

ANNUAL REPORT

DIGEST EDITION

APRIL 1993

FINANCIAL SUMMARY

In 1992, your World Service Office posted a net gain for the first time in three years. This allowed us to double our floor stocks of NA books, pamphlets, keytags, and medallions; those increased floor stocks made it possible for us to fill your orders much more quickly. We were also able to make major cuts in what we owe those with whom we do business, bringing all vendor accounts current.

Operating income for 1992 rose by twenty-three percent. This resulted in an overall gain of \$154,352, topping the 1991 bottom line by \$405,182. Three key factors led to our improved net: a February 1 ten percent across-the-board price increase, the August release of our new meditation book, and an improvement in our accounting procedures. Without these factors, we would have shown a \$358,595 net loss in 1992. The price increase allowed us to approach the even mark; *Just for Today* sales pushed us halfway into the black; and the newly improved accuracy of our accounting practices uncovered the other half of our net gain.

Below, you will find a table showing various key financial comparison data for the last nine years. The figures were derived from data contained in WSO, Inc. annual reports. These US dollar figures reflect all activity of WSO, Inc. for each year, including activities at USA headquarters and the Canadian and European branches. The "owed-to-owe ratio" shows the ratio of accounts receivable to accounts payable at the end of each year. Please note that WSO, Inc. did not begin accruing substantial accounts payable until 1987. Keep in mind that the inventory value figures and the ratios of accounts receivable to accounts payable reflect conditions at the end of business on December 31 of each year. Figures shown for operating income, expense, net gain or loss, and fund balance reflect cumulative activity from January 1 through December 31 of each year.

| YR | OWED- TO-OWE RATIO | INVEN- TORY VALUE | OPERATING INCOME | EXPENSE | NET GAIN (LOSS) | FUND BALANCE |
|------|--------------------------|-------------------------|---------------------|-----------|-----------------------|-----------------|
| 1984 | n/a | 59,158 | 610,967 | 389,692 | 221,275 | 337,816 |
| 1985 | n/a | 149,818 | 894,762 | 773,071 | 121,691 | 459,507 |
| 1986 | n/a | 181,899 | 1,481,852 | 1,286,652 | 195,200 | 654,707 |
| 1987 | 87:13 | 136,995 | 1,750,539 | 1,609,096 | 141,443 | 796,150 |
| 1988 | 68:32 | 241,156 | 1,935,679 | 1,772,178 | 163,501 | 959,651 |
| 1989 | 83:17 | 395,911 | 2,356,859 | 2,210,882 | 145,977 | 1,105,628 |
| 1990 | 56:44 | 237,508 | 2,024,285 | 2,388,439 | (364,154) | 741,474 |
| 1991 | 51:49 | 143,130 | 1,931,902 | 2,182,732 | (250,830) | 490,644 |
| 1992 | 53:47 | 299,796 | 2,372,072 | 2,217,720 | 154,352 | 644,996 |

WSO BOARD OF DIRECTORS

In 1992, the WSO Board of Directors learned a lot about recognizing human and material resource limits and living within them. The problems associated with limited income were addressed by continuing to keep a tight rein on expenses and by raising prices across the board by ten percent, resulting by year's end in the WSO's first net gain in three years. The problems related to limited staff were addressed by inventorying personnel capacity and accepting that lower priority work may have to be deferred if high priority work is to be done well.

Sales policy

The board continued to review its sales policy, seeking ways to ensure that both high-volume and low-volume buyers of NA literature and other materials were given a fair shake while also safeguarding the office's primary source of income. The board decided to enforce its existing policies regarding discount levels and payment terms while it developed a new approach to sales based on recognition of different conditions on each continent around the world.

Business plan

In 1991, we identified our need to create a long-term business development plan for the World Service Office. Funds and staff needed to assist with such a project were both limited due to other established priorities, but the project was continued through 1992 with most work being done by phone. Information developed by the business plan committee has already been of value to the board, even though a final report has not yet been published. The

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many issues and options that have been identified so far fall under the headings of sales and marketing, human resources, facilities and technology, financial, and administration. The committee plans to complete the initial stages of plan development in 1993 and to continue the planning process with annual renewals thereafter. This committee's work has started a process to use planning as one tool from which to build for the future of NA's World Service Office.

WSO relocation

The process of planning out the future uses of WSO office space took an unexpected turn during 1992. We left WSC'92 with a committed motion to further explore the feasibility of moving the World Service Office. While this research was being conducted, the owner of one of the buildings we currently occupy placed that building up for sale. This immediately signaled both ourselves and the local real estate industry that we might have to move on short notice. Our landlord subsequently removed the building we occupy from the "for sale" list, but by then the local real estate agents had identified us as potential clients.

