RESERVE FUND OF THE GENERAL SERVICE BOARD OF ALCOHOLICS ANONYMOUS
BACKGROUND AND HISTORICAL CONTEXT AND STATEMENT OF INVESTMENT POLICY

OCTOBER 31, 2022

RESERVE FUND OF THE GENERAL SERVICE BOARD OF ALCOHOLICS ANONYMOUS
STATEMENT OF INVESTMENT POLICY

i. EXECUTIVE SUMMARY

The Reserve Fund of the General Service Board of Alcoholics Anonymous ("Reserve", "Reserve Fund") is overseen by the Trustees Finance and Budgetary Committee under the ultimate supervision of the Trustees of the General Service Board, which, as Bill W noted, are "AA's bankers". The reserve fund is invested in very low risk investments that include a mix of investments to ensure funds are readily available when needed. Utilization of the Reserve is at the discretion of the General Service Board ("GSB"). Though the GSB has broad discretion in the investment, oversight and utilization of the Reserve Fund, its actions are informed and guided by Bill W's writings in the "Twelve Concepts for World Service" as well as multiple Advisory Actions taken by the General Service Conference since 1951.

ii. DOCUMENT INCORPORATED BY REFERENCE

The Reserve Fund of the General Service Board of Alcoholics Anonymous - Background and Historical Context ("Context Document"), as accepted by the Trustees Finance and Budgetary Committee and the GSB, is incorporated herein by Reference. If there are any conflicts between this document and the Context document, this document shall prevail.

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I. <u>Purpose of This Policy</u>

The purpose of this Statement of Investment Policy ("Policy") is three-fold:

- Establish a formal Statement of Investment Policy for the Reserve Fund;
- Codify all aspects of the Reserve, from its purpose to its use to how and where it is invested and reported as well as to establish who has authority and responsibility for Reserve Fund actions; and
- To implement Reserve-related Advisory Actions.

II. Investment Committee

The GSB delegates the responsibility to the Trustees Finance and Budgetary Committee ("TFC") to serve as the Investment Committee of the Reserve Fund. To fulfill this responsibility, TFC serves as the implementer of these Guidelines, either under its delegated authority outlined in Section III or upon applicable recommendations to the GSB. TFC may perform this function as part of its ordinary business, or as needed, may utilize a Reserve Fund Sub Committee to perform some or all its responsibilities under these Guidelines. When such a Sub Committee is used, such Sub Committee's scope and procedures and all its actions will be under the supervision and control of TFC.

III. Delegation of Authority

The following matrix outlines the authority to perform key responsibilities. The default authority for those items not listed below are TFC as "Primary Responsibility" with "Required Advance Authorization" from the GSB. In addition, the GSB may make delegations of authority on an as-needed basis without the requirement to formally amend the matrix below. Finally, the GSB retains the right to take Reserve Fund actions without a corresponding recommendation from TFC.

CFO = The Chief Financial Officer of AAWS/Assistant Treasurer of the GSB and/or their designee

Responsibility	Primary Responsibility	Required Advance Authorization
1. Selection of vendors including, but not limited to custodian banks, investment managers, depository institutions, investment advisors or consultants	CFO/TFC	GSB
2. Execute routine investment transactions including re-investment of earnings and proceeds from investments held to maturity	CFO, using approved vendors (#1 above) and in accordance with the portfolio construction guidelines in Section VI, Part B	None
3. Transfer to Reserve Fund (See Part IV, Section C for recommended annual evaluation of AAWS and Grapevine funds)	CFO/TFC	GSB, with timely notice to the Fellowship
4. Withdrawal from Reserve Fund	CFO/TFC	GSB, with timely notice to the Fellowship
5. Establish/Oversee/Dissolve Reserve Fund Sub-Committee	TFC	TFC
6. Coordination of Reserve Fund audit requirements	CFO/TFC	Trustees Audit Committee
7. EMERGENCY ACTIONS. Time-sensitive situations that cannot wait for a regularly scheduled TFC/GSB meeting. In these cases, CFO may act on the authority of a special called meeting of TFC, or, when such a meeting is not timely or feasible, approval from two officers of GSB (the GSB Chair and Treasurer unless one or both are unavailable in which case one or two other officers of the GSB may be substituted for the Chair and/or Treasurer). An emergency action could be required when, for example, one of the following occur: (1) Insolvency or imminent closure of an investment fund, financial institution or custodian used by the Reserve Fund (2) Imminent liquidity concerns such as the inability to meet payroll (3) Any situation in which urgent action is required to avoid loss of value or availability of any portion of the reserve fund. Emergency Actions are limited to those that are imperative before a special meeting of TFC and GSB can be called (the GSB Bylaws govern the process for notice and calling of a special GSB meeting). Timely notice to the Fellowship shall be made for any emergency actions taken.		

