our overall activity:

- **Literature Production & Distribution**
- **World Service Conference Support**
- **Fellowship Development**
- **Events**

Under each of these categories there is an attribution for accounting, personnel, overhead, and technology. The overall expense for these items is divided between the four categories by their percent of activity. For this cycle, we are attributing 35% to Literature Production & Distribution, 26% to World Service Conference Support, 31% to Fellowship Development, and 8% to Events. The increase of the percentage allocated to Fellowship Development (from 23% to 31%) and decrease in World Service Conference Support (from 27% to 26%) is a result of where we placed the proposed projects in the budget. The change in Events (from 16% to 8%) is due to the decreased level of activity expected with only one world convention in this budget cycle.

The following is a list of the types of expenses that are included in each attribution (reflected in the budget in purple), followed by a simple breakdown of the fixed operations expenses under each budget category. All increases or decreases are referred to against the actual expenses incurred in the 2002-2003 fiscal year.

Accounting—This contains bank service charges, professional services for annual audits and random forensic spot checks and other professional services associated with financial management, and contract labor. Bank service charges have grown as credit card sales have increased. To cover these services we have projected a 2% increase for year one and a 5% increase for year two.

Personnel—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 three branches of the World Service Office. It also includes contract labor hired for specific purposes. Year one reflects a 2% increase, and year two reflects an additional 3% increase.

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Overhead—This is the facility lease expense, maintenance and repair, telephone, utilities, postage, auto service and lease, office expense, general insurance, amortization, bad debts, depreciation, and dues and fees associated with the three branches of the World Service Office. This expense is expected to increase by approximately \$100,000 for year one to accommodate the need for additional warehouse space and increase 5% for year two.

Technology—This is the expense for information services, computer leases, software, supplies, equipment lease and repair, and service contracts for the three branches of the World Service Office. Expenses associated with maintaining the na.org website are attributed here. The expense associated with the database, online group registration and meeting information, and event registration is also included here. This expense is also expected to remain the same for year one and increase 5% for year two.

LITERATURE PRODUCTION & DISTRIBUTION

This section of the budget covers the expenses associated with the distribution of NA literature to fellowship and non-fellowship customers. This currently occurs through the WSO in Chatsworth and its branches in Canada and Belgium. For this budget cycle, we have projected increases in those costs for which we have received notice. This includes increases from the major book publishers, bindery services, booklet printers, and other printing suppliers of approximately 1% for year one and 2.5% for year two.

Fixed Operational Expense—All literature production and distribution costs that are not included under Total Cost of Goods Sold. These expenses are projected to increase 1% for year one and 2.5% for year two.

Marketing—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. We have increased the number and types of events that we attend.

Translations—This covers the direct expense for translations of recovery and service material into languages other than English.

In-House Production—This includes the lease for reproduction equipment to print booklets and IPs that are not outsourced—primarily non-English IPs and booklets, service materials, publications other than *The NA Way*, and reports. We plan to bring more of this activity in-house for this next cycle. This will give us greater flexibility and control of those items that we produce in small quantity.

Shipping—This expense is based on projected income and anticipated rate increases from our major carriers.

Legal—This is primarily the direct registration and legal expense associated with obtaining and 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.

Travel—This is travel required to support and manage two branch offices in Canada and Belgium or other travel directly associated with the production or distribution of our literature.

WORLD SERVICE CONFERENCE SUPPORT

Fixed Operational Expense—This section of the budget covers the expenses associated with support to all World Service Conference-related activities.

Publications—These are the expenses associated with the production of the *Annual Report*, the *Conference Report* twice each year, the *Conference Agenda Report* once each conference cycle, *Quarterly Financial Reports*, and *NAWS News* four or more times per year. The expense for translating *NAWS News* and the *CAR* is also included here. We have projected an overall 2% increase for year one and a 5% increase for year two in this category.

World Service Conference—These are the expenses for the location and equipment needed for the event, the parliamentarian, and funding for staff, World Board, WSC Cofacilitators, and the Human Resource Panel. Currently, the travel expense for 102 delegates from around the world is listed as a separate line item.

World Board—The following numbers are an estimate at this time. The World Board will meet a minimum of eight times in this conference cycle, plus 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. The EC is budgeted to meet a minimum of five times in this conference cycle. The figures reflect a 2% increase in year one and in year two a 5% increase to cover expected cost increases.

