

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

WITH INDEPENDENT AUDITORS' REPORT

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County Intergroup Association, Inc.
Santa Ana, California

We have audited the accompanying financial statements of Orange County Intergroup Association Inc. (a nonprofit organization) (the "Association"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 auditors consider internal control relevant to the Association'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 Association'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 qualified audit opinion.

Basis for Qualified Opinion

We did not observe the taking of the physical inventories at December 31, 2013 and December 31, 2014 (stated at \$35,820 and \$39,009, respectively), since that date was prior to the time we were initially engaged as auditors for the Association. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Orange County Intergroup Association Inc. as of December 31, 2014, 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.

White Nelson Diehl Evans LLP

Irvine, California
October 5, 2015

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 121,249
Short-term certificates of deposit	67,048
Inventory	39,009
Prepaid expenses	<u>1,994</u>
Total Current Assets	<u>229,300</u>
Capital Assets	
Capital assets, at cost	30,007
Less: accumulated depreciation	<u>(28,858)</u>
Capital Assets, at Net Book Value	<u>1,149</u>
Other Assets:	
Refundable deposits	<u>3,675</u>
Total Assets	<u><u>\$ 234,124</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued expenses	\$ 5,221
Net Assets:	
Unrestricted	<u>228,903</u>
Total Liabilities and Net Assets	<u><u>\$ 234,124</u></u>

See accompanying notes to financial statements.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Support, Revenues and Gains:	
Donations and public support	\$ 215,520
Literature sales	149,562
Interest income	<u>55</u>
Total Support, Revenues and Gains	<u>365,137</u>
Expenses:	
Program Services:	
Alcoholism prevention and treatment	186,572
Supporting Services:	
Management and general	<u>167,460</u>
Total Expenses	<u>354,032</u>
Increase in Unrestricted Net Assets	11,105
Unrestricted Net Assets - Beginning of Year	<u>217,798</u>
Unrestricted Net Assets - End of Year	<u><u>\$ 228,903</u></u>

See accompanying notes to financial statements.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Supporting Services</u>	
	Alcoholism Prevention and Treatment	Management and General	<u>Total</u>
Accounting	\$ -	\$ 8,825	\$ 8,825
Auto expense	-	1,197	1,197
Credit card expense	-	1,948	1,948
Depreciation	-	331	331
Employee benefits	-	2,760	2,760
Insurance	-	4,606	4,606
Lease expense	-	4,198	4,198
Lifeline expense	13,438	-	13,438
Literature	125,014	-	125,014
Meeting expense	5,141	-	5,141
Office expense	-	3,699	3,699
Payroll taxes	-	9,209	9,209
Postage	-	765	765
Public information	7,571	-	7,571
Program events	1,890	-	1,890
Rent	27,156	9,944	37,100
Repairs and maintenance	-	827	827
Salaries and wages	-	115,513	115,513
Taxes and licenses	-	547	547
Telephone	6,362	1,591	7,953
Volunteer expenses	-	1,500	1,500
	<u>\$ 186,572</u>	<u>\$ 167,460</u>	<u>\$ 354,032</u>

See accompanying notes to financial statements.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

Cash Flows from Operating Activities:

Increase in Unrestricted Net Assets	\$ 11,105
Noncash Items Included in Increase in Unrestricted Net Assets:	
Depreciation	331
Changes in:	
Inventory	(3,189)
Prepaid expenses	12,311
Accrued expenses	<u>(1,395)</u>
Net Cash Provided by Operating Activities	<u>19,163</u>

Cash Flows from Investing Activities:

Purchases of capital assets	(324)
Investment in certificates of deposit	(67,043)
Maturity of certificates of deposit	<u>67,016</u>
Net Cash Used in Investing Activities	<u>(351)</u>

Net Change in Cash and Cash Equivalents	18,812
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Cash and Cash Equivalents - Beginning of Year	<u>102,437</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 121,249</u></u>

See accompanying notes to financial statements.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: Summary of Significant Accounting Policies

Nature of Business

The Orange County Intergroup Association, Inc. (the "Association") is a nonprofit organization incorporated in the State of California on June 30, 1964. The purpose of the Association is to operate and maintain a central office to provide information about alcoholism to members of the Association, to the general public and to help alcoholics achieve sobriety. The Association currently maintains two locations in Orange County, California. The primary sources of revenues for the Association's services are contributions and literature sales.

Basis of Presentation

The Association utilizes the accrual basis of accounting and accordingly, reflects all significant receivables, payables, and other liabilities. Revenues are recognized when they are earned and expenses are recognized as they are incurred whether or not cash is received or paid at that time.

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2014, the Association had no temporarily or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit

The Association purchases FDIC insured certificates of deposit in the normal course of operations. The maturities are typically greater than ninety days but less than one year. The certificates of deposit are recorded at acquisition cost.

Inventory

Inventory consists of books and literature related to the Association's program and is stated at the lower of cost (determined on the first-in, first-out basis) or market.

Capital Assets

The Association's capital assets consist of furniture, fixtures, computers, office equipment and leasehold improvements. Capital assets are capitalized at historical cost. Items with an original cost of \$200 or greater and an estimated useful life of more than one year are capitalized. Depreciation of capital assets is accounted for on the straight-line method for financial reporting purposes over the estimated useful lives of the assets, which range from 5 to 7 years. Depreciation expense for the year ended December 31, 2014 was \$331.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Taxes Collected from Customers and Remitted to Governmental Authorities

The Association presents sales taxes collected from customers and remitted to governmental authorities on a net basis. The Association records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.

Donated Materials and Services

Donated materials and other noncash contributions, if received, would be reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. A number of volunteers donate their time to answer phones and sell literature. All volunteer services received by the Association did not meet the above criteria and therefore are not reflected in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Tax Status

The Association is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from State franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

There was no income tax expense for the year ended December 31, 2014. However, the Association's 2011 to 2014 tax years are open to review for federal tax purposes and its 2010 to 2014 tax years are open to review for state income tax purposes.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the year ended December 31, 2014, the Association received no contributions that were deemed to be temporarily or permanently restricted.

Note 2: Concentrations, Risks, and Uncertainties

The Association maintains cash balances at a commercial bank. The aggregate account balances are insured up to at least the standard maximum deposit insurance amount of \$250,000, per depositor, by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2014, the Association had no balances in excess of federally insured limits.

During 2014, the Association purchased approximately seventy-five percent of its inventory from one nonprofit supplier. At December 31, 2014, the Association had no balance due to this supplier.

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2014:

Bank demand accounts	\$ 121,099
Cash on hand	<u>150</u>
Total	<u>\$ 121,249</u>

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: Commitments and Contingencies

Operating Leases

On March 26, 2010, the Association signed a lease for the premises at 1526 Brookhollow Drive, Suite 75, Santa Ana, California which commenced on March 31, 2010. The lease has been amended and will expire on April 30, 2018.

On June 28, 2006, the Association signed a lease for the premises at 27281 Las Ramblas, Suite 135, and Mission Viejo, California which commenced on August 1, 2006. The lease has been amended and has expired on July 31, 2015. The Association is currently leasing on a month-to-month basis.

Rent expense for both locations for the year ended December 31, 2014 was \$37,100.

Minimum future obligations on the rental agreements for the two locations as of December 31, 2014 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2015	\$ 32,181
2016	25,558
2017	25,899
2018	<u>8,864</u>
	<u>\$ 92,502</u>

Note 5: Subsequent Events

Events occurring after December 31, 2014, have been evaluated for possible adjustment to the financial statements or disclosure as of October 5, 2015, which is the date the financial statements were available to be issued.