

**ORANGE COUNTY INTERGROUP
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

**WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT**

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
TABLE OF CONTENTS
DECEMBER 31, 2018

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6

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, 2018, 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 the Association's 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
July 3, 2019

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 153,852
Inventory	<u>41,646</u>
Total Current Assets	195,498
Capital Assets:	
Computer and office equipment	16,025
Furniture and fixtures	17,778
Leasehold improvements	<u>2,500</u>
Total Capital Assets, at Cost	36,303
Less: Accumulated depreciation	<u>(32,201)</u>
Total Capital Assets, at Net Book Value	4,102
Other Assets:	
Refundable deposits	<u>3,270</u>
Total Other Assets	<u>3,270</u>
Total Assets	<u><u>\$ 202,870</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued expenses	<u>\$ 3,090</u>
Total Current Liabilities	<u>3,090</u>
Total Liabilities	3,090
Net Assets:	
Without Donor Restrictions	<u>199,780</u>
Total Net Assets	<u>199,780</u>
Total Liabilities and Net Assets	<u><u>\$ 202,870</u></u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Support, Revenues, and Gains:	
Donations and public support	\$ 199,408
Literature sales	130,688
Interest income	<u>60</u>
Total Support, Revenues, and Gains	330,156
Functional Expenses:	
Program Services:	
Alcoholism prevention and treatment	167,632
Supporting Services:	
Management and general	<u>166,660</u>
Total Functional Expenses	<u>334,292</u>
Decrease in Net Assets Without Donor Restrictions	(4,136)
Net Assets Without Donor Restrictions - Beginning of Year	<u>203,916</u>
Net Assets Without Donor Restrictions - End of Year	<u><u>\$ 199,780</u></u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services	
	Alcoholism Prevention and Treatment	Management and General	Total
Functional Expenses:			
Accounting	\$ -	\$ 11,215	\$ 11,215
Auto expense	-	1,107	1,107
Convention and event expense	535	-	535
Copier expense	-	426	426
Credit card expense	-	2,199	2,199
Depreciation	-	1,253	1,253
Employee benefits	-	6,040	6,040
Insurance	-	4,159	4,159
Internet	-	1,271	1,271
Lease expense	-	3,903	3,903
Lifeline expense	17,130	-	17,130
Literature	110,094	-	110,094
Meeting expense	2,634	-	2,634
Office expense	-	3,511	3,511
Outside service	-	180	180
Payroll taxes	-	9,044	9,044
Postage	-	715	715
Program events	803	-	803
Public information	515	-	515
Rent	27,494	8,172	35,666
Repairs and maintenance	-	182	182
Salaries and wages	-	104,097	104,097
Taxes and licenses	-	277	277
Telephone	8,427	2,107	10,534
Travel	-	36	36
Utilities	-	872	872
Volunteer expenses	-	474	474
Website expense	-	5,420	5,420
	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	<u>\$ 167,632</u>	<u>\$ 166,660</u>	<u>\$ 334,292</u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities:	
Decrease in Net Assets Without Donor Restrictions	\$ (4,136)
Noncash Item Included in Decrease in Net Assets Without Donor Restrictions:	
Depreciation	1,253
Changes in:	
Inventory	738
Accrued expenses	<u>(828)</u>
Net Cash and Cash Equivalents Used in Operating Activities	<u>(2,973)</u>
Net Decrease in Cash and Cash Equivalents	(2,973)
Cash and Cash Equivalents - Beginning of Year	<u>156,825</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 153,852</u></u>

See accompanying notes and independent accountants' review report.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative US GAAP. Accordingly, the accounts of the Association are reported in the following net asset categories:

Net Assets with Donor Restrictions - Net assets of the Association that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). As of December 31, 2018, the Association has no net assets with donor restrictions.

Net Assets without Donor Restrictions - Net assets of the Association that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

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.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Capital Assets (Continued)

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, 2018, was \$1,253.

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 US GAAP 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 Taxes

The Association is a nonprofit organization that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and under similar code sections for each state. Accordingly, no provision has been made for federal or state income taxes. The Association is subject, however, to federal and California income taxes on unrelated business taxable income as stipulated in IRC Section 511 and Regulation Section 1.511. During the year ended December 31, 2018, the Association had no unrelated business taxable income. However, the Association’s tax years from 2015 to 2018 are open to review for federal tax purposes, and its tax years from 2014 to 2018 are open to review for state income tax purposes.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Income Taxes (Continued)

The Association annually evaluates tax positions as part of the preparation of its exempt tax return. This process includes an analysis of whether tax positions the Association takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position under current accounting guidance. The Association believes its tax positions are appropriate based on current facts and circumstances. The Association's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in functional expenses. At December 31, 2018, the Association did not have any unrecognized tax benefits.

Expense Allocation

The costs of program services and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimated usage. Usage is calculated using an appropriate methodology such as allocated square footage of leased office space.

New Accounting Pronouncements - Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes new revenue recognition guidance ("ASC 606"), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted, but no earlier than periods beginning after December 15, 2016. The Association is currently evaluating the impact of the provisions of ASC 606 on the presentation of its financial statements.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

New Accounting Pronouncements - Not Yet Adopted (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. 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 the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019; however, early adoption is permitted. The Association is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities - Revenue Recognition (Topic 958-605)*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Association is currently evaluating the impact of the provisions of ASU 2018-08 on the presentation of its financial statements.

Recent Accounting Pronouncements - Adopted

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. The Association has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended December 31, 2018. As a result of the application of ASU 2016-14, the unrestricted net assets that were previously reported have been reclassified as net assets without donor restrictions.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as net assets without donor restrictions, or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period that the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. For the year ended December 31, 2018, the Association received no contributions that were deemed to be net assets with donor restrictions.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2: Liquidity and Availability

The Association's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of the statement of financial position date are as follows as of December 31, 2018:

Cash and equivalents	\$ <u>153,852</u>
Total Financial Assets Available to Meet General Expenditures within One Year	\$ <u><u>153,852</u></u>

Note 3: Concentrations, Risks, and Uncertainties

The Association maintains cash balances at a commercial bank. The aggregate account balances are insured for up to at least the standard maximum deposit insurance amount of \$250,000, per depositor, by the Federal Deposit Insurance Corporation. At December 31, 2018, the Association had no balances in excess of federally insured limits.

During 2018, the Association purchased approximately 91 percent of its inventory from one nonprofit supplier. At December 31, 2018, the Association had no balance due to this supplier.

Note 4: Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2018:

Bank demand accounts	\$ 152,376
Cash on hand	521
Undeposited funds	<u>955</u>
Total Cash and Cash Equivalents	\$ <u><u>153,852</u></u>

Note 5: 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 had been amended and expired on April 30, 2018. The lease is currently month to month.

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 expired on November 30, 2018, and subsequently was month to month. Effective July 1, 2019, the Association signed an amendment to extend the lease through June 30, 2021.

ORANGE COUNTY INTERGROUP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 5: Commitments and Contingencies (Continued)

Operating Leases (Continued)

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, 2018, was \$35,666.

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:

2019	\$ 14,244
2020	18,068
2021	<u>8,035</u>
Total	<u>\$ 40,347</u>

Note 6: Subsequent Events

Events occurring after December 31, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of July 3, 2019, which is the date the financial statements were available to be issued.