

**ORANGE COUNTY INTERGROUP
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

**WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT**

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed 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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

White Nelson Diehl Evans LLP

Irvine, California
September 6, 2017

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:		
Cash and cash equivalents	\$	162,280
Inventory		<u>42,672</u>
Total Current Assets		204,952
Capital Assets:		
Computer and office equipment		13,571
Furniture and fixtures		16,592
Leasehold improvements		<u>2,500</u>
Total capital assets, at cost		32,663
Less: Accumulated depreciation		<u>(29,832)</u>
Total Capital Assets, at Net Book Value		2,831
Other Assets:		
Refundable deposits		<u>3,270</u>
Total Assets	\$	<u><u>211,053</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accrued expenses	\$	6,204
Net Assets:		
Unrestricted		<u>204,849</u>
Total Liabilities and Net Assets	\$	<u><u>211,053</u></u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Support, Revenues, and Gains:	
Donations and public support	\$ 195,769
Literature sales	131,367
Interest income	<u>53</u>
Total Support, Revenues, and Gains	<u>327,189</u>
Expenses:	
Program Services:	
Alcoholism prevention and treatment	161,153
Supporting Services:	
Management and general	<u>182,321</u>
Total Expenses	<u>343,474</u>
Decrease in Unrestricted Net Assets	(16,285)
Unrestricted Net Assets - Beginning of Year	<u>221,134</u>
Unrestricted Net Assets - End of Year	<u><u>\$ 204,849</u></u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services	
	Alcoholism Prevention and Treatment	Management and General	Total
Accounting	\$ -	\$ 13,063	\$ 13,063
Auto expense	-	2,300	2,300
Convention and SVS event expense	657	-	657
Copier expense	-	1,819	1,819
Credit card expense	-	2,507	2,507
Depreciation	-	620	620
Employee benefits	-	4,441	4,441
Insurance	-	7,025	7,025
Internet	-	3,659	3,659
Lease expense	-	4,702	4,702
Lifeline expense	12,078	-	12,078
Literature	107,225	-	107,225
Meeting expense	4,191	-	4,191
Moving expense	-	109	109
Office expense	-	3,477	3,477
Outside service	-	2,524	2,524
Payroll taxes	-	10,792	10,792
Penalty expense	-	25	25
Postage	-	554	554
Public information	109	-	109
Program events	1,941	-	1,941
Rent	29,111	11,187	40,298
Repairs and maintenance	-	1,395	1,395
Salaries and wages	-	103,966	103,966
Shipping expense	30	-	30
Taxes and licenses	-	1,537	1,537
Telephone	5,811	1,453	7,264
Travel	-	140	140
Volunteer expenses	-	863	863
Website expense	-	4,163	4,163
	<u>\$ 161,153</u>	<u>\$ 182,321</u>	<u>\$ 343,474</u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:	
Decrease in Unrestricted Net Assets	\$ (16,285)
Noncash Item Included in Decrease in Unrestricted Net Assets:	
Depreciation	620
Changes in:	
Inventory	(11,413)
Refundable deposits	405
Accrued expenses	<u>2,360</u>
Net Cash and Cash Equivalents Used in Operating Activities	<u>(24,313)</u>
Cash Flows from Investing Activities:	
Purchase of equipment	(2,656)
Maturities of certificates of deposit	<u>67,067</u>
Net Cash and Cash Equivalents Provided by Investing Activities	<u>64,411</u>
Net Change in Cash and Cash Equivalents	40,098
Cash and Cash Equivalents - Beginning of Year	<u>122,182</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 162,280</u></u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

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 and 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, 2016, the Association has 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 and cash equivalents.

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 computer and office equipment, furniture and fixtures and leasehold improvements. Capital assets are capitalized at historical cost. Items with an original cost of \$500 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 three to seven years. Depreciation expense for the year ended December 31, 2016, was \$620.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: Nature of Business and 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, are reflected in the accompanying statements at their estimated market values at the 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 accounting principles generally accepted in the United States of America 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, 2016. However, the Association's tax years from 2013 to 2016 are open to review for federal tax purposes, and its tax years from 2012 to 2016 tax years are open to review for state income tax purposes.

New Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

The Association is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 requires improved presentation and disclosures to help not-for-profit entities provide more relevant information about their resources to donors, grantors, creditors, and other users. These improvements apply to qualitative and quantitative requirements in net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early application is permitted.

The Association is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

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 that 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, 2016, 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. At December 31, 2016, the Association had no balances in excess of federally insured limits.

During 2016, the Association purchased approximately 75 percent of its inventory from one nonprofit supplier. At December 31, 2016, the Association had no balance due to this supplier.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2016:

Bank demand accounts	\$ 161,667
Cash on hand	230
Undeposited funds	<u>383</u>
Total	<u>\$ 162,280</u>

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, Mission Viejo, California, which commenced on August 1, 2006. The lease has been amended and has since expired on July 31, 2015. The Association was leasing these premises for \$1,001 per month on a month-to-month basis. As of November 30, 2016, the Association moved its satellite office from Mission Viejo, California, to Laguna Niguel, California.

On November 3, 2016, the Association signed a lease for the premises at 30011 Ivy Glenn Drive, Suite 117, Laguna Niguel, California, which commenced on December 1, 2016. The lease will expire on November 30, 2018.

On May 1, 2016, the Association signed a lease for a Canon 3330i copier, which commenced on May 1, 2016. The lease will expire on April 30, 2021.

On June 6, 2016, the Association signed a lease for Yealink T46G phones, which commenced on January 1, 2017. The lease will expire on March 31, 2020.

Rent expense for the year ended December 31, 2016, was \$40,298.

Minimum future obligations on the lease agreements for the Santa Ana and Laguna Niguel locations and equipment are as follows for years ending December 31:

2017	\$ 42,838
2018	24,710
2019	7,596
2020	4,572
2021	<u>1,188</u>
	<u>\$ 80,904</u>

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5: Subsequent Events

Events occurring after December 31, 2016, have been evaluated for possible adjustment to the financial statements or disclosure as of September 6, 2017, which is the date the financial statements were available to be issued.