Al-Anon Family Group Headquarters, Inc.

Financial Report

December 31, 2023 and 2022

BROWNEDWARDS
certified public accountants

Al-Anon Family Group Headquarters, Inc.

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BROWNEDWARDS
certified public accountants

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Al-Anon Family Group Headquarters, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. 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 these 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 within one year after the date that 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 generally accepted auditing standards 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Al-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 Al-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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of 2023 Convention Revenue and Expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Period Financial Statements

The financial statements of Al-Anon Family Group Headquarters, Inc. as of December 31, 2022, were audited by other auditors whose report dated February 27, 2023, expressed an unmodified opinion on those statements.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
March 7, 2024

Financial Statements

Al-Anon Family Group Headquarters, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,554,918	$ 2,873,968
Accounts receivable	209,572	99,876
Inventories of books and other literature	549,650	502,684
Deferred charges and deposits	200,236	340,306
Investments (Notes 6 and 13)	8,468,212	7,283,942
Property and equipment, net (Note 7)	1,286,517	1,372,487
Intangible assets, net (Note 8)	246,552	225,043
Right-of-use assets, operating leases (Note 12)	59,068	59,611
Total assets	**$ 14,574,725**	**$ 12,757,917**
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 446,719	$ 361,451
Accrued postretirement health benefits (Note 11)	580,264	615,231
Unearned subscription income	195,281	188,624
Unearned mobile app income	32,010	25,944
Unearned convention and conference income	151,954	599,392
Operating lease liability (Note 12)	59,068	59,611
Total liabilities	1,465,296	1,850,253
NET ASSETS		
Without donor restrictions	13,109,429	10,907,664
Total liabilities and net assets	**$ 14,574,725**	**$ 12,757,917**

Al-Anon Family Group Headquarters, Inc.

Statement of Activities

Year Ended December 31, 2023

	General Fund	Board Designated Funds: Reserve Fund (Note 4)	Board Designated Funds: Building Fund (Note 9)	2023 Totals
REVENUES				
Literature sales	$ 4,403,745	$ -	$ -	$ 4,403,745
Cost of sales	1,186,115	-	-	1,186,115
Gross profit	3,217,630	-	-	3,217,630
		-	-	
Magazine sales	262,050	-	-	262,050
Subscription income	54,634	-	-	54,634
Contributions	2,916,398	-	-	2,916,398
Contributed nonfinancial assets (Note 10)	244,657	-	-	244,657
Convention event, net of expenses of $807,919	187,468	-	-	187,468
Investment income, net (Note 6)	20,014	1,089,174	-	1,109,188
Total revenue	6,902,851	1,089,174	-	7,992,025
FUNCTIONAL EXPENSES				
Program services	3,184,174	-	-	3,184,174
Literature distribution services	890,741	-	-	890,741
General administration	1,750,312	(34,967)	-	1,715,345
Total expenses	5,825,227	(34,967)	-	5,790,260
Change in net assets	1,077,624	1,124,141	-	2,201,765
NET ASSETS				
Without donor restrictions, beginning of year	3,427,360	6,314,781	1,165,523	10,907,664
Transfers (Note 9)	75,032	(751)	(74,281)	-
Without donor restrictions, end of year	**$ 4,580,016**	**$ 7,438,171**	**$ 1,091,242**	**$ 13,109,429**

Al-Anon Family Group Headquarters, Inc.

Statement of Activities

Year Ended December 31, 2022

	General Fund	Board Designated Funds Reserve Fund (Note 4)	Board Designated Funds Building Fund (Note 9)	2022 Totals
REVENUES				
Literature sales	$ 2,725,035	$ -	$ -	$ 2,725,035
Cost of sales	625,189	-	-	625,189
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 (Note 10)	125,939	-	-	125,939
Investment income (loss), net (Note 6)	(173,742)	(1,473,986)	-	(1,647,728)
Total revenue	5,685,503	(1,473,986)	-	4,211,517
FUNCTIONAL EXPENSES				
Program services	3,333,424	-	-	3,333,424
Literature distribution services	904,405	-	-	904,405
General administration	1,492,156	(140,125)	-	1,352,031
Total expenses	5,729,985	(140,125)	-	5,589,860
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	94,431	-	(94,431)	-
Without donor restrictions, end of year	**$ 3,427,360**	**$ 6,314,781**	**$ 1,165,523**	**$ 10,907,664**

Al-Anon Family Group Headquarters, Inc.

