



Al-Anon Family Group Headquarters, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019



Table of Contents

Independent Auditors' 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 Auditors' Report

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

We have audited the accompanying financial statements of AI-Anon Family Group Headquarters, Inc. (a nonprofit Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Al-Anon Family Group Headquarters, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Norfolk, VA
February 22, 2021

Al-Anon Family Group Headquarters, Inc.
 Statements of Financial Position
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 3,048,978	\$ 1,639,906
Accounts receivable	51,688	139,171
Inventories of books and other literature	403,297	347,302
Deferred charges and deposits	225,491	159,705
Investments	6,416,478	7,042,543
Property and equipment, net	1,445,442	1,493,003
Intangible assets, net	242,213	238,116
	<u>11,833,587</u>	<u>11,059,746</u>
Total assets	<u>\$ 11,833,587</u>	<u>\$ 11,059,746</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 264,997	\$ 304,039
Accrued postretirement health benefits	790,216	926,603
Unearned subscription income	178,494	190,138
Unearned mobile app income	16,125	-
Unearned convention and conference income	83,225	109,965
	<u>1,333,057</u>	<u>1,530,745</u>
Total liabilities	1,333,057	1,530,745
Net assets without donor restrictions	<u>10,500,530</u>	<u>9,529,001</u>
Total liabilities and net assets	<u>\$ 11,833,587</u>	<u>\$ 11,059,746</u>

AI-Anon Family Group Headquarters, Inc.
Statement of Activities
Year Ended December 31, 2020

	General Fund	Board Designated Funds		2020 Totals
		Reserve Fund	Building Fund	
REVENUE:				
Literature sales	\$ 2,317,008	\$ -	\$ -	\$ 2,317,008
Cost of sales	470,515	-	-	470,515
Gross profit	1,846,493	-	-	1,846,493
Magazine sales	291,963	-	-	291,963
Subscription income	4,662	-	-	4,662
Contributions	3,295,721	-	-	3,295,721
Noncash contributions	88,805	-	-	88,805
Investment income, net	38,633	325,952	-	364,585
Total revenue	<u>5,566,277</u>	<u>325,952</u>	<u>-</u>	<u>5,892,229</u>
FUNCTIONAL EXPENSES:				
Program services	2,649,544	-	-	2,649,544
Literature distribution services	865,903	-	-	865,903
General administration	1,541,640	(136,387)	-	1,405,253
Total functional expenses	<u>5,057,087</u>	<u>(136,387)</u>	<u>-</u>	<u>4,920,700</u>
Change in net assets	509,190	462,339	-	971,529
Net assets without donor restrictions, beginning of year	2,322,849	5,753,920	1,452,232	9,529,001
Transfers	421,191	(342,160)	(79,031)	-
Net assets without donor restrictions, end of year	<u>\$ 3,253,230</u>	<u>\$ 5,874,099</u>	<u>\$ 1,373,201</u>	<u>\$ 10,500,530</u>

AI-Anon Family Group Headquarters, Inc.
Statement of Activities
Year Ended December 31, 2019

	General Fund	Board Designated Funds		2019 Totals
		Reserve Fund	Building Fund	
REVENUE:				
Literature sales	\$ 3,704,444	\$ -	\$ -	\$ 3,704,444
Cost of sales	790,198	-	-	790,198
Gross profit	2,914,246	-	-	2,914,246
Magazine sales	275,061	-	-	275,061
Contributions	2,186,645	-	-	2,186,645
Noncash contributions	34,702	-	-	34,702
Investment income, net	57,627	1,155,032	-	1,212,659
Total revenue	<u>5,468,281</u>	<u>1,155,032</u>	<u>-</u>	<u>6,623,313</u>
FUNCTIONAL EXPENSES:				
Program services	3,021,604	-	-	3,021,604
Literature distribution services	838,661	-	-	838,661
General administration	1,523,497	156,795	-	1,680,292
Total functional expenses	<u>5,383,762</u>	<u>156,795</u>	<u>-</u>	<u>5,540,557</u>
Change in net assets	84,519	998,237	-	1,082,756
Net assets without donor restrictions, beginning of year	2,134,616	4,777,233	1,534,396	8,446,245
Transfers	103,714	(21,550)	(82,164)	-
Net assets without donor restrictions, end of year	<u>\$ 2,322,849</u>	<u>\$ 5,753,920</u>	<u>\$ 1,452,232</u>	<u>\$ 9,529,001</u>

