

Narcotics Anonymous World Services, Inc.

Proposed 2006–2008 Budget Description & Project Plans

Overview

As we indicated last cycle, the format of the budget draft for 2006–2008 reflects 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). The specific income and expense projections for the world convention can be found at the end of the budget.

The draft budget included in this packet covers all proposed world services activity from 1 July 2006 through 30 June 2008. As is our norm, this financial plan has been created with what we believe to be conservative estimates for both income and expense. We continue to work 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 funds:

- **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**—Funds 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, and 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 draft 2006–2008 budget. The proposed project plans included in this document correspond with the proposed variable operational expenses. We have also provided a brief explanation of some of the kinds of items contained in each line item of the fixed operational expenses. In the past, we have referred to these items as **Routine or Basic Services**. We now believe that the term **Essential Services** better reflects the true nature of these services. Reserve funds are reflected in the **Cash Basis** page, which is shown at the end of the draft budget.

Column one of this budget includes the actual expenses for the fiscal year ending 30 June 2005 plus the actual expenses from 1 July 2005 to 30 November 2005, which are then “**annualized**” to approximate a yearly total. This provides a broader date range of expense as the base, which improves our ability to estimate future expenses.

These amounts are used as the base for this draft budget. Column two covers year one of the two-year budget cycle (fiscal year 1 July 2006 through 30 June 2007); column three covers year two (fiscal year 1 July 2007 through 30 June 2008); and column four shows the total proposed expense for the entire two-year cycle (1 July 2006 through 30 June 2008).

2006–2008 World Services Projected Income

The income estimates for this budget are derived from the actual income received during the seventeen-month period described above. This is what is referred to throughout this document as “prior year’s income.”

Recovery Literature—Year one is estimated to provide a 2.5% increase in income over the prior year. Year two income is estimated to provide a slight increase of 2.5% over year one income. We have not included any estimate for income or expense for a new edition of the Basic Text in year two since WSC actions will affect whether or not a version is actually released in 2008.

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

Shipping—This income is based on estimated literature sales and a portion of an anticipated shipping price increase. Year one estimates reflect an increase of 4.7%, and year two’s estimated increase is 5% above year one. The Business Plan Workgroup is still reviewing our current shipping charges, and changes to these estimates may be made based on their recommendations.

Discounts—This is based on estimated literature sales and the current discount structure.

Developmental Subsidies & Allowances—This is the cost of subsidizing or reducing the price of literature (often free) provided to a growing worldwide fellowship. We have estimated the same overall increase as reported above for recovery literature. 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.

Recovery Literature – Cost of Goods—This section covers the cost of goods for recovery literature under the Fellowship Intellectual Property Trust (generally the complete cost for manufacture to placing the item on the inventory shelf). For this budget cycle, we have estimated increases in expenses of approximately 4% for year one and 3.5% for year two.

Other Recovery Literature—This refers to the cost of goods for the remaining FIPT literature other than books (primarily IPs and some booklets).

Other Inventory Expense—This covers the cost of goods for all other items sold from inventory not considered to be part of the FIPT.

Fellowship Donations—Each budget year’s donations are estimated to increase 2.5%. We are estimating that during this next conference cycle, contributions will increase by a total of 5% with the *exception* of regional donations.

Again, during this cycle and for the future, there is no plan for a world services sponsored Unity Day event outside of the one held in conjunction with the world convention. That means that there will not be a world services sponsored Unity Day meeting and celebration until September 2007 at WCNA-32.

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

Interest—This income is expected to increase less than 1% for year one and show no additional increase for year two.

Event Specific Income—In our ongoing effort to keep the direct income and expense of a world convention easy to see, we have placed the WCNA-32 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.