IV. Reserve Fund Balance Guidelines

A. Calculation of Reserve Fund Balance

The Reserve Fund Balance is Calculated monthly as follows:

Total value of Reserve Fund Account(s) at month end, including accrued interest:	X
Less: Total liability for Deferred Grapevine Subscriptions as of the previous December 31 Multiplied by the Funding Percentage	Y = Z * %
Equals Reserve Fund Balance as of Month End	X - Y

Deferred Grapevine subscriptions represent the cash received in advance for subscriptions. Deferred Grapevine Liability is calculated annually at calendar year end as part of the annual close and audit process. Monthly fluctuations in the Grapevine liability are not significant.

The Funding Percentage (from 0%, unfunded to 100%, fully funded) is determined by the Grapevine Board subject to approval by TFC and GSB. In general, when the Funding Percentage is changed, there is a commensurate addition/withdrawal from the Reserve so that the Reserve Fund Balance does not change.

*Example: Total value of Reserve Fund Accounts is $15,000,000. Grapevine liability is $1,500,000 and is funded at 80%. As such, the Reserve Fund Balance is $13,800,000 [$15,000,000 - $1,500,000 * 80%]. If the Funding Percentage were lowered to 50%, a corresponding withdrawal* of $450,000 from the reserve fund accounts would result in the Reserve Balance remaining at $13,800,000 [$14,550,000 - $1,500,000*50%].*

* All transfers to/from the Reserve Fund accounts require approval from the TFC and GSB so a change in the Funding Percentage would include two actions for TFC and GSB – One to ratify the change in funding percentage adopted by the Grapevine Board and one to authorize the transfer to/from the Reserve Fund account.

B. Reserve Fund Balance Goal Range

Once the Reserve Fund Balance is calculated, it is compared to the annual expenses (budgeted, re-forecasted budget, or actual expenses, depending on the time of year and context of the calculation) of GSO and Grapevine ("Expense Base", "Expenses") as follows:

(Reserve Fund Balance/Expense Base) * 12 months = # months of expenses

<u>The goal is to maintain a reserve balance of between 9 to 12 months of Expenses.</u>

A "floor" has not been established either in the writings of the Concepts or via Advisory Actions.

Should the Reserve Fund exceed 12 months, literature price reductions are the prescribed method for reducing the reserve balance to below 12 months. Should the balance approach this level, Trustees Finance and Budgetary Committee shall, in coordination with the AAWS and Grapevine Corporate Boards and GSB:

- Evaluate the nature of the potential overage (whether it is likely to continue or if it is expected to be transitory);
- Determine whether the calculation is distorted by unusually low operating expenses (i.e., when travel was suspended during the Covid-19 pandemic); and
- Coordinate the implementation of literature price reductions as required by Conference Advisory Actions.

C. *Guidelines for evaluation and transfer of excess cash balances to Reserve Fund*

In accordance with the spirit of the Long Form of Tradition 7 to avoid "accumulation of funds for no stated AA purpose", an annual evaluation of all cash balances will be performed and evaluated by TFC, keeping in mind:

- The need to maintain cash on hand for ongoing expenditures (45 days is typical)
- Capital expenditures
- Funding of operating deficits and/or
- Periodic expenses, such as the every-five-year International Convention.

This evaluation will include any recommended transfers to/from the Reserve Fund. All recommended actions approved by TFC will then be forwarded to GSB for final approval.

V. <u>Approved Uses</u>

The GSB may authorize any lawful expenditure. Broadly, this could include, whether planned or unplanned,

- Operating Deficits of AAWS or Grapevine
- Periodic expenditures such as an office renovation or major technical upgrade
- Extraordinary expenses

VI. Investment Strategy

An Investment Strategy is established via a two-step process outlined below:

A. Examination of key portfolio construction parameters
This analysis is included in the Context Document as establishment of portfolio parameters is both a spiritual and financial evaluation and should be relatively unchanged over time.

