

Al-Anon Family Group Headquarters, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Table of Contents

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9

Independent Auditor's Report

Board of Trustees
Al-Anon Family Group Headquarters, Inc.
Virginia Beach, VA

Opinion

We have audited the financial statements of Al-Anon Family Group Headquarters, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Al-Anon Family Group Headquarters, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Al-Anon Family Group Headquarters, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Al-Anon Family Group Headquarters, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AI-Anon Family Group Headquarters, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AI-Anon Family Group Headquarters, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS,LLP

**Norfolk, VA
February 27, 2023**

AI-Anon Family Group Headquarters, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,873,968	\$ 2,987,857
Accounts receivable	99,876	118,940
Inventories of books and other literature	502,684	355,164
Deferred charges and deposits	340,306	191,603
Investments	7,283,942	8,410,894
Property and equipment, net	1,372,487	1,491,709
Intangible assets, net	225,043	227,107
Right-of-use assets, operating leases	59,611	-
	<u>12,757,917</u>	<u>13,783,274</u>
Total assets	<u>\$ 12,757,917</u>	<u>\$ 13,783,274</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 361,451	\$ 360,400
Accrued postretirement health benefits	615,231	755,356
Unearned subscription income	188,624	197,350
Unearned mobile app income	25,944	16,125
Unearned convention and conference income	599,392	168,036
Operating lease liability	59,611	-
	<u>1,850,253</u>	<u>1,497,267</u>
Total liabilities	<u>1,850,253</u>	<u>1,497,267</u>
Net assets without donor restrictions	<u>10,907,664</u>	<u>12,286,007</u>
Total liabilities and net assets	<u>\$ 12,757,917</u>	<u>\$ 13,783,274</u>

AI-Anon Family Group Headquarters, Inc.
Statement of Activities
Year Ended December 31, 2022

	General Fund	Board Designated Funds		2022 Totals
		Reserve Fund	Building Fund	
REVENUE:				
Literature sales	\$ 2,725,035	\$ -	\$ -	\$ 2,725,035
Cost of sales	<u>625,189</u>	<u>-</u>	<u>-</u>	<u>625,189</u>
Gross profit	2,099,846	-	-	2,099,846
Magazine sales	247,368	-	-	247,368
Subscription income	48,174	-	-	48,174
Contributions	3,337,918	-	-	3,337,918
Contributed nonfinancial assets	125,939	-	-	125,939
Investment income (loss), net	<u>(173,742)</u>	<u>(1,473,986)</u>	<u>-</u>	<u>(1,647,728)</u>
Total revenue	<u>5,685,503</u>	<u>(1,473,986)</u>	<u>-</u>	<u>4,211,517</u>
FUNCTIONAL EXPENSES:				
Program services	3,333,424	-	-	3,333,424
Literature distribution services	904,405	-	-	904,405
General administration	<u>1,492,156</u>	<u>(140,125)</u>	<u>-</u>	<u>1,352,031</u>
Total functional expenses	<u>5,729,985</u>	<u>(140,125)</u>	<u>-</u>	<u>5,589,860</u>
Change in net assets	(44,482)	(1,333,861)	-	(1,378,343)
Net assets without donor restrictions, beginning of year	3,377,411	7,648,642	1,259,954	12,286,007
Transfers	<u>94,431</u>	<u>-</u>	<u>(94,431)</u>	<u>-</u>
Net assets without donor restrictions, end of year	<u>\$ 3,427,360</u>	<u>\$ 6,314,781</u>	<u>\$ 1,165,523</u>	<u>\$ 10,907,664</u>

AI-Anon Family Group Headquarters, Inc.
Statement of Activities
Year Ended December 31, 2021

