Memo

To: WSO Board of Trustees and ACA Fellowship

From: Bill D., General Manager

Date: 8/12/2024

Re: 2024 Mid-year Budget Analysis and Reforecast

Dear Fellow ACAs,

As outlined in my job description, the staff and I have analyzed the Actual Jan 1 to Jun 30, 2024 Adopted Budget. We have presented this analysis to the Board over several meetings in the last few weeks. Due to unexpected revenue shortfalls, primarily from the 7th Tradition, the Board, as responsible stewards of the ACA WSO funds, has asked the staff to reforecast the 2024 budget to ensure fiscal prudence. We are presenting this report to the Board and membership on the mid-year budget analysis and subsequent reforecast.

Below is a detailed analysis of the budget performance to the mid-year point.

Revenue Analysis

Starting with the revenue portion of the budget, the impact of the counterfeit BRBs sold in May and June adversely affected the budget, but not as much as the downturn in contributions. Although we had an extraordinary year in 2023 with 7th Tradition contributions, we forecast this year to be the same as last year with a 0% increase in budgeted contributions. Consequently, we have reforecast the 7th Tradition downward.

The mid-year budget analysis revealed significant information about the growth of the international fellowship. Sales outside the US surpassed the budgeted sales forecast by an astounding 44%. This success is directly attributed to the availability of our literature in translated languages and the expansion of print hubs, which have made access to printed books more affordable. These are areas that WSO has prioritized.

Our two primary sales platforms, Shopify for the US WSO webstore and Amazon for US and global sales, slightly underperformed by 4% and 3%, respectively. The primary reason for this slight underperformance in Shopify is that the presales revenue for *A New Hope*, which began in May and June, was not counted until the books started shipping in late June. Substantial presales revenue could not be included in the financial statements for May and June due to accounting standards. The sales that were budgeted as income in the 2nd quarter were recorded in July instead. Preliminary numbers suggest that Shopify had an outstanding month in July, surpassing the original budget by 14%.

Another factor contributing to the sales being slightly less than budgeted was the counterfeit BRB sales. Once WSO became aware of this issue, we quickly succeeded in removing them from online marketplaces such as Amazon, eBay, Walmart, and others. Preliminary data indicates that WSO lost over $25,000 in known BRB sales. A lawsuit is in process to recover the funds lost to the counterfeiters.

Other areas of interest in the Revenue section include a less than 2% decrease in account 4050 eBook sales, which is not a material variance; a 33% increase in account 4290 eBay sales, which is also not a material variance due to the dollar amount; and a 10% decrease in account 4060 audiobook sales, which resulted from having the projected sales income of one audiobook removed. However, due to the dollar amount, this is not a material concern.

A decrease in account 4295 Shopify Canada sales was due to overestimation, as this is our first year operating a web store in Canada and we lacked historical context to develop a sales budget. We find that many people in Canada are still purchasing products from the US store, so we plan to conduct an extra awareness campaign for the Canadian store in the coming months to encourage Canadian members to buy from the Canadian store, which will increase income.

Cost of Goods Sold (COGS)

The COGS in accounts 5000 and 5050 were lower than budgeted through the first 6 months in Shopify and Amazon but higher in account 5150 International Sales, which was expected due to the significant increase in international sales during this period.

We decreased the Amazon COGS due to increased efficiencies in handling shipments to Amazon, both in the US and worldwide. We are utilizing a 1099 worker to label and prep the pallets of books we ship regularly to Amazon, saving $0.40 per label compared to Amazon's price. This practice saves us about $1,200 on an average bi-monthly shipment.

We further reduced COGS by eliminating the direct labor of a new staff position that was budgeted for book distribution. This position was to be hired in the third quarter, but we can manage without them by using 1099 labor as needed, avoiding the additional payroll expense at this time.

Expenses

The first category with a decrease is account 6030 payroll taxes, due to the postponement of hiring new staff. Under the contractors' account 6054, we are utilizing volunteers, saving $18,381 budgeted for contractors by implementing systems and processes that require less time or technical knowledge. We are fortunate to have volunteers willing to work at no charge to ACA WSO.

In the Program Initiatives account 6070, we reduced the expense budget by $29,039 by postponing the creation of one new audiobook and canceling the in-person board and committee chair planning meeting at the headquarters office. The board opted to conduct this meeting virtually due to the lower-than-budgeted revenues. **It is important to note that no services were cut by this reduction.**

We experienced a slight increase in account 6080 Professional Fees related to increased accounting expenses for the audit, amounting to 2.4%, which is not considered a material variance. We reduced the budgeted expense for utility usage in account 6130, as we are tracking at lower usage than

estimated. We moved into the new office headquarters last July and lacked usage history for the first 6 months on which to base the budget. The dollar amount is not a material variance.

