

.....**THE 2018 ABC ACA WSO ANNUAL FINANCE COMMITTEE REPORT**

The Finance Committee is a Standing Committee of the Board, formerly known as the Treasury Committee

Inception Date: May 2013

Chair: Bill D., Florida

Members:

- Mary Jo L., Illinois
- Lucia S., Florida
- Pat H., California
- European Committee Finance Liaison, Jeffrey F.

Meets: Weekly on a regular day and time.

Website URL For Reports: <https://acawso.org/category/finance/>

Statement of Purpose/Mission: The mission of the Finance Committee is to examine the financial affairs of the WSO on an ongoing basis to ensure transparency and integrity of all financial aspects of the organization. In doing so, all financial processes are reviewed, and suggestions are made to the WSO Board for improvements to the fiscal policies and procedures. All tasks are done with the primary purpose of keeping the fellowship financially stable and healthy so that the message continues to be carried to ACAs throughout the world.

Hello family, "*Hej familjen*",

My name is Bill D. and I am an Adult Child. I have had the distinct honor to serve as the Chair of the Finance Committee of the ACA World Service Organization, Inc. for the past two years. Today it is my honor to deliver the Finance Committee's report to the conference delegates, the members of the board, and the guests here at the 2019 ABC.

In addition to this report there are slides that will better help illustrate the work of the Finance Committee of WSO. The slides will be available after the conference on the acawso.org website by selecting Finance Committee in the menu.

Accounting and Technology Upgrade Project for 2017-2018

Where We Started: With the immense growth of our book and product sales transactions after the addition of Amazon in 2017 our bookkeeping vendor was getting bogged down trying to complete their duties in a timely manner. WSO came into 2018 with our Quickbooks accounting software newly positioned to operate on the cloud which allowed direct access to our bookkeeping records by WSO staff and volunteers and made our system much more efficient and able to handle more transactions.

This not only provided us with a superior level of protection against catastrophic loss of our data that previously resided on the accountant's server, but also gave the ability for WSO staff, board members, and finance committee volunteers to have real time access to the accounting software data for the first time ever.

As the result of making Quickbooks available to the people who needed to access the data it contained, WSO was able to see that the detail needed by the organization to make informed decisions going forward simply was not available under our current chart of accounts. The auditors had previously recommended we revise our chart of accounts to make it more compliant with national accounting standards and easier to analyze the organization's performance.

The Finance Committee undertook an initiative to redesign our chart of accounts to provide us with the ability to report our revenue and expenses in a manner that would give us deeper insight into our organization's finances and performance. After several volunteers from the Finance Committee put a lot of work into revising the chart of accounts, we were still not happy with it.

We vetted several accounting professional firms and decided to recommend the BIC Group to the board. BIC was hired to analyze our organization and business operations and design a chart of accounts that would accomplish all the reporting goals we had as well as separating the fellowship services' revenue and expenses from the publishing business' revenue and expenses. BIC was also asked to dive deep into our operations structure to determine if we needed to make institutional changes in our processes and procedures to become a more efficient and better operating organization.

They pulled no punches and issued a report that identified the areas they saw as problematic as well as making suggestions about improving them. Their report was the basis for building the new chart of accounts and created a climate for organizational change that has improved the business operation of the WSO.

The chart of accounts is the backbone of an accounting system and changing ours required many discussions not only with BIC, but also with our external accounting services vendor, the Finance Committee, the board, the staff, and even our auditors. The resulting chart of accounts that BIC created over a period of several months was put under serious scrutiny after it was delivered to us in early 2018. The chart of accounts conversion was completed in August 2018 after a few months of adjustments.

Another major change we made to our accounting structure in 2018 was the move from a cash-based accounting system to an accrual accounting system. While cash-based accounting can give a point-in-time picture of the cash flow, accrual-based accounting gives a more accurate picture of the long-term state of an organization as revenue and expenses are immediately recorded, allowing the organization to more properly analyze trends and manage finances. This method is more commonly used than the cash method. The move to accrual-based accounting was also recommended by the auditors.