	General Fund	Board Designated Funds		2021 Totals
		Reserve Fund	Building Fund	
REVENUE:				
Literature sales	\$ 2,389,064	\$ -	\$ -	\$ 2,389,064
Cost of sales	<u>482,313</u>	<u>-</u>	<u>-</u>	<u>482,313</u>
Gross profit	1,906,751	-	-	1,906,751
Magazine sales	238,040	-	-	238,040
Subscription income	33,328	-	-	33,328
Contributions	2,623,242	-	-	2,623,242
Contributed nonfinancial assets	136,555	-	-	136,555
Investment income, net	<u>235,693</u>	<u>1,826,683</u>	<u>-</u>	<u>2,062,376</u>
Total revenue	<u>5,173,609</u>	<u>1,826,683</u>	<u>-</u>	<u>7,000,292</u>
FUNCTIONAL EXPENSES:				
Program services	2,752,049	-	-	2,752,049
Literature distribution services	922,257	-	-	922,257
General administration	<u>1,575,369</u>	<u>(34,860)</u>	<u>-</u>	<u>1,540,509</u>
Total functional expenses	<u>5,249,675</u>	<u>(34,860)</u>	<u>-</u>	<u>5,214,815</u>
Change in net assets	(76,066)	1,861,543	-	1,785,477
Net assets without donor restrictions, beginning of year	3,253,230	5,874,099	1,373,201	10,500,530
Transfers	<u>200,247</u>	<u>(87,000)</u>	<u>(113,247)</u>	<u>-</u>
Net assets without donor restrictions, end of year	<u>\$ 3,377,411</u>	<u>\$ 7,648,642</u>	<u>\$ 1,259,954</u>	<u>\$ 12,286,007</u>

AI-Anon Family Group Headquarters, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Literature Distribution Services	General Administration	2022 Totals
Operating expenses:				
Salaries	\$ 2,001,718	\$ 667,683	\$ 554,987	\$ 3,224,388
Employee benefits	449,368	151,681	127,372	728,421
	<u>2,451,086</u>	<u>819,364</u>	<u>682,359</u>	<u>3,952,809</u>
Occupancy costs	126,726	100,864	31,036	258,626
Packing and shipping, net	-	(57,680)	-	(57,680)
Postage	118,508	3,071	37,043	158,622
Telephone	10,967	4,024	38,219	53,210
Stationery and supplies	36,000	134	28,227	64,361
Office services and expenses	124,704	26,320	187,629	338,653
Credit card and bank fees	-	-	108,610	108,610
Repairs and maintenance	4,575	2,646	6,949	14,170
Travel and meetings	46,481	-	108,369	154,850
Direct conference costs, net	113,003	-	-	113,003
Professional fees	-	-	71,566	71,566
Printing	100,253	-	-	100,253
Canadian office	1,898	-	-	1,898
Public service announcements	87,810	-	-	87,810
Miscellaneous expenses	47,393	-	30,755	78,148
Contributed nonfinancial assets	-	-	125,939	125,939
	<u>3,269,404</u>	<u>898,743</u>	<u>1,456,701</u>	<u>5,624,848</u>
Total operating expenses				
Nonoperating expenses:				
Depreciation and amortization	53,448	1,339	30,923	85,710
Postretirement health benefits	10,572	4,323	(135,593)	(120,698)
	<u>64,020</u>	<u>5,662</u>	<u>(104,670)</u>	<u>(34,988)</u>
Total nonoperating expenses				
Total expenses	<u>\$ 3,333,424</u>	<u>\$ 904,405</u>	<u>\$ 1,352,031</u>	<u>\$ 5,589,860</u>

See accompanying notes.

AI-Anon Family Group Headquarters, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Literature Distribution Services	General Administration	2021 Totals
Operating expenses:				
Salaries	\$ 1,775,434	\$ 653,290	\$ 647,392	\$ 3,076,116
Employee benefits	402,549	149,262	143,955	695,766
	<u>2,177,983</u>	<u>802,552</u>	<u>791,347</u>	<u>3,771,882</u>
Occupancy costs	129,845	103,347	31,799	264,991
Packing and shipping, net	-	(12,120)	-	(12,120)
Postage	110,474	2,437	33,933	146,844
Telephone	10,106	4,214	38,729	53,049
Stationery and supplies	30,437	2,504	24,567	57,508
Office services and expenses	55,803	5,298	215,647	276,748
Credit card and bank fees	-	-	103,269	103,269
Repairs and maintenance	3,813	1,590	6,604	12,007
Travel and meetings	5,709	-	30,022	35,731
Direct conference costs, net	17,935	-	-	17,935
Professional fees	-	-	75,800	75,800
Printing	90,098	-	-	90,098
Canadian office	1,990	-	-	1,990
Office volunteers	67,800	-	-	67,800
Public service announcements	500	-	-	500
Miscellaneous expenses	-	7	22,066	22,073
Contributed nonfinancial assets	-	-	136,555	136,555
	<u>2,702,493</u>	<u>909,829</u>	<u>1,510,338</u>	<u>5,122,660</u>
Total operating expenses				
Nonoperating expenses:				
Depreciation and amortization	12,397	1,277	50,166	63,840
Postretirement health benefits	37,159	11,151	(19,995)	28,315
	<u>49,556</u>	<u>12,428</u>	<u>30,171</u>	<u>92,155</u>
Total nonoperating expenses				
Total expenses	<u>\$ 2,752,049</u>	<u>\$ 922,257</u>	<u>\$ 1,540,509</u>	<u>\$ 5,214,815</u>