In account 6140, the reduction is an accounting change due to some shipping supplies being coded to the office expense account instead of the COGS account. These expenses have been reclassified.

Summary

A final note on revenue and expenses: The reforecast shows an increase in net income of $20,900, which is less than 1% of the revenue for the entire year. WSO staff and the Board felt it would be better to estimate a larger surplus rather than maintaining the same net income as in the original budget.

This concludes management's and the Board's analysis and reforecast of the budget. We look forward to addressing any concerns or questions during the QDM or the public comment period at the September TC.

Attachments: Original Budget versus Mid-year Reforecast Budget with comments
Profit & Loss Actual versus Budget Jan 1 – Jun 30, 2024
Profit & Loss Non-Verified Actual versus Original Budget July 31, 2024
Balance Sheet as of June 30, 2024
Non-Verified International Literature Fund Balance – July 31, 2024

Adult Children of Alcoholics
Original Budget vs Mid-Year Reforecast Budget
2024

Account	Original Budget	Mid Year Revised Budget	Variance	Comments
Income				
4010 · Shopify Revenue	799,160	799,160	(0)	
4030 · Amazon Revenue	860,783	860,783	0	
4050 · Digital Books Revenue	93,667	93,666	(0)	
4060 · Audible Revenue	39,401	34,426	(4,975)	Revised downward due to removal of one audio book
4080 · 7th Traditions Contributions	509,000	429,000	(80,000)	Revised downward based on first 6 months actual trend
4160 · International Sales	83,219	83,219	(0)	
4200 · Other Revenue	9,182	9,182	0	
4290 · eBay Sales	2,611	3,005	394	
4295 · Shopify Canada Revenue	22,900	14,819	(8,081)	Revised downward based on first 6 months actual trend
Total Income	**$ 2,419,923**	**$ 2,327,261**	**$ (92,662)**	
Cost of Goods Sold	-		-	
5000 · Shopify-Cost of Goods Sold	558,620	514,868	(43,752)	Revised based on removing operations supervisor
5050 · Amazon COGS	539,810	530,416	(9,394)	Revised based on improved inventory management processes
5150 · International COGS	45,609	45,609	-	
Total COGS	**$ 1,144,039**	**$ 1,090,893**	**$ (53,146)**	
Gross Profit	**$ 1,275,884**	**$ 1,236,368**	**$ (39,516)**	
Expense				
6010 · Payroll Expense	513,532	513,532	(0)	
6030 · Payroll Taxes	40,312	35,455	(4,857)	Overestimated due to projected new staff
6050 · Travel & Mileage Expense	388	2,172	1,784	
6054 · Contractors	184,402	166,021	(18,381)	Reduced contractors
6057 · Events	2,767	2,767	(0)	
6070 · Program Initiatives	59,167	30,128	(29,039)	Cancel 1 Audio Book & In Person Board Strategic Planning
6080 · Professional Fees	131,137	136,097	4,960	Increased Accounting and Audit Services fees
6090 · Technology IT Support	59,871	59,871	-	
6110 · Insurance Expense	7,025	7,025	-	
6120 · Rent Expense	167,652	167,652	-	
6130 · Utilities Expense	14,383	9,468	(4,915)	Utility usage lower than forecasted
6140 · Office Expense	17,053	6,985	(10,068)	Shipping supplies Reclassed to COGS
6150 · Dues and Subscriptions	449	449	-	
6160 · Repairs & Maintenance	6,379	6,379	-	
6190 · Tax Expense	207	364	157	
6200 · Bank & Merchant Fees	39,702	39,644	(58)	
6210 · Depreciation & Amortization	17,725	17,725	0	
9999 · Suspense Costs	1,034	1,034	0	
Total Expense	**$ 1,263,184**	**$ 1,202,768**	**$ (60,416)**	
Net Income	**$ 12,699**	**$ 33,600**	**$ 20,900**	

	Original Budget	Mid Year Reforecast Budget	Variance

Adult Children of Alcoholics
Profit & Loss - Budget vs Actual
For the period of Jan 1 - Jun 30, 2024