We reached a milestone with the integration of a 3rd party software product called Webgility Unify with the new chart of accounts. It automates the import and posting of sales transactions to Quickbooks from our Shopify shopping cart and three Amazon website channels. We are now beginning to produce reports that allow insight into how our business operations perform.

Other Projects and Tasks the Finance Committee Completed This Year

- In January of 2018 the Finance Committee evaluated the pricing policy for 3 of our literature pieces: the Soft Cover BRB, the Good Enough Booklet, and the Cross Talk Booklet and unanimously recommended a \$1 reduction in the selling price for each of these publications across all sales channels. The board adopted this recommendation.

- In February the Finance Committee reviewed and revised Section VI. the fiscal section of the OPPM and made a recommendation to the board to approve the changes. This included updating the WSO Travel Reimbursement Policy that is now an addendum to the OPPM.
- In June due to increasing concerns about the rising costs for the ABC AWC, the Finance Committee recommended that the WSO Board establish a Finance Committee liaison position to join the ABC Committee so the Finance Committee can assist the ABC committee.
- In July the Finance Committee reviewed and approved a budget for the 2019 ABC AWC which was then sent to the board for final approval.
- A request was made by the board for a midyear budget variance report to be prepared. This report was prepared and included both dollar variances as well as percentage variances. It was delivered to the board at a late July board working session meeting.
- Around the end of July the Finance Committee began wrapping up its discussion about bringing more accounting work in-house to the office staff by training existing WSO staff to perform the accounts payable routine in addition to performing other duties.
- In August another item that the auditors recommended was began by a member of the finance committee with accounting expertise. This was to have someone review and approve the journal entries by our external accounting services provider makes each month in Quickbooks. This usually involves minor adjustments made to accruals, payroll adjustments, or reclassifying an expense or revenue to another account, etc.
- Additionally, in August the Finance Committee presented a motion to the board to hire our external accounting services provider, at an estimated cost of \$1,200 to install the newly created chart of accounts in our Quickbooks company file.
- Late in August the Finance Committee began reviewing accountability for travel expenses by board and committee members who traveled for authorized WSO work. The Finance Committee recommended implementing internal procedures to guide the ways we approve and document the benefits of travel to our program and organization by using a pre-travel authorization form. The board adopted the form and it was added to the OPPM and is being used currently by board and committee members who travel for authorized WSO business.
- In September we encountered several crashes of the Quickbooks program that resulted in lost time but no significant data loss as our cloud hosting provider maintains a daily back up. The crashes prevented our vendor and staff from getting work done on time for the month end closing. Subsequently we did not have financials until about the 20th of October. We have since had the Quickbooks file rebuilt by the manufacturers at no charge to WSO and revised our procedures for accessing and closing out of the accounting software. The file has been operating very well since October.
- In October we were sent the renewal documents for our current business liability insurance policy that was set to auto renew at the end of October. The Finance Committee reviewed the policy and found the monetary limit on our inventory replacement cost was too low should we

have a fire or other disaster that destroyed our inventory in Signal Hill. As of October 1, 2018 we had \$101,032 worth of inventory on the books at Signal Hill. The insurance replacement limit on our policy for this inventory was \$37,500. The Finance Committee recommended increasing the insurance amount to \$140,000 to cover new orders in the pipeline.