See accompanying notes.

AI-Anon Family Group Headquarters, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (1,378,343)	\$ 1,785,477
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	180,141	177,087
Loss (gain) on investments (realized and unrealized)	1,603,532	(2,076,276)
Interest/dividend income reinvested	(37,952)	(31,489)
Change in operating assets and liabilities:		
Accounts receivable	19,064	(67,252)
Inventories of books and other literature	(147,520)	48,133
Deferred charges and deposits	(148,703)	33,888
Accounts payable and accrued expenses	1,051	95,403
Accrued postretirement health benefits	(140,125)	(34,860)
Unearned subscription income	(8,726)	9,037
Unearned mobile app income	9,819	9,819
Unearned convention and conference income	431,356	84,811
Net cash provided by operating activities	<u>383,594</u>	<u>33,778</u>
Cash flows from investing activities:		
Sale of investments and transfers to operating cash	3,124,184	4,141,119
Purchases of investments	(3,562,811)	(4,027,770)
Purchases of intangibles	(22,540)	(8,559)
Purchases of property and equipment	<u>(36,316)</u>	<u>(199,689)</u>
Net cash used by investing activities	<u>(497,483)</u>	<u>(94,899)</u>
Net change in cash	(113,889)	(61,121)
Cash and cash equivalents, beginning of year	<u>2,987,857</u>	<u>3,048,978</u>
Cash and cash equivalents, end of year	<u>\$ 2,873,968</u>	<u>\$ 2,987,857</u>
Supplemental disclosure of noncash information:		
Right-of-use asset obtained in exchange for lease liability	<u>\$ 65,738</u>	<u>\$ -</u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

Al-Anon Family Group Headquarters, Inc. (Organization) is a not-for-profit corporation that publishes and distributes books, pamphlets and other materials directly related to Al-Anon's program of assisting families and friends of alcoholics in dealing with the problems of alcoholism. It also assists in the formation of new Al-Anon and Alateen groups and coordinates policy among all such groups throughout the world.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

Net assets without donor restrictions represent unrestricted revenue and contributions received without donor-imposed restrictions. These funds are available for the overall operations of the Organization and can be designated by the Board of Trustees to fund certain projects. See Notes 4 and 9 related to Board designated Reserve and Building Funds. Unrestricted contributions and bequests are recognized as revenue when earned, or when cash is received.

Net assets with donor restrictions are those that are stipulated by donors for specific purposes or are inherently time restricted, such as promises to give. The Organization does not accept restricted contributions and does not solicit promises to give. Therefore, there are no net assets with donor restrictions.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with maturities of three months or less and all certificates of deposit to be cash equivalents. Cash and cash equivalents may include checking accounts, savings accounts, repurchase agreements, commercial paper, and money market funds.

Accounts receivable

Receivables from contracts with customers are reported as accounts receivable. Contract liabilities are reported as unearned income. The Organization considers accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is required. The Organization's policy is to charge off accounts receivable when management determines the receivable will not be collected.

Inventories of books and other literature

Inventories are recorded at cost under the first-in, first-out (FIFO) method of accounting. Slow-moving or obsolete items have been written-down to net realizable value.

Literature distributed without charge is not accounted for separately, but is included in the cost of sales. The cost of non-English literature is charged to expense in the year produced.

Investments

Investments are shown at quoted market prices to represent their fair value. Gains and losses on investments are recognized on the sale or redemption on an average cost basis. The Organization carries substantially all investments in equity securities at fair value and record the subsequent changes in fair values in the Statement of Activities as a component of investment activity, net.