B. Portfolio Construction
Based on the parameters in Section A, taken as a whole, the portfolio construction of the Reserve Fund is to be such that:

- **There is a minimal risk of loss of nominal value to any component of the Reserve Fund or the Reserve as a whole; and**
- **There is a high degree of liquidity.**

i. The following investments are approved for utilization in the Reserve Fund Portfolio.

Investment Type	Risk Concerns	Liquidity Concerns	Mitigation Strategies for Risk Concerns	Mitigation Strategies for Liquidity Concerns
Certificates of Deposit	FDIC insurance limits, penalty for early withdrawal	None	Utilization of highly rated depository institutions since and/or use of CDARS that are fully insured	Staggered maturity dates to offset inability to process early withdrawal
CDARS (Certificate of Deposit Account Registry Service)	None – Fully FDIC Insured	Early withdrawal not possible.		
US Treasury Securities	None – Principal and Interest Guaranteed by US Government	Securities sold before maturity may incur gain/loss on sale		
US Treasury Money Market Funds	None	None		
Interest-Bearing Deposit Accounts (checking, savings)	FDIC insurance limits	None		
Federally Insured Money Market Accounts	FDIC insurance limits	None		

ii. The portfolio shall be constructed in such a way that at least 50% of the portfolio is available within one year with minimal loss.

The very first reference to "immediate liquidity" was made by Bill W himself in his writings on Concept XI in which he referenced "immediate availability of at least two-thirds of it at any time, without loss". Since that time, various Sub Committee reports have settled on liquidity parameters consistent with the above. The likelihood of requiring the entire reserve fund available on short notice is minimal compared *to the flexibility and return potential afforded by the approved investments above that lack immediate availability.*

VII. Reporting and Auditing Requirements

The TFC and GSB shall receive a report on the status of Reserve Fund of their scheduled meetings and upon request.

The independent auditors of the GSB, as part of their annual audit process and report, shall be requested to review and comment on the availability, feasibility, and adequacy of the Reserve. Such auditors shall also be provided with the most recent version of this Policy adopted by the GSB.

VIII. Adoption and Review

Adopted by TFC on October 30, 2022

Adopted by General Service Board on October 31, 2022

This Policy shall be reviewed and updated as needed. It is recommended that the Policy be readopted by GSB not less frequently than every three years. Upon adoption of an updated version by the GSB, all previous versions shall be superseded.

RESERVE FUND OF THE GENERAL SERVICE BOARD OF ALCOHOLICS ANONYMOUS
BACKGROUND AND HISTORICAL CONTEXT

i. Forward

Sufficient operating funds, plus an ample Reserve should be its prudent financial principle.
Concept XII, Warranty 2

We view with much concern those A.A. treasuries which continue, beyond prudent reserves, to accumulate funds for no stated A.A. purpose. Experience has often warned us that nothing can so surely destroy our spiritual heritage as futile disputes over property, money, and authority.
Excerpt from AA Tradition 7, Long Form

ii. Introduction

Since inception in 1954, the Reserve Fund of the General Service Board ("GSB") of Alcoholics Anonymous ("Reserve", "Reserve Fund") has changed names, structure, depository institutions and the types of investment used to earn a fair return while conserving principal. It has been the work of multiple Committees and Sub-Committees over five decades, is referenced by Bill W in his discussions of four of the *12 Concepts for World Service* ("The Concepts") and is the subject of multiple General Service Conference ("the Conference") Advisory Actions. Throughout its history, its underlying spiritual and practical purpose has never changed – to serve as the prudent reserve to ensure the continuance of essential services provided by the GSB (directly or via its two operating corporations) during good times and bad.

iii. Document Incorporated by Reference

The Reserve Fund of the General Service Board of Alcoholics Anonymous – Statement of Investment Policy ("Policy Document"), as adopted by the Trustees Finance and Budgetary Committee and the GSB, is incorporated herein by Reference. If there are any conflicts between this document and the Policy document, the Policy document shall prevail.

iv. Purpose of this Document

This document (hereafter referred to as the "Context Document") provides the historical and contextual framework upon which the Policy Document is based. Whereas the Policy Document would be expected to be utilized frequently and updated periodically, this document may only require revision every 5 years or more.