The real estate market in the area of our current offices had declined dramatically. We had no interest in an immediate local move until one property appeared too good to pass up. It appeared that it might be possible to obtain forty per cent more space for approximately ten per cent more money. We could not delay investigation of this property until WSC'93 without almost assuredly losing it; thus, the WSO board took action to simultaneously conduct negotiations and inform the fellowship of the situation. Notice was provided and input sought through the *Conference Report* and the *Newsline*. Blueprints and a video of the building were available at the WSC "quarterly" workshop last October in Cincinnati, and the potential move was discussed at a meeting of the World Service Board. At the time of publication of this report, the negotiations continue and may or may not be completed prior to WSC'93. We are currently negotiating for a five-year lease, and no decisions of a more permanent nature are being considered.

Our initial relocation research identified two major concerns we must address before considering a move out of Southern California. A survey of our special workers indicated approximately one-half of our work force would be willing to move. The simultaneous loss of one-half of our work force would have a major impact on the WSO's ability to provide service. Paying the moving cost for the special workers who are willing to move would far exceed our current financial ability. A five-year lease in Southern California would allow us to build up the financial reserve necessary to consider a wider range of options.

Legal activity

Two WSO legal matters drew special attention in 1992. The first was the final conclusion of a case that began in 1989 with the alleged unauthorized alteration and publication of NA's Basic Text by an individual member. A civil suit filed in

1990 sought to prevent further distribution of the altered text. The suit appeared to have been settled in the early days of 1991 when the defendant agreed not to publish any altered texts in the future, but the matter was revived in April 1992 when the defendant complained that he believed the WSO had violated its part of the settlement agreement. The WSO disagreed, and the court took no immediate action. Following the defendant's death in July 1992, the case file was closed by the court on February 15, 1993.

In a somewhat related matter, one or more members complained to the California attorney general about their perception of the way WSO was managing NA's literary copyrights and logo registrations. Following a correspondence investigation conducted in 1992, a representative of the state attorney general's office confirmed that no evidence of wrongdoing on the WSO's part had been found.

Personnel

Your World Service Office went into 1992 with thirty-six special workers. Four employees left us and five new staff members came on board during the year. We paid \$1,126,895 in total wages to these special workers in 1992, an increase of 7.3 percent over the previous year's total expense for salary, accounting for 58 percent of total operating expenses. Employee health benefits accounted for another 5.42 percent of expenses, costing \$120,136 last year. Salary ranges broke down roughly as follows:

| NUMBER OF STAFF | SALARY RANGES |
|-----------------|---------------|
| 1..... | \$64-80K |
| 3..... | \$43-55K |
| 8..... | \$30-43K |
| 14..... | \$24-32K |
| 13..... | \$14-27K |

We initiated an employee retirement investment program in 1992. First offered at no expense to WSO, the program will be expanded this year to match employee investments of up to 5% of gross earnings.

Travel

Our fourth largest expense last year was for travel, coming behind salaries and health benefits (above) and rent and utilities (\$158,987). Travel costs accounted for 5.56% of our total operating expenses in 1992. The following is a rough breakdown of the travel dollars shown in our annual financial statement:

| | |
|---|---------------------|
| WSC conference, quarterly, committee meetings, fellowship workshops and learning days | \$34,859.19 |
| WSO board, committee meetings, workshops..... | 32,029.64 |
| WSO-Europe management, move..... | 23,473.85 |
| Misattributed to WSO travel expense (should have been charged to NA Way, training, employee move, and World Convention Corporation support) | 14,029.91 |
| WSB meetings, workshops | 9,320.03 |
| WSO-Canada management | 3,677.52 |
| PI events..... | 791.26 |
| Mileage and van--general office business | 543.93 |
| Total | \$118,725.33 |

STAFF OPERATIONS

Two key factors shaped staff operations in 1992: limited staff resources, and ever-increasing demand for staff services. In reviewing our internal organization, it became clear that we did not have enough staff to efficiently operate multiple departments. A one- or two-person department could be devastated by illness or staff turnover, resulting in unacceptable delays. Workloads in other departments severely limited cross-department assistance. As production pressures increased, so did departmental isolation. There was no time for any activity that did not aid in the fulfillment of strictly departmental goals. Internal WSO communication decreased, and frustrations increased. We were too big and complex to operate as a single family unit, but we did not have the resources to fully staff more than a dozen departments. This situation led us to the idea of creating six WSO function-oriented teams.