The Board of Trustees may authorize the transfer of net investment income from the Reserve Fund and the Building Fund to the General Fund. The Board has approved the transfer of up to 4% of the fair value of the investment portfolio based on a 36-month average from the Reserve Fund to the General Fund each year.

Property and equipment

Property and equipment are stated at cost and depreciated by the straight-line method over the following useful lives:

Building	40 years
Building improvements	10 years
Furniture and equipment	3 to 10 years

The Organization's policy is to capitalize property and equipment purchased with a cost greater than \$1,000.

Intangible assets

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the Organization amortizes intangible assets with a finite useful life. Amortizable intangibles will be amortized straight-line over the life of the agreements.

Revenue recognition

The Organization generates revenue primarily from literature sales, magazine subscriptions, and contributions from members. Revenues from nonexchange transactions are accounted for in accordance with the guidance for contributions and promises to give under Accounting Standards Codification ("ASC") Topic 958, while revenues from exchange contracts with customers are accounted for in accordance with ASC Topic 606. The determination of whether a contract is exchange or nonexchange requires management to exercise judgment and evaluate subjective criteria about whether there is a reciprocal exchange of commensurate value that flows to the direct benefit of the parties to the contract. Although the accounting guidance differs for exchange and nonexchange contracts, in practice, the timing and amount of revenue recognition for the Organization's contracts generally would not differ significantly under either Topic.

AI-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

Exchange Contracts Accounted for under Topic 606

Revenues for exchange contracts accounted for under Topic 606 include literature sales and magazine subscriptions are reported at amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing the contracted good or services. The Organization determines the transaction price based on the stated fixed price of the good or annual subscription. The nature of the Organization's exchange contracts generally do not include variable consideration that require significant judgments to estimate the transaction price or related constraints due to risk of significant reversal.

Performance obligations are determined based on the nature of delivery of the goods and services provided. Performance obligations for subscription sales are generally recognized over time based on the subscription period. Performance obligations for literature sales are recognized at a point in time when inventory is shipped to the customer. Performance obligations for convention and conference income are recognized at a point in time when the convention or conference occurs.

Contract revenues for 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 2,744,947	\$ 2,411,560
Performance obligations satisfied over time	<u>275,630</u>	<u>248,872</u>
	<u>\$ 3,020,577</u>	<u>\$ 2,660,432</u>

Receivables consist of amounts for which the Organization has an unconditional right to collect for literature distributed to customers. Receivables are impaired when determined to be uncollectible based on identified risk of nonpayment. The Organization rarely incurs bad debt expense due to the nature of its receivables. Recoveries of accounts previously written off are recorded as a reduction of bad debt expense when received. Interest is not charged on receivables. Collateral is not required to secure outstanding receivables.

The Organization does not incur costs to obtain customer contracts that are incremental to a given contract (e.g., commissions) or recoverable. In some cases, the Organization may receive payment prior to the completion of the performance obligation. Such amounts are considered to be contract liabilities. The balance of contract liabilities at December 31, 2022 and 2021 were \$813,960 and \$381,511, respectively, and was reported as unearned income on the statement of financial position. Total contract liabilities were \$277,844 as of January 1, 2021.

Nonexchange Transactions Accounted for under Topic 958

Arrangements that are determined to be nonexchange transactions are excluded from the scope of Topic 606 and fall under Topic 958. A nonexchange transaction is not considered to be a reciprocal exchange of goods and services with a customer, but rather is tantamount to a contribution from a resource provider.

Under Topic 958, nonexchange transactions may be conditional or unconditional. If there is both 1) a barrier and 2) a right of return or release of the resource provider's obligation to transfer assets, then the contribution is conditional. If both criteria are not present, then the contribution is unconditional and is recognized upon satisfaction of any conditions. A contribution also may include a purpose or use restriction on the funding, or may be intended for use in a future year and thus have an explicit or implicit time restriction. Once a contribution becomes unconditional, an entity shall consider whether there is a purpose or time restriction prior to recognizing the funds as unrestricted revenue.

Unconditional contributions are considered to be available for unrestricted use. The organization does not accept restricted contributions.