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I. <u>Single Reserve/Role of the General Service Board</u>

1. Among the General Service Board and its two operating corporations, AA World Services, Inc. (AAWS) and AA Grapevine, Inc., (Grapevine) there is one Reserve Fund;
2. The GSB is the legal owner and sole administrator of the Reserve Fund; and
3. GSB legal authority is broad, subject to the GSB Bylaws and the legal constraints imposed by the laws of the State of New York and of the United States
4. The GSB is bound, under AA tradition and the Charter of the Conference of Alcoholics Anonymous, to implement the Advisory Actions of the General Service Conference pertaining to the Reserve.

Where does the GSB's authority for points 1, 2 and 3 originate?

First, In Bill W's writing in Concept VI he stated "The Trustees are AA's bankers. They are entirely responsible for the investment and use of our substantial reserve funds." [Exhibit A, Note 1] Additionally, in Concept VIII he stated "A further consideration is that we have always rigorously avoided any great money or executive concentration by placing our reserve funds with the Trustees and dividing our total working capital between the AAWS and AA Grapevine, each entity having its own executive." [Exhibit A, Note 2]

Second, in the Bylaws of the GSB under "Powers", authority is outlined as follows "The Board of Trustees shall have all the powers provided for in these Bylaws and as are vested in a Board of Directors under the laws of the State of New York. The members of the Board, subject to the laws of the State of New York, are expected to exercise the powers vested in them by law in a manner consonant with the faith that permeates and guides the Fellowship of Alcoholics Anonymous, inspired by the Twelve Steps of A.A., in accordance with the Twelve Traditions, and in keeping with the Charter of the Conference of Alcoholics Anonymous."

Finally, in 1967, the General Service Conference Issued the Advisory Action that "The GSB make use of [ ] the Reserve Fund for whatever purpose the Board may authorize." [Exhibit B, Note 1]

II. Reserve Fund Balance Guidelines - Background

A 1977 Advisory Action established the upper end of the reserve fund at 12 months. [Exhibit B, Note 2]

A 1981 Advisory Action specified “a lower limit to the fund not be provided”. [Exhibit B, Note 4]

The lower limit of the fund is essentially $0, as the GSB could, if necessary, expend the entire Reserve. As such, 9 months of expenses is set as an informal “floor”. As noted in a 1997 Conference Finance Report “The Reserve Fund Now Stands at 9 months, which is a little lower than it should be in normal times” and in the same report three years later, “At December 1999, the Reserve Fund was just about 9 months, in my opinion, just about where it should be in normal times”. This “9 months” appears in Sub-Committee and Finance reports throughout the history of the Reserve.

Thought of another way, if the Reserve Fund were a “storage tank” of fuel or water for emergencies, common sense would dictate that when times were “ordinary”, it would be kept between ¾ full and full, and, during emergencies, by design would potentially be below those levels.

When the Reserve Fund Balance is below the Goal Range (9 to 12 months), the Trustees Finance and Budgetary Committee (“TFC”) and GSB have the responsibility, over a reasonable period, to re-build reserves. Such action must be prudent; as noted in Bill W’s writings on Concept XI (See Exhibit A, Note 3), TFC went “too far” at one point in focusing on this goal at the expense of services, and dire consequences resulted. Heeding this wisdom, the GSB has full discretion to determine the timeline and methods for rebuilding Reserve Fund Balances

When the Reserve Balance is above 12 months, Advisory Actions provide minimum response guidance. When an overage occurs, the TFC and GSB is allowed to utilize the following 12 months to evaluate the situation to see if it is transient or longer lasting, and, if the latter, work with the AAWS and Grapevine Boards to formulate a plan for literature price reductions to resolve the excess. To comply with the will of the Conference, these plans must be put into action no later than 2 years following the date that the Reserve Fund Balance began exceeding 12 months. [Exhibit B, Notes 5 and 6]

In ordinary times, the Reserve Fund’s approach to the 12-month mark would not come suddenly or without warning, due to two factors. One, the fund is invested in low-risk securities that would not experience rapid appreciation over a short period. Second, there are limits on contributions that are accepted - AA at all levels declines outside contributions (Tradition 7) and the Conference limits contributions from individuals to $5,000 per year and bequests from members to $10,000. As such, though groups, districts and areas may provide substantial support, there is little opportunity for a "windfall”.

In light of this, it is likely and strongly recommended that a plan for literature price reductions could be in place before the reserve fund actually exceeded the 12-month level.