This represented a major internal organizational change, one that would take substantial time and energy to implement. Our first reaction was, "We don't have the time to do this." After further consideration, we realized the change to team organization was so crucial to our continued functioning that, time-consuming as it was going to be, we would just have to *find* the time for the adjustment. After extensive preparation, WSO staff regrouped into the Administrative Team, Publications Team, Conference Services Team, Fellowship Services Team, Accounting Team, and Shipping and Production Team.

Several benefits became immediately apparent. Teams of six to eight people in the same general function area provided an additional flexibility never available with one- or two-person departments. These teams were also small enough to allow substantial team leader/team member interaction. Team meetings occurred frequently, increasing internal communication. And teams enhanced our ability to benefit from the input of all WSO employees. Greater employee involvement was sought, and the resulting response strengthened our ability to serve the fellowship.

This transition was not without challenges. Team meetings took precious time. The approach was new and required change. Time and money for extensive changes were not available. Everyone knew in advance that this transition would take time, but the reality of this transition time was still frustrating.

Today, as we prepare this annual report, the team adjustment process is far from complete. Team-building sessions involving outside experts have begun. The need for cross-training has been identified but is still in its start-up phase. The opportunity for team involvement in future management programs such as quality management has now been established. The benefits realized from this internal management approach will continue to evidence themselves. This development may not be without a few growing pains, but a return to multiple small departments has never appeared to be a viable option. We now have a

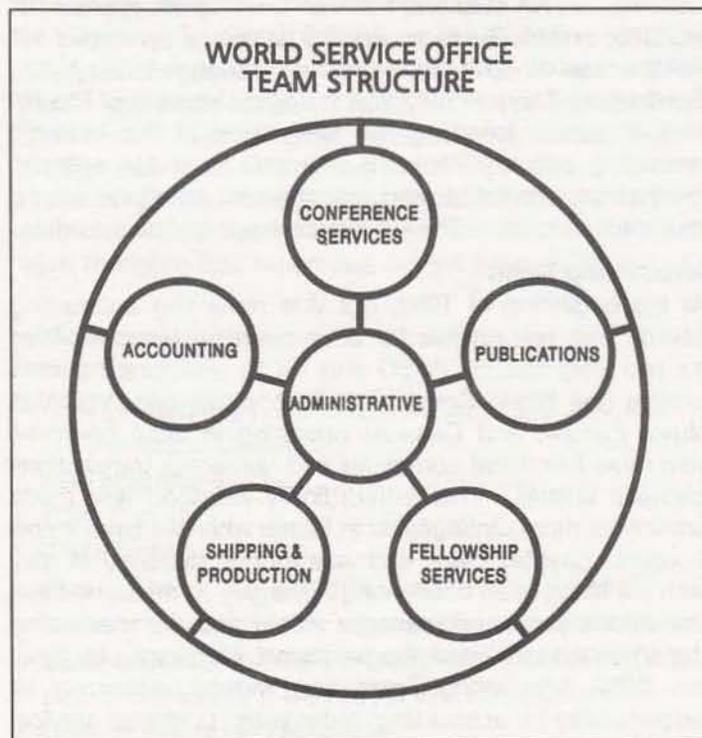
strong foundation for the team approach and are positioned to build upon that foundation.

Conference Services Team

This team is responsible for overall coordination of most of the World Service Conference-related activities within the World Service Office. The team leader and six team members provide administrative support and coordinating services to the WSC Administrative Committee, WSC H&I Committee, WSC Policy Committee, WSC Literature Committee, WSC Public Information Committee, and the WSC Outreach Ad Hoc Committee. The Interim Committee was also staffed by members of the Conference Services Team for part of 1992.

As one of its major responsibilities, the Conference Services Team coordinates administrative support for WSC "quarterly" workshops as well as the annual meeting of the World Service Conference. While the annual meeting is longer, both events require extensive planning for staff support of all conference sessions and committee meetings, including development of the agenda and arrangements for equipment and supplies.

The conference team is also responsible for coordinating the compilation and distribution of major WSC communications, including the *Conference Report*, *Conference Digest*, and *Conference Agenda Report*. Preparation of individual reports involves research, many phone calls, and usually several revisions. When all reports are completed and received, they are given to the WSO Publications Team for editing, formatting, and publication, then returned to the conference team for distribution to all conference participants.