Unearned subscription income

The Organization sells subscriptions to a monthly publication called *The Forum*. The Organization records as unearned subscription income the prorated amount of subscriptions which have not been delivered.

The Organization sells yearly subscriptions to premium content delivered via the AI-Anon Mobile App. The Organization records as unearned premium subscription income the prorated amount of content which has not been delivered.

Unearned convention and conference income

The Organization records convention and conference income received prior to the convention or conference as unearned convention or conference income.

Contributed Nonfinancial Assets

The Organization recognizes contribution revenue for items or services that would be purchased, if not donated, at the fair value of those items at the time the donation is received. During 2022 and 2021, the Organization recognized contribution revenue of \$125,939 and \$136,555, respectively, related to donated marketing services for keywords which link to the Organization's website. The value of the donated non-cash marketing services has been properly reflected in the statements of activities.

Convention income

The Organization records income related to conventions held net of related costs. There was no convention income in 2022 or 2021.

Direct conference costs

The Organization records direct conference costs net of related income. In 2022 and 2021, there was \$192,447 and \$783 respectively, of direct conference revenue and \$305,450 and \$18,718, respectively, of direct conference expense, resulting in a net expense of \$113,003 and \$17,935, respectively, which is included in the statements of activities in program services expense.

General service meeting

The Organization records income related to general services meetings net of related costs. There was \$47,694 of general service meeting income and \$95,087 of general service meeting expense, resulting in a net expense of \$47,393, which is included in the miscellaneous expenses within the statement of activities in program services expenses. There was no general service meeting income or expenses in 2021.

Functional allocation of expenses

The total program cost of producing and distributing literature includes the cost of literature sold and total literature distribution services expense. Shipping and handling costs are also included. The total expense for 2022 and 2021 includes cost of literature sold of \$625,189 and \$482,313, respectively, which is a reduction from literature sales in the statements of activities, plus literature distribution services expense of \$904,405 and \$922,257, respectively, for total costs of \$1,529,594 and \$1,404,570, respectively. Included in packing and shipping expense is \$418,814 and \$258,822, respectively, of revenue for shipping cost included in billed amounts for literature and \$361,134 and \$270,942, respectively, of expense, for a net gain of \$57,680 and \$12,120, respectively, which is included in literature distribution services expense on the statements of activities.

Included in general administration expenses is \$41,735 and \$32,613 for fundraising appeal letters for 2022 and 2021, respectively.

AI-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which can be directly associated with a function are charged directly. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, utilities and office administrative expenses, which are allocated on the basis of estimates of employee resources, square footage, and accounting fees that are allocated entirely to general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Management made certain significant estimates in the calculation of liabilities for postretirement health benefits. Postretirement health benefits include estimates of employee retention and health care cost trends. It is reasonably possible that a change in these estimates will occur in the near term. The effects of changes in these estimates cannot be determined.

Concentration of credit risk

At times, the Organization has cash and cash equivalents at financial institutions in excess of the federally insured limit. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The Organization places its cash and equivalents with high credit quality financial institutions.

Included in these financial statements are the operations of the Public Information (P.I.) office in Canada. Canadian source revenues are processed in the U.S. office, but deposited in a Canadian bank. Likewise, expenses of the Canadian P.I. office were disbursed from the Canadian bank account. Included in net realized gains is a foreign currency loss adjustment of \$83,899 and \$55,908 for 2022 and 2021, respectively.

At December 31, 2022 and 2021, the Organization had cash deposits in a Canadian financial institution of \$361,256 and \$449,290, respectively, (U.S. dollars).

The Organization sells its publications to affiliated organizations in foreign countries and occasionally purchases foreign language publications from other countries, but not in significant quantities.

AI-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and the statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Presentation of sales taxes

The Organization's sales are subject to sales tax imposed by various jurisdictions. The Organization collects that sales tax from customers and remits it to the applicable jurisdiction. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Change in Accounting Principles – Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Organization adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with nonlease components that relate to the lease components. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Organization elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$8,646. The standard did not significantly affect the statements of activities, functional expenses, or cash flows.

