

MEMORANDUM

June 1, 2023

From: Kevin J Prior, CFA, CPA, GSB Treasurer



TO: Archives; Paul Konigstein, Chief Financial Officer; Bob W, General Manager; AAWS Board; AAGV Board; General Service Board, Finance Committee of the 73rd General Service Conference, Delegates of 73rd GSC

RE: Insurance Settlement from 2020 A.A. International Convention

I. Background

The 2020 A.A. International Convention (Detroit) had a budget of 47,500 attendees and a budgeted profit of \$64,698. Due to the onset of the Covid-19 Pandemic, this event was cancelled during Spring, 2020. Because event cancellation insurance was in force for this event, costs incurred plus expected profit were reimbursed.

II. Abstract/Summary

The total reimbursed to Alcoholics Anonymous World Services Inc. (AAWS) under the insurance claim was \$2,152,134. This is comprised of reimbursement expenses incurred 1,829,493 and 362,965 for "projected lost profit". The lost profit amount was distributed to A.A. Grapevine Inc. (Grapevine) in the amount of \$180,000 in 2020 and to AAWS in the amount of \$182,965 in 2023. The use of the insurance proceeds for AAWS operating expenses was approved by the Trustees' Finance and Budgetary Committee (TFC) and the General Service Board (GSB) at Jan 2022 GSB meeting where the AAWS Budget stating this plan was approved, and further at the Oct 2022 GSB meeting where the actual transfer of the cash to the general fund was agreed upon. At no point was there a committee or board group conscience to use to funds in any other way, or to hold them for a future international convention.

III. Financial Reconciliation

						Reimbursed in 2020 from	Reimbursed in 2022 from
I. Expenses Incurred						Insurance Check #1	Insurance Check #2
	Staff-related costs (salary, benefits)				492,661		492,661
	Convention Management Consulting Fees and Travel				337,415	337,415	
	Convention Center Production Costs				278,218	278,218	
	Registration-Related Costs				220,463	220,463	
	Legal, Accounting, Audit Fees				175,518		175,518
	Credit Card Processing Fees				75,265		75,265
	Transportation Costs (primarily shuttles)				70,500	70,500	
	Site Selection Costs				66,050		66,050
	Host Committee				34,840	34,840	
	Event Communication and Attraction				33,351		33,351
	Stadium Production Costs Incurred (Flag Ceremony)				16,690	16,690	
	Pre-Conference Staff Travel				15,556		15,556
	Other				12,966	12,966	
					1,829,493		
II. Projected Profit					362,965		362,964
III. Less Registraton Fees donated in lieu of refund					(40,324)		(40,324)
IV. Net Loss Reimbursed by Insurance Company					2,152,134	971,092	1,181,041

IV. Explanation of Financial Reconciliation

The insurance claim was ultimately settled for \$2,152,134. This consisted of \$1.8 million of expenses incurred, projected profit of \$363k, and was reduced by the amount of registration fees that participants contributed to AA in lieu of receiving a refund. All other registration fees were refunded when the Convention was canceled.

The projected profit was based on the expected proceeds from the Convention if it had not been canceled. This is greater than the \$65k that was budgeted profit for the Convention. At the time of cancellation, far more accurate estimates of registration revenue and costs were available than when the budget was set. Approximately half (\$180,000) of the reimbursed lost profit was transferred to Grapevine, recognizing the potential sales of Grapevine books and subscriptions to Grapevine and La Viña magazines that were not made due to the cancellation.

Both insurance payments were received during 2020 and the impact on AA profit and loss was recognized in AA's financial statements for the year ended December 31, 2020. This was reported in the Treasurers Report at the 71st General Service Conference (GSC), 2021 Regional Forums and in the audited financial statements for 2020.

During 2020, payments were made to reimburse third parties for their costs incurred – these are detailed in the “Reimbursed in 2020 from Insurance Check 1” column of the reconciliation. In addition, the \$180,000 transfer from the International Convention account to Grapevine was also completed during 2020. The remaining proceeds of \$1,001,041 (\$1,181,041 less Grapevine transfer of \$180,000) were owed to AAWS to reimburse administrative costs and the portion of lost profit due to AAWS \$182,964 (\$362,964 less Grapevine transfer of \$180,000).

Due to Staff turnover, Covid, and other factors, these funds were not transferred from the International Convention account to the General Fund account during 2020. They remained in the International Convention account as of December 31, 2020. Other than accrued interest, there was no activity in or out of the International Convention account in 2021. At the October 2022 TFC meeting the balance in the International Convention account was \$1,010,656.21

The 2022 AAWS Budget approved in January 2022 included an operating deficit attributable to still depressed literature sales and the resumption of in-person meetings for Conference, General Service Board weekends and Regional Forums. This budget included the transfer of \$1,011,417 (the “balance” noted above plus estimated accrued interest) from the International Convention account to the General Fund account. A total of \$1,010,000 was transferred in three installments on November 1 (\$800,000), December 1 (\$50,000) and December 15, 2022 (\$160,000), with \$656.21 left in the account to keep the account open/active.

AAWS was, in effect, reimbursed for administrative costs and vendor payments previously paid. These funds were then utilized to pay for printing costs and purchases of paper for future printing. During November and December 2022, a total of \$1.03 million in printing invoices were paid and an additional \$343k of invoices for paper purchases were paid. The printing and paper costs become part of the Inventory balance until sold, at which time these costs become part of “Cost of Goods Sold”.

The transfer of \$1,010,000 had no impact on profit and loss in 2022. It was a transfer from one Cash Account (International Convention) to another Cash Account (General Fund).

V. Group Conscience, Policy, and Past Practice

The use of the insurance proceeds for AAWS operating expenses was approved by the TFC and GSB at Jan 2022 GSB meeting where the AAWS Budget stating this plan was approved, and further at the Oct 2022 GSB meeting where the actual transfer of the cash to the General Fund was agreed upon. At no point was there a committee or board group conscience to use to funds in any other way, or to hold them for a future international convention.

Between 2001-2003 the Conference Committee on Finance discussed financial matters related to International Conventions. Topics discussed included a request for sharing from the Areas on Convention Fund and reporting practices, discussion on financial reporting options, and exploring the pros and cons of establishing a dedicated Convention Fund where balances and shortfalls would be accrued. In response to this, between July 2001 and November 2002 there was a subcommittee of the GSB TFC that researched and reported on the options. The current practices of detailed International Convention financial reporting evolved from this work. No recommendations were made or and no actions were taken to segregate money related to International Conventions with the Conference Committee on Finance noting that *“Following established Policy, funds not needed for current operations reside in the Reserve Fund.”*

The shortfall of \$210k for the 2015 International Convention and the surplus of \$858k from the 2010 International Convention both remained in the General Fund.