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services	Literature Distribution Services	General Administration	2023 Total
OPERATING EXPENSES				
Salaries	$ 1,842,855	$ 675,523	$ 634,827	$ 3,153,205
Employee benefits	428,604	158,655	145,621	732,880
	2,271,459	834,178	780,448	3,886,085
Occupancy costs	149,090	118,664	36,511	304,265
Packing and shipping (net)	-	(111,668)	-	(111,668)
Postage	125,117	3,632	33,152	161,901
Telephone	10,401	4,163	38,966	53,530
Stationery and supplies	12,991	1,906	34,455	49,352
Office services and expenses	147,514	26,040	162,827	336,381
Contributed nonfinancial assets	-	-	244,657	244,657
Repairs and maintenance	4,780	2,210	10,721	17,711
Travel and meetings	42,987	-	141,007	183,994
Direct conference costs, net	45,331	-	-	45,331
Direct convention costs	807,919	-	-	807,919
Professional fees	13,450	-	68,679	82,129
Printing	163,124	-	-	163,124
Canadian office	1,954	-	-	1,954
General service meeting	359	-	-	359
Public service announcements	95,050	-	-	95,050
Bank fees	-	-	31,621	31,621
Credit card fees	-	-	100,628	100,628
Miscellaneous	-	-	16,754	16,754
Total operating expenses	3,891,526	879,125	1,700,426	6,471,077
NONOPERATING EXPENSES				
Depreciation and amortization	60,053	3,305	37,418	100,776
Postretirement health benefits	40,514	8,311	(22,499)	26,326
Total nonoperating expenses	100,567	11,616	14,919	127,102
Total expenses	$ 3,992,093	$ 890,741	$ 1,715,345	$ 6,598,179

Al-Anon Family Group Headquarters, Inc.

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services	Literature Distribution Services	General Administration	2023 Total
LESS EXPENSES INCLUDED WITH REVENUE ON THE STATEMENT OF ACTIVITIES				
Convention center	$ 312,869	$ -	$ -	$ 312,869
Event management	78,929	-	-	78,929
Entertainment	2,968	-	-	2,968
Registration & vendors	163,537	-	-	163,537
Simultaneous & ASL interpretation	14,158	-	-	14,158
Food and beverage	110,118	-	-	110,118
Hotel and transportation	54,545	-	-	54,545
Host committee	4,738	-	-	4,738
Pre-convention travel	26,460	-	-	26,460
Printing & supplies	3,245	-	-	3,245
Postage & shipping	10,200	-	-	10,200
Community awareness	777	-	-	777
Insurance, phone & miscellaneous	20,375	-	-	20,375
Scooter rentals	5,000	-	-	5,000
Total expenses included with revenue	807,919	-	-	807,919
Total functional expenses on the statement of activities	**$ 3,184,174**	**$ 890,741**	**$ 1,715,345**	**$ 5,790,260**

Al-Anon Family Group Headquarters, Inc.

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services	Literature Distribution Services	General Administration	2022 Total
OPERATING EXPENSES				
Salaries	$ 2,001,718	$ 667,683	$ 554,987	$ 3,224,388
Employee benefits	449,368	151,681	127,372	728,421
	2,451,086	819,364	682,359	3,952,809
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
Stationary 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	-	30,756	78,149
Contributed nonfinancial assets	-	-	125,939	125,939
	3,269,404	898,743	1,456,702	5,624,849
NONOPERATING EXPENSES				
Depreciation and amortization	53,448	1,339	30,923	85,710
Postretirement health benefits	10,572	4,323	(135,594)	(120,699)
	64,020	5,662	(104,671)	(34,989)
	$ 3,333,424	**$ 904,405**	**$ 1,352,031**	**$ 5,589,860**

Al-Anon Family Group Headquarters, Inc.

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	$ 2,201,765	$ (1,378,343)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	185,673	180,141
Net (gain) loss on investments	(843,174)	1,603,532
Interest/dividend income reinvested	(249,972)	(37,952)
Change in current assets and liabilities:		
Accounts receivable	(109,696)	19,064
Inventories of books and other literatire	(46,966)	(147,520)
Deferred charges and deposits	140,070	(148,703)
Accounts payable and accrued expenses	85,268	1,051
Accrued postretirement health benefits	(34,967)	(140,125)
Unearned subscription income	6,657	(8,726)
Unearned mobile app income	6,066	9,819
Unearned convention and conference income	(447,438)	431,356
Net cash provided by operating activities	893,286	383,594
INVESTING ACTIVITIES		
Sale of investments and transfers to operating cash	9,707,114	3,124,184
Purchases of investments	(9,798,234)	(3,562,811)
Purchases of property and equipment	(70,226)	(22,540)
Purchases of intangibles	(50,990)	(36,316)
Net cash used in investing activities	(212,336)	(497,483)
Net increase (decrease) in cash and cash equivalents	680,950	(113,889)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,873,968	2,987,857
End of year	**$ 3,554,918**	**$ 2,873,968**
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION		
Right-of-use asset obtained in exchange for lease liability	$ 13,788	$ 65,738

Al-Anon Family Group Headquarters, Inc.