AI-Anon Family Group Headquarters, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Literature Distribution Services	General Administration	2020 Totals
Operating expenses:				
Salaries	\$ 1,658,544	\$ 636,207	\$ 682,435	\$ 2,977,186
Employee benefits	361,750	140,489	141,474	643,713
	<u>2,020,294</u>	<u>776,696</u>	<u>823,909</u>	3,620,899
Occupancy costs	133,624	106,354	32,725	272,703
Packing and shipping, net	-	(46,412)	-	(46,412)
Postage	116,275	2,614	38,775	157,664
Telephone	9,907	4,215	36,319	50,441
Stationery and supplies	18,966	-	24,915	43,881
Office services and expenses	10,688	6,129	219,633	236,450
Credit card and bank fees	-	-	112,237	112,237
Repairs and maintenance	4,558	1,979	5,172	11,709
Travel and meetings	1,701	-	24,289	25,990
Direct conference costs, net	18,115	-	-	18,115
Professional fees	-	-	76,970	76,970
Printing	163,008	-	-	163,008
Canadian office	1,781	-	-	1,781
Office volunteers	-	10	-	10
Public service announcements	103,097	-	-	103,097
Miscellaneous expenses	59	(2)	7,490	7,547
In-kind non-cash service expense	-	-	88,805	88,805
	<u>2,602,073</u>	<u>851,583</u>	<u>1,491,239</u>	4,944,895
Nonoperating expenses:				
Depreciation and amortization	10,535	1,776	30,190	42,501
Postretirement health benefits	36,936	12,544	(116,176)	(66,696)
	<u>47,471</u>	<u>14,320</u>	<u>(85,986)</u>	(24,195)
Total expenses	<u>\$ 2,649,544</u>	<u>\$ 865,903</u>	<u>\$ 1,405,253</u>	\$ 4,920,700

See accompanying notes.

AI-Anon Family Group Headquarters, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Services</u>	<u>Literature Distribution Services</u>	<u>General Administration</u>	<u>2019 Totals</u>
Operating expenses:				
Salaries	\$ 1,929,381	\$ 612,046	\$ 553,257	\$ 3,094,684
Employee benefits	427,935	137,151	121,744	686,830
	<u>2,357,316</u>	<u>749,197</u>	<u>675,001</u>	<u>3,781,514</u>
Occupancy costs	135,338	107,717	33,143	276,198
Packing and shipping, net	-	(46,178)	-	(46,178)
Postage	135,954	2,430	37,443	175,827
Telephone	10,943	3,879	35,806	50,628
Stationery and supplies	23,988	1	34,565	58,554
Office services and expenses	11,586	5,876	266,945	284,407
Credit card and bank fees	-	-	93,144	93,144
Repairs and maintenance	4,059	1,440	9,194	14,693
Travel and meetings	51,867	-	167,788	219,655
Direct conference costs, net	75,214	-	-	75,214
Professional fees	-	-	70,750	70,750
Printing	101,061	-	-	101,061
Canadian office	1,726	-	-	1,726
Office volunteers	-	200	-	200
Public service announcements	68,192	-	-	68,192
Miscellaneous expenses	43	5	22,643	22,691
In-kind non-cash service expense	-	-	34,702	34,702
	<u>2,977,287</u>	<u>824,567</u>	<u>1,481,124</u>	<u>5,282,978</u>
Nonoperating expenses:				
General service meeting, net	(1,006)	-	-	(1,006)
Depreciation and amortization	10,159	2,151	23,132	35,442
Postretirement health benefits	35,164	11,943	176,036	223,143
	<u>44,317</u>	<u>14,094</u>	<u>199,168</u>	<u>257,579</u>
Total expenses	<u>\$ 3,021,604</u>	<u>\$ 838,661</u>	<u>\$ 1,680,292</u>	<u>\$ 5,540,557</u>

AI-Anon Family Group Headquarters, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 971,529	\$ 1,082,756
Adjustments to reconcile to net cash from operating activities		
Depreciation and amortization	162,458	151,650
Gain on investments (realized and unrealized)	(336,958)	(982,437)
Interest/dividend income reinvested	(35,876)	(42,563)
Change in operating assets and liabilities:		
Accounts receivable	87,483	33,502
Inventories of books and other literature	(55,995)	47,663
Deferred charges and deposits	(65,786)	(41,269)
Accounts payable and accrued expenses	(39,042)	7,444
Accrued postretirement health benefits	(136,387)	156,795
Unearned subscription income	(11,644)	(9,628)
Unearned mobile app income	16,125	-
Unearned convention and conference income	(26,740)	(11,561)
Net cash provided by operating activities	<u>529,167</u>	<u>392,352</u>
Cash flows from investing activities:		
Sale of investments and transfers to operating cash	2,706,587	1,340,927
Purchases of investments	(1,707,690)	(1,599,036)
Purchases of intangibles	(26,810)	(57,406)
Purchases of property and equipment	(92,182)	(56,901)
Net cash provided (used) by investing activities	<u>879,905</u>	<u>(372,416)</u>
Net change in cash	1,409,072	19,936
Cash and cash equivalents, beginning of year	<u>1,639,906</u>	<u>1,619,970</u>
Cash and cash equivalents, end of year	<u>\$ 3,048,978</u>	<u>\$ 1,639,906</u>

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 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 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	\$ 2,375,992	\$ 3,704,652
Performance obligations satisfied over time	<u>237,641</u>	<u>274,855</u>
	<u>\$ 2,613,633</u>	<u>\$ 3,979,507</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, 2020 and 2019 were \$277,844 and \$300,103, respectively, and was reported as unearned income on the statement of financial position.