2006–2008 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 divided into four major expense categories that represent our overall activity:

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

Under each of these categories, there is an allocation for accounting, personnel, overhead, and technology. The overall expense for these items is divided between the four categories by focus of activity, derived mainly from hours of staff support and building space occupied. For this cycle, we are attributing 35% to Literature Production & Distribution in both years; 26% to World Service Conference Support in year one decreasing to 21% in year two (expecting fewer WSC-specific items); 31% to Fellowship Development in both years; and 8% to Events in year one increasing to 13% in year two. The changes in the percentages reflect anticipated changes in the activity level for projects and activities in the budget divisions.

The following is a list of the types of expenses that are included in each allocation (reflected in the budget in purple), followed by a simple breakdown of the fixed operation expenses under each budget category. All estimates for increases or decreases are derived from the actual expenses incurred during the 2004–2005 seventeen-month period described above.

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 and processor service charges have increased 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, the same percentage increases used during the last budget cycle.

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 four 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. We again matched the last budget cycle's increases.

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 four branches of the World Service Office. This expense is expected to increase by approximately 2% for year one and increase 5% for year two. This is one of the activity areas where changes in costs for services provided to NAWS as well as costs associated with goods used in Essential Services is more directly reflected.

Technology—This is the expense for information services, computer leases, software, supplies, software application upgrades and updates, equipment leases and repair, and service contracts for three of the four branches of the World Service Office. Expenses associated with maintaining the na.org website, the expense associated with the database, online group data collection and meeting information, and event registration are also included here. Our experience over the last several years has proven that when you have an operation that is as dependant upon technology as ours, this category will increase each year. We are estimating 5% increases for each year.

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, Belgium, and now Iran.

Fixed Operational Expense—This includes 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 (and not included in Cost of Goods)—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 estimated literature sales and announced or anticipated rate increases from our major carriers.

Legal—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.

Travel—This is travel required to support and manage three branch offices in Canada, Belgium, and Iran 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 supporting all World Service Conference-related activities.

Publications—These are the expenses associated with the production of the *Annual Report*, the *Conference Report*, typically, twice each conference cycle, 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 estimated 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 site and equipment needed for the event, the parliamentarian, and funding for staff, World Board, WSC Cofacilitators, and the Human Resource Panel, as well as the travel expense for delegates from around the world.

World Board—The following number of meetings is an estimate at this time. The World Board will meet a minimum of eight times in this conference cycle, plus attend 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 Executive Committee is budgeted to meet a minimum of five times in this conference cycle. The amounts reflect a 2% increase in year one and a 5% increase in year two.

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 expected to increase the same as reported above for the World Board.

WSC Cofacilitator—The WSC Cofacilitators are scheduled to meet twice for this conference, once with the parliamentarian and once with the World Board and the HRP. We expect similar activity for this next budget 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—We publish *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 37,000 addresses. Our expenses have increased, and we expect them to continue to increase.

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 South East 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 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 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."

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 and the future we are proposing that Unity Day be a fellowship-wide celebration without a specific event hosted by world services. In the 2006–2008 cycle, Unity Day will be held at the world convention in San Antonio, Texas. As a result of our intent, there is no allocation for Unity Day in the first year of the budget cycle and the second year is included with the Event Specific.

WCNA-32 Event Specific—The income and expense amounts here are an estimate only. San Antonio is estimated to have approximately 15,000 people registered.

2006–2008 World Services Variable Operations

The *Guidelines for the 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 expenses.

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 is tracked in our financial reporting, we do not include detailed estimates in the project 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 items that could possibly be worked on before the next meeting of the WSC. We will report our activity throughout the conference cycle.

Each conference cycle, we are presented with a dilemma when putting together the proposed budget. As we have previously said, we will always propose more projects than we may be able to accomplish, typically because of our limitations in human resources. 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 “high-side” estimates for expenses to try to ensure that our estimated income is adequate to meet the maximum potential expenses. For proposed project plans that have a range for the number of meetings, for instance, we budgeted for the maximum number indicated.

We have created the following plans as a direct result of our strategic plan. We discussed which 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.