	Actual	Budget	$ Over Budget	% of Budget
Income				
4010 · Shopify Revenue	378,025	393,647	(15,622)	96.0%
4030 · Amazon Revenue	425,003	438,007	(13,005)	97.0%
4050 · Digital Books Revenue	45,501	46,396	(895)	98.1%
4060 · Audible Revenue	17,765	19,563	(1,798)	90.8%
4080 · 7th Traditions Contributions	204,237	244,804	(40,567)	83.4%
4160 · International Sales	54,050	37,430	16,620	144.4%
4200 · Other Revenue	4,603	4,581	22	100.5%
4290 · eBay Sales	1,658	1,242	417	133.6%
4295 · Shopify Canada Revenue	7,866	11,475	(3,610)	68.5%
Total Income	**$ 1,138,708**	**$ 1,197,145**	**$ (58,437)**	**95.1%**
Cost of Goods Sold				
5000 · Shopify-Cost of Goods Sold	252,617	267,223	(14,606)	94.5%
5050 · Amazon COGS	263,435	272,851	(9,416)	96.5%
5150 · International COGS	24,607	20,731	3,876	118.7%
Total COGS	**$ 540,659**	**$ 560,806**	**$ (20,146)**	**96.4%**
Gross Profit	**$ 598,049**	**$ 636,340**	**$ (38,291)**	**94.0%**
Expense				
6010 · Payroll Expense	249,917	251,735	(1,818)	99.3%
6030 · Payroll Taxes	18,217	19,922	(1,705)	91.4%
6050 · Travel & Mileage Expense	2,170	155	2,015	1398.5%
6054 · Contractors	60,937	85,297	(24,360)	71.4%
6057 · Events	1,288	1,107	181	116.4%
6070 · Program Initiatives	6,641	27,093	(20,453)	24.5%
6080 · Professional Fees	69,291	67,650	1,641	102.4%
6090 · Technology IT Support	32,928	29,936	2,993	110.0%
6110 · Insurance Expense	3,420	3,513	(93)	97.4%
6120 · Rent Expense	83,821	83,826	(5)	100.0%
6130 · Utilities Expense	4,715	7,192	(2,476)	65.6%
6140 · Office Expense	3,415	8,526	(5,112)	40.1%
6150 · Dues and Subscriptions	313	224	88	139.3%
6160 · Repairs & Maintenance	1,897	3,190	(1,292)	59.5%
6190 · Tax Expense	364	104	261	351.8%
6200 · Bank & Merchant Fees	19,779	19,851	(72)	99.6%
6210 · Depreciation & Amortization	7,974	8,241	(266)	96.8%
9999 · Suspense Costs	14	517	(507)	1.9%
Total Expense	**$ 567,102**	**$ 618,077**	**$ (50,975)**	91.8%
Net Income	**$ 30,947**	**$ 18,262**	**$ 12,684**	**169.5%**

Actual	Budget	$ Over Budget	% of Budget

Adult Children of Alcoholics World Service Organization
Non-Verified Profit & Loss Budget Overview
January through July 2024