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.

Noncash contributions

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 2020 and 2019, the Organization recognized contribution revenue of \$88,805 and \$34,702, 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 2020 or 2019.

Direct conference costs

The Organization records direct conference costs net of related income. In 2020 and 2019, there was \$30,600 and \$130,047, respectively, of direct conference revenue and \$48,715 and \$205,261, respectively, of direct conference expense, resulting in a net expense of \$18,115 and \$75,214, respectively, which is included in the statements of activities in program services expense.

General service meetings

The Organization records income related to general services meetings net of related costs. In 2020 and 2019 there was \$0 and \$1,006, respectively, of general service meeting income, which is included in the statements of activities in program services expense.

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 2020 and 2019 includes cost of literature sold of \$470,515 and \$790,198 respectively, which is a reduction from literature sales in the statements of activities, plus literature distribution services expense of \$865,903 and \$838,661, respectively, for total costs of \$1,336,418 and \$1,628,859, respectively. Included in packing and shipping expense is \$308,874 and \$457,983, respectively, of revenue for shipping cost included in billed amounts for literature and \$355,286 and \$411,805, respectively, of expense, for a net gain of \$46,412 and \$46,178, respectively, which is included in literature distribution services expense on the statements of activities.

Included in general administration expenses is \$33,904 and \$33,290 for fundraising appeal letters for 2020 and 2019, respectively.

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 \$42,432 and \$26,453 for 2020 and 2019, respectively.

At December 31, 2020 and 2019, the Organization had cash deposits in a Canadian financial institution of \$558,630 and \$465,995, 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.

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.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 22, 2021, 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 2020 and 2019 were \$178,257 and \$210,124, 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 \$5,874,099 and \$5,753,920 at December 31, 2020 and 2019, 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:

Cash and cash equivalents	\$ 3,048,978
Accounts receivable	<u>51,688</u>
	<u>\$ 3,100,666</u>

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

6. Investments

Investments at December 31, 2020 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 490,047	\$ 486,781	\$ (3,266)
Equity securities	2,447,187	4,802,269	2,355,082
Debt securities	<u>1,040,360</u>	<u>1,127,428</u>	<u>87,068</u>
	<u>\$ 3,977,594</u>	<u>\$ 6,416,478</u>	<u>\$ 2,438,884</u>

Investments at December 31, 2019 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 642,961	\$ 628,291	\$ (14,670)
Equity securities	2,755,719	4,796,839	2,041,120
Debt securities	<u>1,659,543</u>	<u>1,617,413</u>	<u>(42,130)</u>
	<u>\$ 5,058,223</u>	<u>\$ 7,042,543</u>	<u>\$ 1,984,320</u>

Investment income, net for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 93,450	\$ 297,539
Net realized gains (losses)	89,513	(65,972)
Net unrealized gains	247,445	1,048,409
Investment expenses	<u>(65,823)</u>	<u>(67,317)</u>
Net investment income	<u>\$ 364,585</u>	<u>\$ 1,212,659</u>

7. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Property and equipment		
Land	\$ 158,347	\$ 158,347
Building	2,791,878	2,791,878
Building improvements	612,485	571,559
Furniture and equipment	<u>518,711</u>	<u>467,455</u>
	4,081,421	3,989,239
Accumulated depreciation	<u>(2,635,979)</u>	<u>(2,496,236)</u>
	<u>\$ 1,445,442</u>	<u>\$ 1,493,003</u>

Total depreciation expense for 2020 and 2019 is \$139,745 and \$134,651, respectively. Depreciation on the building of \$119,957 and \$116,208 has been included in occupancy costs for 2020 and 2019, respectively.

8. Intangible Assets

Intangible assets consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Trademarks	\$ 287,814	\$ 261,004
Accumulated Amortization	<u>(45,601)</u>	<u>(22,888)</u>
	<u>\$ 242,213</u>	<u>\$ 238,116</u>

Capitalized costs to date represent legal costs incurred to acquire trademarks. Amortization expense of \$22,713 and \$16,999 was recorded during 2020 and 2019, 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 \$2,189,509 and \$2,069,553 at December 31, 2020 and 2019, respectively.