Notes To Financial Statements
December 31, 2023 and 2022

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 records 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.

Exchange contracts account 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 does not include variable considerations that require significant judgments to estimate the transaction price or related constraints due to the 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 2023 and 2022, are comprised of the following:

	2023	2022
Performance obligations satisfied at a point in time	$ 4,620,645	$ 2,744,947
Performance obligations satisfied over time	287,252	275,630
	$ 4,907,897	$ 3,020,577

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, 2023 and 2022, were $379,245 and $813,960, respectively, and was reported as unearned income on the statements of financial position. Total contract liabilities were $381,511 as of January 1, 2022.

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 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 2023 and 2022, the Organization recognized contribution revenue of $244,657 and $125,939, 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.

Al-Anon Family Group Headquarters, Inc.

Notes To Financial Statements
December 31, 2023 and 2022

Convention Income

The Organization records income related to conventions held net of related costs. In 2023, there was $995,387 of direct convention revenue and $807,919 of direct convention expense, resulting in a net income of $187,468 which is included in the statement of activities. There was no convention income in 2022.

Direct Conference Costs

The Organization records direct conference costs net of related income. In 2023 and 2022, there was $171,812 and $192,447, respectively, of direct conference revenue and $217,143 and $305,450, respectively, of direct conference expense, resulting in a net expense of $45,331 and $113,003, 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. In 2023 and 2022, there was $-0- and $47,694, respectively, of general service meeting income and $359 and $95,087, respectively, of general service meeting expense, resulting in a net expense of $359 and $47,393, respectively, which is included in the general service meeting expenses in 2023 and miscellaneous expenses in 2022 within the statements of activities in program services expenses.

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 2023 and 2022 includes cost of literature sold of $1,186,115 and $625,189, respectively, which is a reduction from literature sales in the statements of activities, plus literature distribution services expense of $890,741 and $904,405, respectively, for total costs of $2,076,856 and $1,529,594, respectively. Included in packing and shipping expense is $556,540 and $418,814, respectively, of revenue for shipping cost included in billed amounts for literature and $444,872 and $361,134, respectively, of expense, for a net gain of $111,668 and $57,680, respectively, which is included in literature distribution services expense on the statements of activities.

Included in general administration expenses is $34,383 and $41,735 for fundraising appeal letters for 2023 and 2022, 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.

Al-Anon Family Group Headquarters, Inc.

Notes To Financial Statements

December 31, 2023 and 2022

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 in Note 6 is a foreign currency loss adjustment of $51,841 and $83,899 for 2023 and 2022, respectively.

At December 31, 2023 and 2022, the Organization had cash deposits in a Canadian financial institution of $660,380 and $361,256, 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.

Lease Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (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 Organization 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. See note 12.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 7, 2024, 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 2023 and 2022 were $199,001 and $185,126, 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 $7,438,171 and $6,314,781 at December 31, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	$ 3,554,918	$ 2,873,968
Accounts receivable	209,572	99,876
	$ 3,764,490	**$ 2,973,844**

6. Investments

Investments at December 31, 2023, are summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	$ 539,577	$ 435,447	$ (104,130)
Equity securities	4,302,338	5,072,662	770,324
Debt securities	2,945,294	2,960,103	14,809
	$ 7,787,209	**$ 8,468,212**	**$ 681,003**

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

Investment income, net for December 31, 2023 and 2022, are summarized as follows:

	2023	2022
Interest and dividends	$ 340,144	$ 31,595
Net realized gains	6,240	283,721
Net unrealized gains (losses)	836,934	(1,887,253)
Investment expense	(74,130)	(75,791)
Net investment (loss) income	$ 1,109,188	$ (1,647,728)

7. Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Property and equipment		
Land	$ 158,347	$ 158,347
Building	2,791,878	2,791,878
Building improvements	623,101	612,485
Furniture and equipment	814,324	754,714
	4,387,650	4,317,424
Accumulated depreciation	(3,101,133)	(2,944,937)
	$ 1,286,517	$ 1,372,487

Total depreciation expense for 2023 and 2022 is $156,196 and $155,537, respectively. Depreciation on the building of $84,897 and $94,431 has been included in occupancy costs for 2023 and 2022, respectively.

8. Intangible Assets

Intangible assets consist of the following at December 31:

	2023	2022
Trademarks	$ 369,899	$ 318,913
Accumulated amortization	(123,347)	(93,870)
	$ 246,552	$ 225,043

Capitalized costs to date represent legal costs incurred to acquire trademarks. Amortization expense of $29,477 and $24,604 was recorded during 2023 and 2022, 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 the 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 $2,482,084 and $2,397,187 at December 31, 2023 and 2022, respectively.

