

Narcotics Anonymous World Services, Inc.

Proposed 2008–2010 Budget Description & Project Plans

Overview

As we indicated last cycle the format of the budget draft for 2008–2010 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 2008 through 30 June 2010. As is our norm 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 are still 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 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, to improve asset value, provide 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 2008–2010 budget. The proposed project plans included in this document correspond with the proposed variable operational expenses. Along with the fixed operational expenses we have also provided a brief explanation of some of the kinds of items contained in each line item. Although these are identified as Fixed Operational Expenses, in the past they have been called Routine or Basic Services. We now believe that “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 2007 plus the actual expenses from 1 July 2007 to 30 November 2008 “annualized” to approximate a yearly total. These amounts are used as the base for this draft budget. This provides a broader date range of expense as the base, giving us an improved capacity to estimate the future expenses. Column two covers year one of the two-year budget cycle (fiscal year 1 July 2008 through 30 June 2009); column three covers year two (fiscal year 1 July 2009 through 30 June 2010); and column four shows the total proposed expense for the entire two-year cycle (1 July 2008 through 30 June 2010).

2008-2010 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 for a 1% increase in income over the prior year. Year two income is estimated to provide for an increase of 2% over year one income. We know that there will be some impact from the anticipated release of the Sixth Edition, if approved, but we have chosen to keep our revenue projections rather conservative. It is not anticipated that the Sixth Edition would be available for sale until October 2008 at the earliest. Therefore, any financial impact would not start until the second half of year one in the budget. We have made specific adjustments to the Basic Text income rather than to all recovery literature income to reflect a more realistic projection.

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. Just like in the last budget, year one estimates include an increase of 4.7% and year two’s estimated increase is 5% above year one. The Business Plan Workgroup finished their review of current shipping charges and have not yet made any specific recommendations to the board for changes to shipping charges.

Discounts—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.

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 from manufacture to placing the item on the inventory shelf). For this budget cycle we have estimated increases in expenses of approximately 5% for year one and 3.5% for year two.

Other Recovery Literature—This label is the cost of goods for the remaining *FIPT* literature other than books (primarily recovery pamphlets and some booklets).

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

Fellowship Donations—Each budget year's donations are estimated to increase 2.5%. This seems to be our average rate of increase over the last several years. Again we are estimating that during this next conference cycle contributions will increase by a total of 5% with the *exception* of regional donations.

There is still 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 August 2009 at WCNA-33.

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

Interest—This income is expected to decrease for year one and show no additional shifts for year two.

Event Specific Income—In our ongoing effort to keep the direct income and expense effect of a World Convention easy to see, we have placed the WCNA-33 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.

2008–2010 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 based on focus of activity; the expense is derived mainly from hours of staff support and building space occupied. For this cycle, we are attributing the following percentages for both years: 34% to Literature Production & Distribution, 22% to World Service Conference Support, 34% in Fellowship Development, and 10% to Events. The changes in the percentages are a reflection of the changes in the activity level anticipated 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 operations expenses under each budget category. All estimates for increases or decreases are derived from the actual expenses incurred during the 2006–2008 seventeen month period described above.

Accounting—This contains bank service charges, professional services for annual audits and random forensic spot checks, other professional services associated with financial management, and contract labor. Bank and processor service charges have - increased as credit card sales have increased. As we did in the last cycle's budget, 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.

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 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 is 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 an 8% increase for year one and a 6% increase 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, Belgium, and now Iran.

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 (and not included in Cost of Goods)—primarily non-English recovery pamphlets 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.

Literature Distribution (Iran)—This is the allocation for the literature that is sold in Iran.

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.

Business Plan Workgroup—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. This workgroup's function has been moved into fixed operations, but a project plan is presented to reflect the anticipated scope of work for the group each cycle. Additionally, as required by law, a portion of this group fulfills the audit committee function.

Literature Convention Workshop—This allocation allows for the holding of a workshop in the cycle if time and resources allow.