Human Resource Panel—This group is scheduled to meet a minimum of five times during the 2004–2006 cycle to work on nominations and manage the World Pool. A part of one of these meetings is also used for orientation and training. These expenses are projected to increase, as reported above for the World Board.

WSC Cofacilitator—The WSC Cofacilitators are scheduled to meet twice this year, once with the parliamentarian and once with the World Board and the HRP. We expect similar activity for this next cycle.

Travel—This is the activity of world services face-to-face interaction with the fellowship for *Conference Agenda Report* workshops. This includes the selection of events and travelers, and the preparation and communication required.

FELLOWSHIP DEVELOPMENT

Fixed Operational Expense—This section of the budget covers the expenses associated with support to the fellowship. We have projected an increase of 2% for year one and 5% for year two.

Publications—*Reaching Out* four times per year, *Meeting by Mail* six times per year, and *The NA Way Magazine* four times per year in five languages to over 27,000 addresses. Our expenses have increased for this fiscal year, and we expect them to continue to increase.

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Fellowship Support—This is world services' face-to-face interaction with the fellowship, primarily in workshops and forums. This can also be assistance provided to zones, primarily for participants' attendance at their forums. This has also included assistance with local fellowship development activities.

Professional Events—This is the expense for attendance at and participation in professional events that in some way address addiction and/or addicts. Some of these events have been the International Council on Alcohol and Addictions (ICAA), the World Federation of Therapeutic Communities (WFTC), the annual meeting of the American Society of Addiction Medicine (ASAM), the SouthEast Conference on Alcoholism and Drug Addiction (SECAAD), the National Association of Alcohol and Drug Addiction Counselors (NAADC), and some minor activity with the United Nations. These activities often overlap and complement our marketing activity.

Developmental Literature—This is the cost to distribute free literature to a growing number of developing NA communities, hospitals and institutions, or literature distributed for public relations purposes. 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."

EVENTS

Fixed Operational Expense—This section of the budget covers the fixed expenses associated with event planning and support to the fellowship.

Unity Day—For this conference cycle, we are proposing that in 2004–2005 Unity Day be a fellowship-wide celebration without a specific event hosted by World Services. In 2005–2006, Unity Day will be held at the world convention in Hawaii. As a result, there is no allocation for Unity Day in the first year of the cycle.

WCNA-31—The income and expense figures here are an estimate only. It is projected to have approximately 5,000 people registered.

2004–2006 World Services Variable Operations

The *Guidelines for the Unified Budget for NA World Services* calls for a specific process to be created for the consideration, evaluation, development, and approval of world service projects and those activities that vary from year to year. Each project is included in the draft budget under the appropriate budget category and then under variable operational funds.

These project plans return to the practice of reflecting direct expenses rather than attempting to capture staff expenses as well. In the past, we have gone to great effort to estimate the time expected for each type of employee to complete each project and track this during the cycle. Since this is not something that was tracked in our financial reporting during the last cycle or discussed at the conference, we have not included it in the plans for this cycle.

We may or may not be able to accomplish everything that we propose. We believe that the spirit of the budget process adopted by the conference requires conference approval of the work of world services. Therefore, we are presenting all

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items that could possibly be worked on before the next meeting of the WSC. We will report our activity throughout the conference cycle.

We were presented with a dilemma when putting together the proposed budget for this upcoming conference cycle. As we said, we are proposing more projects than we may be able to accomplish; while this is often true in terms of limited human resources, this cycle, our financial limitations created a challenge as well. That is, we are proposing more projects than we have projected income to cover. For that reason, the expenses of the projects are reflected in contingent columns and are not included in the budget totals. Once projects are discussed and approved by the conference, a revised budget will be created that includes these projects in the budget totals.

We have used historical estimates, with estimated increases during the next two years, for travel expenses, conference calls, and mailings. These plans, as with the rest of the budget, have used generous estimates to try to ensure that we stay within budget. For proposed project plans that have a range for the number of meetings, we budgeted for the maximum number indicated.

In the December 2003 *Conference Report*, we reported on all projects approved for the 2002–2004 cycle: which were completed, which we made progress on, as well as those for which little to no work was done.

For the 2004–2006 conference cycle, we have created the following plans as a direct result of our strategic plan. We discussed what activities would help us to achieve the objectives under each key result area. Those discussions resulted in our identifying the approaches for improvements that we believe are possible. We then discussed *how* to achieve the approaches that we had identified, which resulted in the following project plans. Each project plan begins with the relevant objective(s) and approach(es) from our strategic plan to illustrate the connections between the strategic plan and the projects.