

MEMORANDUM

June 20, 2023

FROM: Kevin P., CFA, CPA, GSB Treasurer

RE: Grapevine Subscription Liability//GSB Reserve Fund

Traditionally, a portion of the Reserve Fund has been set aside to cover Grapevine's obligation to provide magazines to paid subscribers.

Over the last several years, the industry has undergone significant change and most periodicals do not set aside any funds in this manner. Historically the full revenue associated with the subscriptions was set aside and sent to the Reserve Fund.

For Grapevine, the cost of fulfilling the subscriptions is about 1/3 of the price of the subscription. As such, in the last several years, we have reduced the amount funds set aside in the Reserve Fund from 100% of unfilled subscription revenue to 34% of unfilled subscription revenue or, in other words, 100% of the cost to fulfill such subscriptions.

As the percentage required was reduced, the funds previously set aside were withdrawn from the Reserve Fund and returned to Grapevine.

In addition, as part of the 2023 budget approved by the General Service Board in January 2023, an additional \$500,000 withdrawal from the Reserve Fund was made to fund the build-out of the Grapevine app.

Since the Reserve Fund is reported net of the Grapevine liability, only the \$500,000 withdrawal affects the availability of Reserve Fund dollars for other projects or to achieve the goal of having 9 to 12 months of expense in the Reserve Fund; currently, based on 2023 budgeted expenses, the Reserve Fund balance covers just over 7 months of expenses.

An additional Reserve Fund draw in 2023 is unlikely at this time.