



ACA WSO

Quarterly Delegate Meeting August 17, 2024

MID-YEAR BUDGET ANALYSIS

BOARD APPROVED REFORECAST BUDGET – 7/18/24

BOARD APPROVED BUDGET ANALYSIS REPORT TO QDM – 8/12/24

MID-YEAR BUDGET ANALYSIS REPORT

The Mid-Year Budget Analysis can be found on the acawso.org website here:

<https://acawso.Org/2024/08/13/2024-mid-year-budget-analysis/>

Process

According to current policy the Mid-Year Budget Analysis is tasked to management staff.

The budget review was performed by the General Manager and Finance Controller with Fin Com members input and Board giving final review and approval.

The Treasurer and Finance Committee members also reviewed the subsequent report. It was reviewed next by the Board Members a couple of times before final approval was given.

Timeline of Budget Analysis and Report Approval

- Mid-Year Budget prep work by staff got under way at end of June
- Staff constructed the final budget reforecast PL Statement by the second week of July to meet the Board's request to have it approved before the August QDM
- The finalized reforecast budget reviewed by Fin Com members and later approved by Board on July 18
- Staff finalized the narrative report the first week of August
- Reforecast Budget posted to acawso.org August 6
- Fin Com members and Board reviewed and approved narrative report Aug 10
- Final Mid-Year Analysis Report approved by the Board August 12 and posted to acawso.org August 13
- It is interesting to note the same report last year was posted a month later on September 6, well after the QDM.

Mid Year Analysis

Revenue Analysis

- The 7th Tradition was below forecast by \$40,000 over last year's actual at mid year
WSO's Shopify webstore and Amazon US and global marketplaces, slightly underperformed budget by 4% and 3%, respectively primarily due to accounting requirements for A New Hope presales and the BRB counterfeit matter.
- Preliminary data indicates that WSO lost over \$25,000 in BRB sales due to the counterfeiters
- Revenues were kept at original levels due to brisk sales for the A New Hope and the expectation of a second book and audiobook being released before the end of the year.
- International sales outside the US surpassed the budgeted sales forecast by an astounding 44% or about \$16,000
- 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
- A 10% decrease in account 4060 audiobook sales, not a significant variance due to dollar amount



Mid Year Analysis

Cost of Goods Sold (COGS)

- COGS accounts 5000 Shopify and 5050 Amazon were lower than budgeted due to the slight decrease in sales forecasted and due to more cost-efficient inventory handling for Amazon shipments
- Account 5150 International Sales was much greater than forecast due to improved delivery of translated literature
- WSO postponed the hiring of a budgeted staff warehouse supervision position due to the revenue shortfall in 7th Tradition



Mid Year Analysis

Expenses

- Lowered account 6030 payroll taxes amount due to the postponement of hiring new staff
- Contractors' account 6054 was reduced as we are utilizing volunteers budgeted instead of contractors and planned work is deferred to later in the year
- Program Initiatives account 6070 expense was reduced 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
- There was 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, due to lower usage than estimated for our first budgeted year in the new office
- Account 6140, had a reduction due to an accounting change for shipping supplies coded to the office expenses account in the budget instead of the COGS account where they belonged



Mid Year Analysis

Summary

The reforecast indicates an increase in net income of \$20,900, which represents less than 1% of the annual revenue and is therefore not considered a material change. Initially, the first six months of the year showed a positive balance without a deficit. However, WSO staff and the Board decided that it would be prudent to project a larger surplus rather than maintaining the same net income as the original budget by not adjusting some expenses at this time.

This concludes the analysis and reforecast of the budget conducted by management and the Board. We welcome any concerns or questions during the current review or the public comment period at the September TC meeting.

If I have time left, I can give a very short update on the items recommended by the auditor during the 2023 audit.

Auditor Recommendations

Auditor Comment	WSO Action	Status
<p>I recommend that the organization consider implementing an annual conflict-of-interest disclosure process for officers and key employees. This practice aligns with best practices and ensures compliance with policy requirements for Form 990 filings.</p>	<p>The conflict-of-interest disclosures are now being signed annually by all employees instead of once upon hire. The Board is continuing with the annual disclosures as it has been doing.</p>	<p>Complete</p>
<p>While there are proper segregation of duties in which the person responsible for sending out donor acknowledgement letters is not responsible for the accounting and recording of donations within Quickbooks, there is no reconciliation performed between donations recorded in Quickbooks and a third-party software</p>	<p>WSO Staff are beginning to review donor management software platforms with the Fin Com and will make a vendor recommendation to the board based on funds available</p>	<p>In Process</p>
<p>I recommend for all recurring charges, that a list of vendors be annually reviewed and approved signifying the transactions are authorized on a recurring basis</p>	<p>This is being worked on by finance staff</p>	<p>In Process</p>

Auditor Recommendations

Auditor Comment	WSO Action	Status
I recommend one individual perform the bank reconciliation and a second individual review the bank reconciliation against the bank statement	The reconciliations are being performed by two people and the process is documented in Adobe Sign for the Auditor's review	Complete
I recommend that all non-recurring charges be authorized prior to purchase or alternatively, charges reviewed "after-the-fact" by initials on the supporting documentation or the credit card statements that indicates a review has been done	The statements are being set up to be handled as recommended by the auditor	In Process
I recommend the organization create a cost allocation policy that details how expenses are allocated across all expense categories between program, general and administrative, and fundraising. This cost allocation policy can also assist in ensuring consistency in allocations into future years	This process is being set up by staff. The physical space allocation has been completed based on square footage. We are working through the more complex allocations now.	In Process
I recommend the organization ensure that journal entries undergo a dual-person review process. This practice, aligned with the principle of segregation of duties, minimizes the risk of errors, fraud, and misstatements in financial records	The entries reviews are being performed by two people and the process is documented in Adobe Sign for the Auditor's review	Complete

Auditor Recommendations

Auditor Comment	WSO Action	Status
<p>I recommend the organization implement an annual approval process for highly compensated employees. This process should involve evaluating salary and benefits by comparing them to similar organizations in terms of size and location. By doing so, the board can ensure fairness, competitiveness, and compliance with legal requirements while maintaining the organization's reputation and integrity.</p>	<p>A comprehensive compensation evaluation and policy creation is being performed by HR Consultants with BPM. Phase 1 which is the benchmarking of all WSO paid special workers against industry standard benchmarks has been completed. All were benchmarked instead of the recommended highest paid and key officers. The results of that benchmarking is no special worker is being paid above the 75th Quartile though there are some who are paid less than median for their job category. The next phase will be to establish the wage ranges by role and to develop a formal compensation policy that will be published in the OPPM.</p>	<p>In Process</p>