The cumulative effect of the changes made to the statement of financial position for the adoption of this standard was as follows:

	December 31, 2021 As Reported	ASC 842 Adjustment January 1 2021	January 1, 2022 As Adjusted
Assets			
Right-of-use assets – operating leases	-	8,646	8,646
Liabilities			
Operating lease liabilities	-	8,646	8,646
Net Assets			
Net assets without donor restrictions	12,286,007	(-)	12,286,007

Lease Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

New Accounting Pronouncement adopted in 2022 – Contributed Nonfinancial Assets

During 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires the Organization to present gifts-in-kind as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements include disclosing the Organization's policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 27, 2023, the date the financial statements were available to be issued.

3. Retirement Plan

The Organization sponsors a defined contribution plan covering all eligible employees which includes a cash or deferred arrangement that is intended to qualify under section 401(k) of the Internal Revenue Code. The Organization's contribution rate is 4.3% of the first \$25,000 of salary and 8.5% of the excess over that amount. The first 3% of the Organization's contribution is fully vested immediately due to the plan's safe harbor provision. The contributions for 2022 and 2021 were \$185,126 and \$190,720, respectively, and is included in employee benefits on the statements of functional expenses.

4. Reserve Fund

In April 1970, the Board of Trustees funded the Reserve Fund in an initial amount of \$80,000, the purpose of which was to set aside sufficient funds to ensure the continuation of the Organization's essential services and the funding of special projects. The objective for the fund was to maintain an amount equal to one year's operating expenses. Effective July 1, 1999, the Board of Trustees redefined one year's operating expenses to include all expenses of the Organization except for unusual, nonrecurring items in excess of \$100,000. At the same time, the board stated that the Reserve Fund's assets would be measured against the objective using the lower of cost or fair value.

Transfers between funds are reviewed by the Board on a year-to-year basis. Due to net transfers and retained income during the years, the Reserve Fund balance was \$6,314,781 and \$7,648,642 at December 31, 2022 and 2021, respectively.

5. Liquidity and Availability

The Organization operates on a cash-based budget. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Short-term needs are primarily for salaries, purchases of inventory, supplies, board and staff travel, and general administrative expenses. Expenses due in the coming year are covered by funds raised through contributions and literature sales.

As part of the Organization's liquidity plan, any operational expenditures in excess of anticipated revenue, creating an operational budget shortfall paid for in the same year, are covered by the Reserve Fund.

The Organizations' financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,873,968	\$ 2,987,857
Accounts receivable	<u>99,876</u>	<u>118,940</u>
	<u>\$ 2,973,844</u>	<u>\$ 3,106,797</u>

6. Investments

Investments at December 31, 2022 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 520,786	\$ 405,229	\$ (115,557)
Equity securities	3,542,633	5,692,367	2,149,734
Debt securities	<u>1,069,697</u>	<u>1,186,346</u>	<u>116,649</u>
	<u>\$ 5,133,116</u>	<u>\$ 7,283,942</u>	<u>\$ 2,150,826</u>

Al-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

Investments at December 31, 2021 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 497,081	\$ 475,585	\$ (21,496)
Equity securities	2,787,080	6,834,454	4,047,374
Debt securities	<u>1,078,609</u>	<u>1,100,855</u>	<u>22,246</u>
	<u>\$ 4,362,770</u>	<u>\$ 8,410,894</u>	<u>\$ 4,048,124</u>

Investment income, net for 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 31,595	\$ 62,372
Net realized gains (losses)	283,721	432,466
Net unrealized gains	(1,887,253)	1,643,810
Investment expenses	<u>(75,791)</u>	<u>(76,272)</u>
Net investment (loss) income	<u>\$ (1,647,728)</u>	<u>\$ 2,062,376</u>

7. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Property and equipment		
Land	\$ 158,347	\$ 158,347
Building	2,791,878	2,791,878
Building improvements	612,485	612,485
Furniture and equipment	<u>754,714</u>	<u>718,398</u>
	4,317,424	4,281,108
Accumulated depreciation	<u>(2,944,937)</u>	<u>(2,789,399)</u>
	<u>\$ 1,372,487</u>	<u>\$ 1,491,709</u>

Total depreciation expense for 2022 and 2021 is \$155,537 and \$153,420, respectively. Depreciation on the building of \$94,431 and \$113,247 has been included in occupancy costs for 2022 and 2021, respectively.