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 support to all World Service Conference-related activities.

Publications—These are the expenses associated with the production of the *Annual Report* once a year, the *Conference Report* and the *Conference Agenda Report* once each conference cycle, 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; hiring the parliamentarian; funding for staff, World Board, WSC Cofacilitator, and the Human Resource Panel; and the travel expense for approximately 107 delegates from around the world.

World Board—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 Executive Committee is budgeted to meet a minimum of five times in this

conference cycle. The amounts again reflect a 2% increase in year one and a 5% increase in year two to accommodate normal increases in costs.

Human Resource Panel—This group is scheduled to meet a minimum of five times during the 2008–2010 cycle to work on nominations and manage the World Pool. Part of one of these meetings will be used for orientation and training. These expenses are expected to increase the same percentage as reported above for the World Board.

WSC Cofacilitator—The WSC Cofacilitator is scheduled to meet twice to prepare for the conference, once with the parliamentarian and once with the World Board and the HRP.

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 36,000 addresses. As is to be expected with free publications our expenses have increased as demand has increased. We have been trying to actively encourage members to use the electronic version of *The NA Way* in an effort to stabilize or reduce costs. Despite those efforts we expect the costs associated with *The NA Way* 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. We indicated at the last WSC that we were going to experiment with several new approaches to try to meet this ever growing demand. As a result, we far exceeded our projections for expense primarily because the resources were available and the number of fellowship requests grew significantly. We have increased our base projections for this cycle expecting the activity level to remain high.

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 (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. This is also a resource-dependant expense item. As more resources are available, both human and financial, we try to increase the level of our activity.

Developmental Literature—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.”

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 fellowshipwide celebration without a specific event hosted by World Services. In 2009, Unity Day will be held at the world convention in Barcelona Spain. As a result, 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 figures.

WCNA-33 Event Specific—The income and expense amounts here are an estimate only. Barcelona is estimated to have approximately 6,000 people registered.

2008–2010 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.

For the past several conference cycles (since 2004–2006) we have not attempted to capture staff expenses in the project plans and instead simply reflected direct expenses. 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 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.

In any given conference 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 present all items that could possibly be worked on before the next meeting of the WSC, and we report our activity throughout the conference cycle.

The following is the status of the projects adopted for the 2006–2008 cycle:

- ◆ Basic Text Workgroup
This project was completed. The results are contained in the 2008 CAR.
- ◆ Business Plan Workgroup
This is an ongoing essential service. There is a project plan for this workgroup for 2008–2010.
- ◆ Fellowship Issue Discussions
This is an ongoing essential service. There is a project plan proposed for 2008–2010.
- ◆ Implementation of the *PR Handbook*
Although this continues to be ongoing work, we do not believe it needs a project plan for 2008–2010. The PR Addenda that were released this cycle were under this project plan.
- ◆ Training & Orientation
Part of this project is contained in the Public Relations project plan for 2008–2010.
- ◆ Workshops
This is an ongoing essential service. There is a project plan proposed for 2008–2010.
- ◆ Basic Service Material
The service pamphlets released during the 2006–2008 conference cycle were completed under this project plan. Plans for 2008–2010 are covered under the Fellowship Issue Discussion project plan.
- ◆ Targeted Literature
The piece for young people and the piece for parents or guardians of young people contained in the 2008 CAR were developed under this project plan.
- ◆ Public Relations Development
The training called for in this project plan has been rolled into the Public Relations project for 2008–2010. The work done in the 2006–2008 cycle was primarily around activities at WCNA-32.
- ◆ NAWS Communications
This is considered essential services, and although we may evaluate NAWS publications in the upcoming cycle, we do not believe that a project plan is needed.

For the 2008–2010 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 within the cycle. We then discussed *how* to achieve the approaches that we had identified, which resulted in the following project plans. Each project plan includes the relevant objective(s) and approach(es) from our strategic plan to illustrate the connections between the strategic plan and the projects.