- In November we addressed the issue of how to better manage our funds that are received from or spent abroad. The Finance Committee recommended to the board that the European Committee Chair be given an international credit card that would facilitate payment of authorized expenses overseas without incurring currency conversion fees.
- Also, in November the committee recommended a year end contribution request letter be sent that was intended to raise awareness about WSO's need for member and group contributions. The letter was ultimately approved and sent out to all the registered group contacts in December.
- The committee approved the "Where Does the Money Go" literature piece and sent it on to the board for final approval before it was posted to the free literature page of the website and sent out in the Traveler newsletter. This piece of literature explains the details of how a group can distribute extra funds beyond their prudent reserve. It outlines the suggested percentages and identifies the service entities to receive those funds.
- At the end of November, the Finance Committee presented a motion to the board of trustees to have a Financial Review performed for 2018 in lieu of a full Financial Audit. A review provides a very good level of assurance of the fiscal condition of the organization but does not require the in-depth testing nor cost that a full audit does. As of the writing of this report the review is still in process.
- The last item the Finance Committee began working on in November was the 2019 WSO Budget. After receiving budget requests from all of the committees and holding budget workshops the board approved the 2019 Budget. The 2019 budget is attached at the end of this report.
- In December the Finance Committee received the Payroll Management section of the Accounting Manual from the Treasurer. It detailed all the steps required to process the WSO employees time sheets and turn them into a format the external accounting services provider can process as payroll every two weeks.
- Also, in December the organization's Director's and Officer's liability insurance policy came before the Finance Committee to be reviewed before renewal. It was approved for renewal after the addition of the new board members.
- The last item the Finance Committee addressed in December was in response to a board motion that the Finance Committee evaluate the need for more external accounting services so that our monthly accounting is completed in a timely manner. A Request for Proposal (RFP) was developed and presented to the committee and board for its review and approval. After approval the RFP was distributed to Los Angeles area accounting firms.

Remaining 2018 goals not yet completed:

1. Establish a fraud hotline (Auditor's Recommendation). – Approved by the board in March of 2019
2. Develop an approved price list - perform cost/price analysis (Auditor's Recommendation). In process

Future 2019 goals:

We have been so busy this year working to get our accounting system overhaul completed that we have not yet as a committee formally discussed future goals for 2019 other than the 2019 Budget. The internet sales tax issue being adopted by many states in the U.S. has come up and the committee has been involved with other WSO committees looking into possible solutions to ensure the WSO remains in tax compliance in all places we sell our products.

Projects and Tasks for the Finance Committee to consider for 2019.

1. Continue to improve our inventory management processes by further refining reports that can be used to reconcile what is sold and what is shipped with what remains inventory each month.
2. Establish a realistic expectation for the time frame needed by the external accountant to deliver the month end financials.
3. Review and modify the external accountant's job duties.
4. Publish a completed accounting manual that contains all the accounting and office procedures.
5. Perform a comprehensive cost analysis of our entire product line taking into consideration all costs including the office overhead in determining the true cost of goods sold.

I would like to end by thanking the people involved in our financial, bookkeeping and accounting operations. Many thanks to long time Finance Committee members Mary Jo L. from Illinois and Lucia S. from Florida for serving.

Thanks to other volunteers who showed up throughout the year to help provide assurance that WSO's funds are being monitored and used prudently. Thank you to volunteers Jeffrey F., European Finance Chair; Pat H., incoming treasurer; Dan Z., ACA member; and staff member Gloria D., our longtime office special worker who handles much of the in-house bookkeeping.

In loving service,

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Bill D., Treasurer, Chair
Mary Jo L., Illinois
Lucia S., Florida
Pat H., California

2019 APPROVED WSO BUDGET

INCOME

Jan - Dec 2019

Literature Sales		903,458
	Books	903,458
	4015 - Chips Medallions - SH & Ware Pak	31,038
	4013 - Trifolds - SH & Ware Pak	14,788
	4014 - Audio Downloads AWC Recordings	4,584
	New Meeting Packet	1,913
	Meeting Starter Kit	2,174
Literature Sales Subtotal		957,955
E-book Sales		
	4034 - Amazon E-Book Sales	27,795
	4050 - Barnes & Noble E-Book Sales	1,028
E-book Sales Total		28,823
4060 - Audio Book Sales - ACX		23,200
Shipping and Handling		
	4018 - Shopify Shipping & Handling	99,433
	4036 - Amazon Shipping	17,696
Shipping and Handling Subtotal		117,129
SUB-TOTAL SALES INCOME		1,127,107
TOTAL SALES INCOME		1,127,107
7th Tradition Contributions		
	4017 - 7th Tradition received via Shopify shopping cart	92,135
	4080 - 7th Tradition received via mail and non-shopping cart	30,982
		123,117
GROSS INCOME		1,250,224