8. Intangible Assets

Intangible assets consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Trademarks	\$ 318,913	\$ 296,373
Accumulated Amortization	<u>(93,870)</u>	<u>(69,266)</u>
	<u>\$ 225,043</u>	<u>\$ 227,107</u>

Capitalized costs to date represent legal costs incurred to acquire trademarks. Amortization expense of \$24,604 and \$23,667 was recorded during 2022 and 2021, respectively.

9. Building Fund

In July 1995, the Organization established the Building Fund to account for the construction of a new headquarters office and warehouse in Virginia Beach, Virginia. Initial funding was obtained by City of Virginia Beach Development Authority Industrial Development Revenue Bonds (Series 1995) of \$2,500,000. The final payment of these bonds was made in April 2010.

The final cost of the building was \$2,791,878. The land was purchased during 1995 for \$158,347. Initial furniture and equipment costs were \$755,150 and were capitalized and transferred to the General Fund. Building improvements totaling \$537,515 have been added to the Building Fund. Accumulated depreciation on the building and building improvements was \$2,397,187 and \$2,302,756 at December 31, 2022 and 2021, respectively.

Transfers were made between the Building Fund and General Fund totaling \$94,431 and \$113,247 in 2022 and 2021, respectively, to accurately reflect the cost less accumulated depreciation of the land and building of \$1,165,523 and \$1,259,954 as of December 31, 2022 and 2021, respectively. The annual transfer between the Building Fund and General fund reflects the net of any future building improvements and annual depreciation.

10. Contributed Nonfinancial Services

For the periods ended December 31, 2022 and 2021, contributed nonfinancial assets and services recognized within revenue in the statements of activities included:

	<u>2022</u>	<u>2021</u>
Marketing services	\$ 125,939	\$ 134,179
Website hosting	<u>-</u>	<u>2,376</u>
	<u>\$ 125,939</u>	<u>\$ 136,555</u>

Al-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

Contributed services were utilized in the following programs:

<u>Contributed Items</u>	<u>Programs</u>	<u>Valuation Basis</u>
Marketing Services	Public Outreach	Value estimated based on estimated costs to acquire similar service in the United States
Website Hosting Services	Public Outreach	Value estimated based on estimated costs to acquire similar service in the United States

11. Postretirement Health Benefits

The Organization provides health care benefits for retired employees after age 60 with 20 years of service. Benefits are provided before age 65 through the Organization's normal employee health plan, and then through Medicare supplemental health insurance policies. The Organization bears the entire cost of the premiums.

The plan is unfunded. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the plan is 4.5%. A discount rate of 2.02% has been used to measure the accrued postretirement health benefits liability based on active participants and current mortality rates. The following table sets forth the information regarding the plan at December 31:

	<u>2022</u>	<u>2021</u>
Postretirement benefits liability	<u>\$ 615,231</u>	<u>\$ 755,356</u>
Increase/decrease in accrued benefits liability	<u>\$ (140,125)</u>	<u>\$ (34,860)</u>
Benefits paid	<u>\$ 19,427</u>	<u>\$ 63,174</u>

During 1996, the board authorized this liability to be carried by the Reserve Fund. Accordingly, the liability increase was recorded in the Reserve Fund.

Effective January 1, 2018, the Organization elected to no longer offer postretirement health benefits. The exceptions are for those already retired, and active employees that were 65 years of age or older with 20 or more years of service prior to January 1, 2018. As of December 31, 2022, sixteen employees and retired employees are eligible for benefits under this plan.

12. Lease Commitments

The Organization has entered into the following lease arrangements:

Operating leases

The Organization leases office equipment under operating leases that expire in various years through 2027. Lease expense for office equipment was \$21,797 and \$23,264 in 2022 and 2021, respectively.

Al-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

Short-term leases

The Organization leases virtual office space in Canada under a lease which expired May 31, 2021. Lease automatically renews each year unless cancelled. The expected lease term is less than 12 months. Lease expense for this office space was \$766 and \$858 in 2022 and 2021, respectively.