A transfer between the Building Fund and General Fund was made in the current year to accurately reflect the cost less accumulated depreciation of the land and building of \$1,373,201 and \$1,452,232 as of December 31, 2020 and 2019, respectively. The annual transfer between the Building Fund and General fund reflects the net of any future building improvements and annual depreciation.

10. 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 2.8%. A discount rate of 2.42% has been used to measure the accrued postretirement health benefits liability. The following table sets forth the information regarding the plan at December 31:

	<u>2020</u>	<u>2019</u>
Postretirement benefits liability	<u>\$ 790,216</u>	<u>\$ 926,603</u>
Increase/decrease in accrued benefits liability	<u>\$ (136,387)</u>	<u>\$ 156,795</u>
Benefits paid	<u>\$ 69,690</u>	<u>\$ 66,348</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.

11. Lease Commitments

The Organization leases office equipment and computers under operating leases with varying expirations. Lease expense for office equipment and computers was \$21,186 and \$20,425 in 2020 and 2019, respectively.

In addition, the Organization leases virtual office space in Canada under a lease which expires May 31, 2021. Lease automatically renews each year unless cancelled. Lease expense for this office space was \$801 and \$769 in 2020 and 2019, respectively.

The minimum lease payments required under the above operating leases as of December 31, 2020 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2021	\$ 20,264
2022	7,185
2023	<u>2,472</u>
	<u>\$ 29,921</u>

12. 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.

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, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	\$ 486,781	\$ -	\$ -	\$ 486,781
Equity securities				
Financial sector	1,658,444	-	-	1,658,444
Health care sector	1,062,754	-	-	1,062,754
Technology sector	1,068,601	-	-	1,068,601
Energy sector	78,342	-	-	78,342
Industrial sector	410,132	-	-	410,132
Services sector	16,522	-	-	16,522
Consumer discretionary sector	6,975	-	-	6,975
Consumer cyclical sector	20,767	-	-	20,767
Materials sector	155,997	-	-	155,997
Manufacturing	208,950	-	-	208,950
Entertainment	94,284	-	-	94,284
Utilities sector	1,715	-	-	1,715
Real estate sector	6,664	-	-	6,664

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

(Continued)

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Telecommunications sector	12,122	-	-	12,122
Other	-	-	-	-
Total	<u>4,802,269</u>	<u>-</u>	<u>-</u>	<u>4,802,269</u>
Debt securities				
U.S. Treasury securities	306,442	-	-	306,442
U.S. Corporate bonds	-	577,417	-	577,417
Mortgage-backed securities	-	243,569	-	243,569
Total	<u>306,442</u>	<u>820,986</u>	<u>-</u>	<u>1,127,428</u>
Total fair value measurements	<u>\$ 5,595,492</u>	<u>\$ 820,986</u>	<u>\$ -</u>	<u>\$ 6,416,478</u>

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	\$ 628,291	\$ -	\$ -	\$ 628,291
Equity securities				
Financial sector	1,726,086	-	-	1,726,086
Health care sector	1,016,358	-	-	1,016,358
Technology sector	901,940	-	-	901,940
Energy sector	205,487	-	-	205,487
Industrial sector	428,433	-	-	428,433
Services sector	108,920	-	-	108,920
Consumer discretionary sector	28,019	-	-	28,019
Consumer Staples sector	8,750	-	-	8,750
Materials sector	123,461	-	-	123,461
Manufacturing	97,100	-	-	97,100
Entertainment	109,764	-	-	109,764
Utilities sector	13,501	-	-	13,501
Real estate sector	13,005	-	-	13,005
Telecommunications sector	15,998	-	-	15,998
Other	15	-	-	15
Total	<u>4,796,837</u>	<u>-</u>	<u>-</u>	<u>4,796,837</u>
Debt securities				
U.S. Treasury securities	383,766	-	-	383,766
U.S. Corporate bonds	-	870,889	-	870,889
Mortgage-backed securities	-	362,760	-	362,760
Total	<u>383,766</u>	<u>1,233,649</u>	<u>-</u>	<u>1,617,415</u>
Total fair value measurements	<u>\$ 5,808,894</u>	<u>\$ 1,233,649</u>	<u>\$ -</u>	<u>\$ 7,042,543</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.

13. Commitments

The Organization has entered into 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 \$60,164 as of December 31, 2020.

The Organization has entered into a contract with C Systems for online store upgrades. The Organization is responsible for remaining payments of \$55,410 as of December 31, 2020.

14. COVID-19

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses. The COVID-19 pandemic has the potential to disrupt the operational and financial performance of the Organization and there is uncertainty in the nature and degree of its continued effects on the Organization over time. The extent to which it will impact the Organization going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on customers, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have an impact on management's accounting estimates and assumptions.