III. Investment Strategy

An Investment Strategy is established via a two-step process outlined below:

A. Examination of key portfolio construction parameters

This analysis is included in this document as establishment of portfolio parameters is both a spiritual and financial evaluation.

Parameter	Parameter Value	Rationale
1. Time Horizon	Perpetual	Maintaining a prudent reserve is included in AA's Traditions and Concepts. This philosophy assumes that the GSB will maintain a Reserve Fund in perpetuity. [The GSB Bylaws provide guidance and steps should the assumption of perpetuity be in question in future, including liquidation of the GSB]
2. Liquidity Requirements	Very High	From Bill W's writings on Concept XI [Exhibit A, Note 3] to Sub Committee reports throughout the history of the Reserve Fund, an emphasis has been places on "immediate availability" of Reserve Fund Assets without loss. These principles suggest a high liquidity requirement for the Reserve Fund portfolio.
3. Risk Tolerance – Nominal Value	Minimum	As noted in Bill W's writings on Concept XI [Exhibit A, Note 3] and throughout five decades of discussion of the potential loss of principal in various TFC and Reserve Sub Committees, it has been repeatedly determined that loss of principal is unacceptable, both from a financial prudence standpoint and from a spiritual standpoint – that the Fellowship of AA would not be receptive to speculation of any kind related to these funds any more than a saver would accept loss of principal in a plain-vanilla passbook savings account. This Philosophy re-affirms this risk tolerance requiring a minimum risk to the nominal value of the Reserve Fund.
4. Risk Tolerance – Real Value ("Purchasing Power" or "Inflation-Adjusted")	High	The Reserve Fund is a prudent reserve for problems that arise in the present, not an endowment required to support ongoing operations in the future. By maintaining a very low risk tolerance for nominal value, the risk of maintaining the inflation-adjusted ("Real") value of the Reserve is high. This Philosophy deems this risk as acceptable. In addition, the risk is partially mitigated by: 1. The reinvestment of most earnings (See 7 below) 2. The fact that the Expense Base, all else equal, rises with inflation. This will automatically reflect the impact of inflation on Reserve Balance calculations and inform TFC and GSB decision making.

Parameter	Parameter Value	Rationale
5. Required Return	None	Competitive rate of return considering low risk tolerance and high liquidity requirements.
6. Utilization Strategy	Per GSB Discretion	The GSB is given full discretion per a 1967 Advisory Action (Exhibit B, Note 1) *The GSB make use of investment income from the Reserve Fund for whatever purpose the Board may authorize*
7. Re-investment of earnings	Earnings on the portion of the Reserve Fund attributable to Grapevine deferred subscriptions is credited to Grapevine. All other earnings are re-invested	Per 1981 Advisory Action (Exhibit B, Note 3)
8. Tax Considerations	No impact	The GSB is tax exempt under Section 501(C)(3) of the Internal Revenue Code and is indifferent towards tax treatment of various forms of investment return.
9. Environmental, Social and Governance ("ESG") Screens and Guidelines	None	ESG screens establish a position on one or more environmental, social or governance issues. AA Tradition 10 clearly states "AA has no opinion on outside issues." As such no ESG criteria or screens are appropriate for the Reserve Fund.

B. Portfolio Construction

<u>This analysis is more mechanical and is included in the Policy Document.</u>

IV. <u>Acceptance Date</u>

Trustees Finance and Budgetary Committee__October 30, 2022

General Service Board__October 31, 2022

Acceptance by the General Service Board of an updated version supersedes all previous versions.

Note that this document will likely not require regular updates or revisions, but, when necessary, such revisions shall be sent to the TFC and GSB for review and acceptance.

V. Exhibit A - Excepts from Bill W.'s writings on Concepts Pertaining to the Reserve Fund

Note 1: Concept VI "The Trustees are AA's bankers. They are entirely responsible for the investment and use of our substantial reserve funds. The very wide range of their activities will be still further seen under Concept XI, wherein the work of their [ ] standing committees is described."[1]

Note 2: Concept VIII "A further consideration is that we have always rigorously avoided any great money or executive concentration by placing our reserve funds with the Trustees and dividing our total working capital between the AAWS and AA Grapevine, each entity having its own executive."[2]

