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 Al-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.

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.

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:

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

6. Investments

Investments at December 31, 2022 are summarized as follows:

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

Investments at December 31, 2021 are summarized as follows:

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

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

	2022	**2021**
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	**(75,791)**	(76,272)
Net investment (loss) income	**$ (1,647,728)**	$ 2,062,376

7. Property and Equipment

Property and equipment consist of the following at December 31:

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

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:

	2022	2021
Trademarks	**$ 318,913**	$ 296,373
Accumulated Amortization	**(93,870)**	(69,266)
	$ 225,043	$ 227,107

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:

	2022	2021
Marketing services	**$ 125,939**	$ 134,179
Website hosting	**-**	2,376
	$ 125,939	$ 136,555

Contributed services were utilized in the following programs:

Contributed Items	Programs	Valuation Basis
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:

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

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.

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:

	2022	2021
Lease cost:		
Operating lease cost	**$ 21,797**	$ 23,264
Short-term lease cost	**766**	858
Total lease cost	**$ 22,563**	$ 24,122
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:

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

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.

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

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
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	6,834,454	-	-	6,834,454
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	249,666	851,189	-	1,100,855
Total fair value measurements	$ 7,559,705	$ 851,189	$ -	$ 8,410,894

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.