COST OF GOODS SOLD

324,381

GROSS PROFIT

After subtracting COGS

925,843

EXPENSES

Distribution Center

Payroll - Staff and Management	184,000
6140 - Office Supplies	5,000
6200 - Merchant Fees, Banks, etc.	17,000
Technology Purchases	1,000
Warehouse Packing and Ship Supplies	7,000
Facility Overhead	
6120 - Rent	37,000
6160 - Repairs	1,000
6130 - Utilities	2,507
6132 - Internet/Phone	2,702
PO Box	76
Bang Storage	200
6110 - Liability insurance and Theft Bond	1,793
Total DC Expense	259,278

General Overhead

Outside Fulfillment Expenditures	
5054 - Amazon US	179,005
5053 - Amazon UK	20,425
Amazon CA	
Outside Fulfillment Expense Subtotal	<u>199,430</u>
5022 Freight Out	95,674
Dues and Subscriptions	3,000
Accounting and Tax Prep	80,000
6095 - Accounting IT Software subscriptions	13,117
6210 - Depreciation & Amortization	15,405

General Overhead - Subtotal**406,626****Board and Admin Expense**

Strategic Planning Meeting	20,000
6082 - Legal and Professional Fees	3,000
Programs	
BBI	2,000
Lights On	1,000
6013 - Workman's Comp	750
6050 - Board & Committee Travel	10,000

Board and Admin Expense Subtotal**36,750****Committees**

Finance Committee

Travel to Signal Hill - accounting firm transition	<u>1,500</u>
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Finance Committee Total

1,500

Literature Comm

Staff	
Design Editor	48,000
Legal	4,000
ISBN & Trademark	2,000
Travel	2,000
Zoho Subscription	400
Consultant/ Contractor	20,000
Adobe Creative Cloud/ Software	1,000
Complimentary copies	500
International Lit	3,000
Public Awareness/ Book Launch	2,500
ePublishing Digital Updates	5,000
Discretionary	1,000

Literature Comm Total

89,400

Member Services Committee

Special Worker (shared with Public Services Committee)	15,000
6070 - Literature	2,500
Global Outreach	750
Conferences/Travel	2,000

Member Services Committee Total

20,250

Public Services Committee

Special Worker (shared with Member Services Committee)	15,000
Public Information	
6070 - Literature	2,500
6070 - PSAs	700
6070 - H&I Literature	2,500
Conferences/Travel	2,000

Public Services Committee Total

22,700

Website Committee		
	6090 - Research and Pilots for Remote Voting at ABC's	1,000
	6090 - Wordpress Addons and Support for AWC, EU, and other websi	500
	6090 - Go Daddy hosting	600
	6090 - Go Daddy Emails	1,700
	6090 - Go Daddy Domain Renewals	600
	6090 - DropBox	500
	6090 - Shopify	3,600
	6090 - Go Daddy SSL	300
	6090 - Website Updates – Periodic Updates for committee Requests	2,000
Website Committee Total		10,800
ABC / AWC Committee		
	ABC/AWC Revenue	(28,000)
	Travel WSO Board / Others	15,000
	Lodging WSO Board / Others	12,000
	Food WSO Board / Others	5,408
	Venue / F&B	35,000
	Conference Materials / Printing	2,100
	Audio	5,000
	AWC Supplies	2,000
ABC / AWC Committee Total		48,508
Archives Committee		
	Training	500
	Supplies paper, ink	500
	Travel	1,500
	Dues Archives Society	340
Archives Committee Total		2,840
Audit Committee	Audit Expense (Review for 2018)	10,200
Distribution Center Oversight Committee		
	Annual Trustee trips to office	3,000
European Committee		
	Travel in Europe to attend major national events	5,000
	Administrative, incidental and unexpected fees	500
	5th annual European Meeting	2,000
European Committee Total		7,500
Total Committees		216,698
TOTAL EXPENSES		919,352
Net Income (Deficit)		6,491