Note 3: Concept XI " [The Finance and Budgetary Committee] , in good times, will insist that we continue to set aside substantial sums to our Reserve Fund. It will pursue an investment policy in that fund which will guarantee the immediate availability of at least two-thirds of it at any time, without loss, thereby enabling us to meet hard times or even a calamity. This is not to say that our Finance and Budgetary Committee constantly says "no" and fearfully hoards our money. I can remember an earlier day when we were so intent on building up the Reserve Fund out of book earnings that we let the office services run down badly for sheer lack of enough help to cope with our fast growth. Confidence was thereby lost out in the groups, and contributions suffered severely; they dropped by tens of thousands a year. By the time the office had been reorganized and confidence restored, we had used all our current book earnings and a large part of our Reserve Funds besides. This sort of false and unimaginative economy can prove very costly — in spirit, in service and in money."[3]

Although Concept XII is not referenced directly in the body of these Guidelines (except reference to the Warranties in Part i), the timeless insights contained below in Bill W's writings in Concept XII warrant codification with the remaining policies and procedures related to the Reserve Fund.

"The fact and the symbol of A.A.'s fiscal common sense can be seen in the Reserve Fund. As of now this amounts to little more than $200,000 About one year's operating expense of our World Office. This is what we have saved over the last twenty years, largely from the income of our books. This is the fund which has repeatedly prevented the severe crippling, and sometimes the near collapse, of our world services. In about half of the last twenty years, A.A. group contributions have failed to meet our world needs. But the Reserve Fund, constantly renewed by book sales, has been able to meet these deficits — and save money besides. What this has meant in the lives of uncounted alcoholics who might never have reached us had our services been weak or nonexistent, no one can guess. Financial prudence has paid off in lives saved. These facts about our Reserve Fund need to be better understood. For sheer lack of understanding, it is still often remarked: (1) that the Reserve Fund is no longer needed, (2) that if the Reserve Fund continues to grow, perilous wealth will result, (3) that the presence of such a Reserve Fund discourages group contributions, (4) that because we do not abolish the Reserve Fund, we lack faith, (5) that our A.A. book ought to be published at cost so these volumes could be cheapened for hard-up buyers, (6) that profit-making on our basic literature is counter to a sound spirituality. While these views are by no means general, they are typical. Perhaps, then, there is still a need to analyze them and answer the questions they raise. Let us therefore try to test them. Do these views represent genuine prudence? Do we lack faith when we prudently insist on solvency? By means of cheap A.A. books should we engage, as a fellowship, in this sort of financial charity? Should this sort of giving not be the responsibility of individuals? Is the Headquarters' income from A.A. books really a profit after all? As this is written, 1960, our Headquarters operation is just about breaking even. Group contributions are exceeding our service needs by about 5%. The A.A. Grapevine continues in the red. Compared with earlier days this is wonderful. Nevertheless, this is our state in the period of the greatest prosperity that America has ever known. If this is our condition in good times, what would happen in bad times? Suppose that the Headquarters income were decreased 25% by a depression, or that expenses were increased 25% by a steep inflation. What would this mean in hard cash? The World Service Office would show a deficit of $50,000 a year and the Grapevine would put a $20,000 annual deficit on top of this. We would be faced with a gaping total deficit of $70,000 every twelve months. If in such an emergency we had no reserve and no book income, we would soon have to discharge one-third of our thirty paid workers and A.A. staff members. Much mail would go unanswered, pleas for information and help ignored. The Grapevine would have to be shut down or reduced to a second-rate bulletin. The number of Delegates attending our yearly General Service Conference would have to be drastically reduced. Practically and spiritually, these would be the penalties were we to dissipate our Reserve Fund and its book income. Happily, however, we do not have to face any such slash as this. Our present reserve and its book income could see us through several years of hard times without the slightest diminution in the strength and quality of our world effort. It is the fashion nowadays to believe that America can never see another serious business upset. We can certainly hope and pray that it will not. But is it wise for us of A.A. to make a huge bet — by dissipating our own assets — that this could never happen? Would it not be far better, instead, for us to increase our savings in this period when the world about us in all probability has already borrowed more money than can ever be repaid? Now let us examine the claim that the presence of our Reserve Fund discourages group contributions. It is said that the impression is created that A.A. Headquarters is already well off and that hence there is no need for more money. This is not at all the general attitude, however, and its effect on contributions is probably small. Some of us have another concern, and this is related to so-called book "profits." The fact that A.A. Headquarters and most of the groups sell books for more than they cost is thought to be spiritually bad. But is this sort of noncommercial book income really a profit after all? In my view, it is not. This net income to the groups and to A.A.'s General Services is actually the sum of a great many contributions which the book buyers make to the general welfare of Alcoholics Anonymous. The certain and continuous solvency of our world services rests squarely upon these contributions. Looked at in this way, our Reserve Fund is seen to be actually the aggregate of many small financial sacrifices made by the book buyers. This fund is not the property of private investors; it is wholly owned by A.A. itself.[4]