All leases

The Organization has no material related-party leases. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The lease cost and other required information for the years ended December 31, 2022 and 2021, are:

	<u>2022</u>	<u>2021</u>
Lease cost:		
Operating lease cost	\$ 21,797	\$ 23,264
Short-term lease cost	<u>766</u>	<u>858</u>
Total lease cost	<u>\$ 22,563</u>	<u>\$ 24,122</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	21,797	23,264
Right-of-use assets obtained in exchange for new operating lease liabilities	65,738	-
Weighted-average remaining lease terms – operating leases	4.35 years	2 years
Weighted-average discount rate - operating leases	0.78%	3.34%

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2022 are as follows:

	<u>Operating Leases</u>
2023	\$ 17,122
2024	14,308
2025	14,308
2026	14,308
2027	<u>7,154</u>
Total future undiscounted lease payments	67,200
Less imputed interest	<u>(7,589)</u>
Lease liabilities	<u>\$ 59,611</u>

13. Fair Value Measurements

The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Current accounting standards expands disclosures about instruments measured at fair value and applies to the other accounting pronouncements that require or permit fair value measurements.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 1 assets include mutual funds, equity and debt securities, as well as U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument. Level 2 assets include agency mortgage-backed debt securities whose value is determined using inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

AI-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	\$ 405,229	\$ -	\$ -	\$ 405,229
Equity securities				
Financial sector	2,319,109	-	-	2,319,109
Health care sector	1,011,348	-	-	1,011,348
Technology sector	848,022	-	-	848,022
Energy sector	94,518	-	-	94,518
Industrial sector	668,119	-	-	668,119
Services sector	44,273	-	-	44,273
Consumer discretionary sector	7,255	-	-	7,255
Consumer cyclical sector	74,075	-	-	74,075
Materials sector	156,133	-	-	156,133
Manufacturing	73,773	-	-	73,773
Entertainment	24,648	-	-	24,648
Utilities sector	15,190	-	-	15,190
Real estate sector	185,718	-	-	185,717
Large Blend ETFs	124,521	-	-	124,521
Telecommunications sector	45,666	-	-	45,666
Total	5,692,368	-	-	5,692,367
Debt securities				
U.S. Treasury securities	186,923	-	-	186,923
U.S. Corporate bonds	-	761,530	-	761,530
Mortgage-backed securities	-	221,384	-	221,384
Alternative	-	16,509	-	16,509
Total	186,923	999,422	-	1,186,346
Total fair value measurements	\$ 6,284,520	\$ 999,422	\$ -	\$ 7,283,942

Al-Anon Family Group Headquarters, Inc.
Notes to Financial Statements

	Assets at Fair Value as of December 31, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 475,585	\$ -	\$ -	\$ 475,585
Equity securities				
Financial sector	2,770,556	-	-	2,770,556
Health care sector	1,173,753	-	-	1,173,753
Technology sector	1,568,123	-	-	1,568,123
Energy sector	89,686	-	-	89,686
Industrial sector	642,072	-	-	642,072
Services sector	13,100	-	-	13,100
Consumer discretionary sector	12,023	-	-	12,023
Consumer Staples sector	22,704	-	-	22,704
Materials sector	220,369	-	-	220,369
Manufacturing	231,421	-	-	231,421
Entertainment	70,990	-	-	70,990
Utilities sector	2,267	-	-	2,267
Real estate sector	8,757	-	-	8,757
Telecommunications sector	8,633	-	-	8,633
Other	-	-	-	-
Total	<u>6,834,454</u>	<u>-</u>	<u>-</u>	<u>6,834,454</u>
Debt securities				
U.S. Treasury securities	249,666	-	-	249,666
U.S. Corporate bonds	-	626,720	-	626,720
Mortgage-backed securities	-	224,469	-	224,469
Total	<u>249,666</u>	<u>851,189</u>	<u>-</u>	<u>1,100,855</u>
Total fair value measurements	<u>\$ 7,559,705</u>	<u>\$ 851,189</u>	<u>\$ -</u>	<u>\$ 8,410,894</u>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

14. Commitments

The Organization entered a contract with the Albuquerque Convention Center for the Organization's 2023 International Convention that will be held in July 2023. In the event of cancellation, the Organization may be responsible for the entire rental, up to a maximum of \$35,082 as of December 31, 2022.

The Organization entered a contract for event management services for the Organization's 2023 International Convention that will be held in July 2023. In the event of cancellation, the Organization may be responsible for all direct costs incurred plus a prorated portion of the management fees ranging between \$91,500 and \$121,500.