Fellowship Services Team

This team is responsible for a variety of services, including group services, database management, and translations. The team also staffs the World Service Board of Trustees and the World Services Translation Committee. One benefit that can be directly attributed to the team arrangement is the development of Spanish-language group services at WSO-Van Nuys. The staff reassignments that created the Fellowship Services Team brought a Spanish-speaking staffer to the team along with a new employee who also speaks Spanish. With the ability team organization gave us to utilize staff members' skills in a variety of capacities, we were able to schedule two days of each week specifically for handling Spanish group services.

Publications Team

The Publications Team was formed by combining the Special Projects Department, *The NA Way Magazine*, and the Typesetting Department. It has editorial responsibility for all periodicals handled by the WSO, including *The NA Way Magazine*, the *Conference Report and Digest*, the *WSO Newslines*, the *Meeting by Mail*, *Reaching Out*, the annual *Conference Agenda Report*, the *PI News*, and the *NA Update*. The team provides writing and editorial assistance for these publications, develops designs, typesets the copy, and proofreads them all prior to printing and mailing.

Last year was one of endings as well as beginnings for the Publications Team. Two of the major projects team members had been involved with, the daily meditation book and the Twelve Concepts, were approved by overwhelming margins at WSC'92. Later in the conference year, team members completed their part in two more major conference board and committee projects, *It Works: How and Why*, an NA step-and-tradition book up for approval at WSC'93, and *A Guide to Service in NA*, a revamped NA service manual. The single greatest challenge faced by the Publications Team in 1992 was the administration of *The NA Way Magazine* following the resignation of the journal's managing editor. The team was able to divide editorial, production, circulation, and management functions among its members to keep *The NA Way* on track and on schedule.

Accounting Team

At the beginning of 1992, our one remaining accounting person was responsible for all accounting responsibilities for two corporations (WSO and WCC) and four separate entities (the World Convention Corporation and WSO-Van Nuys, Europe, and Canada) operating in three countries with three functional currencies and numerous transactions between entities. This extraordinary workload was made somewhat more manageable in March when we hired a new accounts payable clerk, and was further improved in May with the hiring of an accounting manager. At the same time, the office's personnel manager retired and the accounting department assimilated the personnel functions. In June, the WSO Accounting Team was formed, assuming all responsibility for accounting, order entry, customer service, and travel coordination. When our lone order entry clerk

resigned, we hired two new clerks and succeeded in cutting order turnaround time down to twenty-four hours.

Shipping and Production Team

Each Shipping and Production Team member has a variety of responsibilities in support of the team's overall mission: the production, stocking, packing, and shipping of all conference-approved NA literature, service handbooks, and group/recovery-related items. Last year was a trying one for this team on a couple of counts. The transition to our new medallion design and a new manufacturer was difficult; dealing with two such major changes at once for one of our staple products almost created more complications than we could deal with. By the end of the year, however, we had worked out all of the bugs. We experienced similar delays in producing and delivering NA keytags last year due to an unanticipated slowdown in operations by our main manufacturer. We have since eliminated any impact on our customers by locating a secondary vendor in Southern California that is capable of producing identical keytags at a competitive rate. We foresee only good things in our keytag production for 1993. On a brighter note, we did add a few excellent new products to our inventory in 1992, including our new gold-and-rhodium-plated deluxe medallions.

WSO-CANADA

The Canadian WSO branch, located in the Toronto suburb of Mississauga, is a simple, efficient distribution operation, filling WSO's Canadian orders for NA literature, keytags, and service materials. Staffed only by a part-time shipping clerk, the Canadian office has operated consistently in the black since opening its doors in 1990, last year posting sales of more than \$245,000 Canadian and a net gain of better than \$110,000 Canadian.

WSO-EUROPE

Costs of doing business in London, WSO-Europe's home since opening in 1988, had grown too high by 1992. That is why we moved our European branch last July to Brussels, Belgium, a centralized location with a pleasant, cost-efficient working environment. During the first six months of operation in Brussels, we concentrated on developing our literature distribution capacities, trying to deliver orders in a timely and economical manner. Our next goal is to begin offering group services from Brussels.

One of our long-term objectives for WSO-Europe is to involve European members in its management. At a January 1993 meeting, four European NA delegates were selected to serve on the WSO board's European operations committee. The committee will hold its first meeting this summer at the European Conference and Convention in Stockholm, Sweden. In addition to its advisory responsibilities, the committee will produce the *European Newslines*. We hope to build a strong partnership that will help NA better carry its message to the addict in Europe.