[1]Twelve Concepts for World Service, 2021-2023 edition page C20
[2]Twelve Concepts for World Service, 2021-2023 edition page C25
[3]Twelve Concepts for World Service, 2021-2023 edition page C38
[4]Twelve Concepts for World Service, 2021-2023 edition page C51-52, Warranty 2

VI. Exhibit B – Reserve Fund Advisory Actions

Note 1: 1967 "The GSB make use of investment income from the Reserve Fund for whatever purpose the Board may authorize"

> *Note: Due to the ambiguity of the phrase "income from" the following background from the Conference Finance Discussion is included to clarify that the above was to specify that Reserve Fund income could be utilized by the GSB in addition to the Reserve Balance itself.*
> *"4/18/67 Use of Income from Reserve Fund"*
> *For some considerable time there has been a general understanding that the A.A. General Service Office would accumulate a reserve for possible contingencies with a ceiling of about $300,000. We have permission to dip into this reserve from time to time in years when our income does not meet current expenses. Currently the fund stands at $300,000 plus an accumulated income from investments of $26,000. In recent years, with the higher interest rates prevailing, the income from the reserve fund has been fairly substantial. While the General Service Office has authority to use part of the fund, it is for current expenses where necessary, and, of course, this is the purpose of the reserve, it does not have specific authority to use the income of the reserve. The purpose of this memorandum, therefore, is to ask that at this Conference the Committee approve of the automatic transfer in each year of investment income from the reserve fund to the General Service Office, to be used to defray ordinary expenses. It is the operating procedure at General Service, of course, to replace any funds used from the reserve fund promptly in any year in which a surplus exists. It does seem inconsistent, however, to use the fund itself without making a similar provision for use of the income from the fund.*

Note 2: 1976 "Examine and restate meaning of 'prudent reserve' as it relates to GSO Structure, with possible consideration at a future conference". The following year, in 1977, the Advisory Action was passed stating that "A prudent reserve be established equal [amended 1987 to read "not-to-exceed"] to the preceding year's operating expense of the combined expenses of the General Service Board of A.A., A.A. World Services, Inc. and The A.A. Grapevine, Inc. (except for extraordinary expense); and the auditing firm be requested to review and comment annually on the availability, feasibility, and adequacy of this reserve."

Note 3: 1981 "All income earned on that portion of the Reserve Fund attributable the deferred subscriptions be credited to the Grapevine and reflected on the Grapevine financial statement. The contra amount of the increase in income will be added to the asset account of the General Service Board Reserve Fund. The reporting and crediting of interest earned on Grapevine unexpired subscriptions income as originally recommended by the ad hoc committee report of February 3, 1978, be maintained."

Note 4: 1987 "And that a lower limit to the fund not be provided, in as much as the auditor us required to commend on the adequacy of the fund"

Note 5: 1988 “The trustees’ Finance and Budgetary Committee’s proposal for handling possible excesses in the Reserve Fund be approved. The proposal would use literature price reductions as the primary mechanism in adjusting the relationship of the Reserve Fund to the Conference-approved limit of one year’s operating expenses. The statement of clarification recommended by the trustees’ Finance and Budgetary Committee be approved. The statement says that when the auditor comments in his annual financial statements on the availability, feasibility, and adequacy of the Reserve Fund, he is measuring the Reserve Fund as of the calendar year just ended, including transfers from such year’s income of the operating entities, against the operating expenses of the consolidated entities (A.A. World Service, Inc., General Service Board of A.A., Inc., and the Grapevine, Inc.), for the same year then ended.

Note 6: 2001 “If the Reserve Fund exceeds the 12-month upper limit we allow a one-year period to review the Reserve Fund level, followed by a second year to formulate actions to adjust Reserve Fund below 12 months’ operating expenses.