Income Above Blue Line

Under 100% not favorable

Over 100% is favorable

Expenses Below Blue Line

Under 100% is favorable

Over 100% not favorable

	Jan - Jul 24	Budget	$ Over Budget	% of Budget
Income				
4010 · Shopify Revenue	455,776.06	461,966.72	-6,190.66	98.7%
4030 · Amazon Revenue	489,140.30	509,235.99	-20,095.69	96.1%
4050 · Digital Books Revenue	53,799.80	54,278.19	-478.39	99.1%
4060 · Audible Revenue	20,135.32	22,905.49	-2,770.17	87.9%
4080 · 7th Traditions Contributions	252,225.95	286,787.73	-34,561.78	87.9%
4160 · International Sales	60,370.00	45,144.57	15,225.43	133.7%
4200 · Other Revenue	5,678.49	5,356.13	322.36	106.0%
4290 · eBay Sales	2,007.05	1,467.49	539.56	136.8%
4295 · Shopify Canada Revenue	11,034.12	13,400.00	-2,365.88	82.3%
Total Income	1,350,167.09	1,400,542.31	-50,375.22	96.4%
Cost of Goods Sold				
5000 · Shopify-Cost of Goods Sold	305,548.86	315,822.81	-10,273.95	96.7%
5050 · Amazon COGS	289,050.93	319,159.06	-30,108.13	90.6%
5150 · International COGS	27,395.12	24,877.65	2,517.47	110.1%
Total COGS	621,994.91	659,859.52	-37,864.61	94.3%
Gross Profit	728,172.18	740,682.79	-12,510.61	98.3%
Expense				
6010 · Payroll Expense	294,486.22	296,063.65	-1,577.43	99.5%
6030 · Payroll Taxes	21,393.23	23,518.15	-2,124.92	91.0%
6050 · Travel & Mileage Expense	2,778.98	194.00	2,584.98	1,432.5%
6054 · Contractors	77,480.98	101,869.12	-24,388.14	76.1%
6057 · Events	1,395.69	1,383.50	12.19	100.9%
6070 · Program Initiatives	8,552.36	32,489.90	-23,937.54	26.3%
6080 · Professional Fees	83,326.01	78,150.00	5,176.01	106.6%
6090 · Technology IT Support	38,702.81	34,924.75	3,778.06	110.8%
6110 · Insurance Expense	3,990.00	4,097.95	-107.95	97.4%
6120 · Rent Expense	97,687.77	97,797.00	-109.23	99.9%
6130 · Utilities Expense	5,699.00	8,390.10	-2,691.10	67.9%
6140 · Office Expense	4,212.86	9,947.55	-5,734.69	42.4%
6150 · Dues and Subscriptions	317.79	261.90	55.89	121.3%
6160 · Repairs & Maintenance	2,547.84	3,721.10	-1,173.26	68.5%
6190 · Tax Expense	364.12	120.75	243.37	301.5%
6200 · Bank & Merchant Fees	23,514.66	23,159.50	355.16	101.5%
6210 · Depreciation & Amortization	9,306.98	9,708.12	-401.14	95.9%
69800 · Uncategorized Expenses	3.99			
9999 · Suspense Costs	-1,569.97	603.15	-2,173.12	-260.3%
Total Expense	674,191.32	726,400.19	-52,208.87	92.8%
Net Income	**53,980.86**	**14,282.60**	**39,698.26**	**377.9%**

Adult Children of Alcoholics
Balance Sheet - Previous Year Comparison
For the period of Jan 1 - Jun 30, 2024

	Jun 30, 24	Jun 30, 23	$ Change
ASSETS			
Current Assets			
Cash & Cash Equivalents			
Operating Cash	316,703	257,202	59,502
Bill.com Money Out Clearing	-	(166)	166
Prudent Reserve (Goal is $300K)	171,502	150,372	21,130
Deposit in Transit	1,650	2,340	(690)
Merchant Accounts	37,772	30,637	7,135
Total 1000 · Cash & Cash Equivalents	**$ 527,628**	**$ 440,385**	**$ 87,243**
Total Checking/Savings	**$ 527,628**	**$ 440,385**	**$ 87,243**
Accounts Receivable	11	1,913	(1,902)
Other Current Assets			
Undeposited Funds	-	(912)	912
Other Receivables	887	-	887
SHOPIFY-Shopp'g cart receivable	(1,335)	(1,913)	577
Interest Receivable	1,624	279	1,345
Prepaid Expenses	110,609	157,595	(46,986)
Inventory Asset	352,631	278,076	74,555
Total Other Current Assets	**$ 464,416**	**$ 433,126**	**$ 31,290**
Total Current Assets	**$ 992,055**	**$ 875,424**	**$ 116,631**
Fixed Assets			
Fixed Assets	221,976	204,315	17,661
Accum. Depr' & Am't	(135,837)	(120,130)	(15,707)
Total Fixed Assets	86,139	84,186	1,954
ROU Assets (Leased Assets)	654,985	6,503	648,482
TOTAL ASSETS	**$ 1,733,179**	**$ 966,112**	**$ 767,067**
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	50,152	17,692	32,460
Credit Cards	12,130	9,521	2,610
Other Current Liabilities	113,195	97,195	16,000
Total Current Liabilities	175,477	124,407	51,069
ROU Assets (Leased Assets)	697,048	6,503	690,545
Long Term Liabilities	872,525	130,910	741,614
Equity	860,654	835,202	25,452
TOTAL LIABILITIES & EQUITY	**$ 1,733,179**	**$ 966,112**	**$ 767,067**

Adult Children of Alcoholics
22101 · Literature Scholarship Fund
As of July 31, 2024

Month-Year	RECEIVED	MADE
Y2021	4,542.49	(1,531.91)
Y2022	11,047.95	(3,333.74)
Y2023	14,360.19	-
As of July 2024	12,988.71	-
Total	**42,939.34**	**(4,865.65)**
Balance	**$ 38,073.69**	