Transfers were made between the Building Fund and General Fund totaling $74,281 and $94,431 in 2023 and 2022, respectively, to accurately reflect the cost less accumulated depreciation of the land and building of $1,091,242 and $1,165,523 as of December 31, 2023 and 2022, 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, 2023 and 2022, contributed nonfinancial assets and services recognized within revenue in the statements of activities included:

	2023	2022
Marketing services	$ 244,657	$ 125,939

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

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:

	2023	2022
Postretirement benefits liability	$ 580,264	$ 615,231
Increase/decrease in accrued benefits liability	$ (34,967)	$ (140,125)
Benefits paid	$ 61,293	$ 19,427

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, 2023 and 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 $18,078 and $21,797 in 2023 and 2022, 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 $798 and $766 in 2023 and 2022, 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, 2023 and 2022, are:

	2023	2022
Lease cost:		
Operating lease cost	$ 18,078	$ 21,797
Short-term lease cost	798	766
Total lease cost	**$ 18,876**	**$ 22,563**
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	18,078	21,797
Right-of-use assets obtained in exchange for new operating lease liabilities	59,068	65,738
Weighted-average remaining lease terms - operating leases	3.69 years	4.35 years
Weighted-average discount rate - operating leases	4.02%	3.34%

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2023, are as follows:

	Operating Leases
2024	$ 18,177
2025	17,385
2026	17,385
2027	10,230
2028	2,050
Total future undiscounted lease payments	65,227
Less imputed interest	(6,159)
Lease liabilities	**$ 59,068**

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 expand disclosures about instruments measured at fair value and apply to the other accounting pronouncements that require or permit fair value measurements.

Al-Anon Family Group Headquarters, Inc.

Notes To Financial Statements

December 31, 2023 and 2022

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, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Fixed income	$ 435,447	$ -	$ -	$ 435,447
Equity securities:				
Financial sector	465,544	-	-	465,544
Health care sector	921,527	-	-	921,527
Technology sector	1,165,758	-	-	1,165,758
Energy sector	19,719	-	-	19,719
Industrial sector	343,989	-	-	343,989
Services sector	252,478	-	-	252,478
Consumer discretionary sector	7,513	-	-	7,513
Consumer cyclical sector	412,846	-	-	412,846
Materials sector	50,190	-	-	50,190
Utilities sector	2,455	-	-	2,455
Real estate sector	92,548	-	-	92,548
Large Blend ETFs	922,454	-	-	922,454
Telecommunications sector	415,641	-	-	415,641
	5,072,662	-	-	5,072,662
Debt securities:				
U.S. Treasury securities	237,201	-	-	237,201
U.S. Corporate bonds	-	2,446,053	-	2,446,053
Mortgage-backed securities	-	179,135	-	179,135
Alternative	-	97,714	-	97,714
	237,201	2,722,902	-	2,960,103
Total fair value measurements	**$ 5,745,310**	**$ 2,722,902**	**$ -**	**$ 8,468,212**

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	-	-	185,718
Large Blend ETFs	124,521	-	-	124,521
Telecommunications sector	45,666	-	-	45,666
	5,692,368	-	-	5,692,368
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	-	16,508	-	16,508
	186,923	999,422	-	1,186,345
Total fair value measurements	**$ 6,284,520**	**$ 999,422**	**$ -**	**$ 7,283,942**

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 into a contract with a local hotel for the Organization's 2024 World Service Conference that will be held in April 2024. In the event of cancellation as of December 31, 2023, the Organization may be responsible for the food and room cost of approximately $88,676.

The Organization entered into a contract with a local hotel for the Organization's 2024 General Service Meeting that will be held in September 2024. The Organization has a Daily Contracted Guest Room Revenue Commitment, whereby the hotel will block off rooms at contracted nightly rates. The Organization is responsible for 80% of the difference between the cost of the blocked rooms at agreement rates and the actual revenue from such room revenue if all rooms blocked are not ultimately leased to guests of the Organization for this event.

Supplementary Information

Al-Anon Family Group Headquarters, Inc.

Schedule of Convention Revenue and Expenses

Year Ended December 31, 2023

REVENUE		
Registration and cancellation fees	$	798,552
Trailblazers Breakfast		97,355
Day of Connecting		87,480
WSC Homecoming		12,000
Total revenue		995,387
EXPENSES		
Convention center		312,868
Event management		78,929
Entertainment		2,368
Registration & vendors		163,537
Simultaneous & ASL interpretation		14,158
Food and beverage		1,102
Hotel and transportation		54,545
Host committee		4,738
Pre-convention travel		26,460
Printing & supplies		2,156
Postage & shipping		10,200
Community awareness		777
Insurance, phone & miscellaneous		19,198
Trailblazers Breakfast		41,919
WSC Homecoming		8,508
Day of Connecting		60,279
Big meetings		1,177
Scooter rentals		5,000
Total expenses		807,919
Net revenue	**$**	**187,468**