

**ORANGE COUNTY INTERGROUP  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**WITH INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT**

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
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**DECEMBER 31, 2019**

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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, 2019, 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  
June 5, 2020

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 156,941
Receivables	5,466
Inventory	44,562
Prepaid expenses	1,108
Total Current Assets	208,077
Capital Assets:	
Computer and office equipment	56,715
Furniture and fixtures	17,778
Leasehold improvements	2,500
Total Capital Assets, at Cost	76,993
Less: Accumulated depreciation	(55,668)
Total Capital Assets, at Net Book Value	21,325
Other Assets:	
Refundable deposits	3,270
Total Other Assets	3,270
Total Assets	\$ 232,672

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accrued expenses	\$ 10,412
Current portion of capital lease obligations	7,072
Total Current Liabilities	17,484
Long-Term Liabilities:	
Capital lease obligations	12,532
Total Long-Term Liabilities	12,532
Total Liabilities	30,016
Net Assets:	
Without Donor Restrictions	202,656
Total Net Assets	202,656
Total Liabilities and Net Assets	\$ 232,672

See accompanying notes and independent accountants' review report.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

Support, Revenues, and Gains:	
Donations and public support	\$ 218,355
Literature sales	128,004
Interest income	67
Other income	<u>5,466</u>
Total Support, Revenues, and Gains	351,892
Functional Expenses:	
Program Services:	
Alcoholism prevention and treatment	174,756
Supporting Services:	
Management and general	<u>174,260</u>
Total Functional Expenses	<u>349,016</u>
Change in Net Assets Without Donor Restrictions	2,876
Net Assets Without Donor Restrictions - Beginning of Year	<u>199,780</u>
Net Assets Without Donor Restrictions - End of Year	<u><u>\$ 202,656</u></u>

See accompanying notes and independent accountants' review report.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Supporting Services</u>	
	Alcoholism Prevention and Treatment	Management and General	<u>Total</u>
Functional Expenses:			
Accounting	\$ -	\$ 10,633	\$ 10,633
Auto expense	-	877	877
Convention and event expense	921	-	921
Copier expense	-	602	602
Credit card expense	-	2,637	2,637
Depreciation	4,032	5,346	9,378
Employee benefits	-	6,000	6,000
Insurance	-	3,237	3,237
Internet	-	1,729	1,729
Interest expense	-	599	599
Lease expense	-	278	278
Lifeline expense	17,549	-	17,549
Literature	110,550	-	110,550
Meeting expense	3,131	-	3,131
Office expense	-	3,207	3,207
Outside service	-	1,136	1,136
Payroll taxes	-	9,425	9,425
Postage	-	780	780
Program events	3,015	-	3,015
Public information	990	-	990
Rent	29,195	9,310	38,505
Repairs and maintenance	-	106	106
Salaries and wages	-	108,905	108,905
Taxes and licenses	-	697	697
Telephone	5,373	2,351	7,724
Utilities	-	875	875
Volunteer expenses	-	504	504
Website expense	-	5,026	5,026
	<u>          </u>	<u>          </u>	<u>          </u>
Total Functional Expenses	<u>\$ 174,756</u>	<u>\$ 174,260</u>	<u>\$ 349,016</u>

See accompanying notes and independent accountants' review report.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities:	
Increase in Net Assets Without Donor Restrictions	\$ 2,876
Noncash Item Included in Increase in Net Assets Without Donor Restrictions:	
Depreciation	9,378
Changes in:	
Receivables	(5,466)
Inventory	(2,916)
Prepaid expenses	(1,108)
Accrued expenses	<u>7,322</u>
Net Cash and Cash Equivalents Provided by Operating Activities	10,086
Cash Flows from Financing Activities:	
Payments made on capital lease obligations - principal	(6,398)
Payments made on capital lease obligations - interest	<u>(599)</u>
Net Cash and Cash Equivalents Provided by Financing Activities	<u>(6,997)</u>
Net Increase in Cash and Cash Equivalents	3,089
Cash and Cash Equivalents - Beginning of Year	<u>153,852</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 156,941</u></u>
Non-Cash Investing and Financing Activities:	
Issuance of capital lease	<u><u>\$ 13,449</u></u>

See accompanying notes and independent accountants' review report.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 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).

*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, 2019, the Association has no net assets with donor restrictions.

**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 net realizable value.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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, 2019, was \$9,378.

**Literature Sales**

Literature sales revenue is recognized under FASB ASC 606, *Revenue from Contracts with Customers*, when a performance obligation has been satisfied and control of goods has been transferred to the customer in the amount that reflects the consideration that the Association expects to be entitled to in exchange for those goods. The Association's revenue under contracts with customers relates to the sale of literature, with a single performance obligation for each product sold. Under the Association's contracts, control is transferred to customers at a point in time, which is when the customer is able to direct the use of the asset. This generally occurs upon shipment of the product to the customer or receipt of the product by the customer. Sales and other taxes the Association collects concurrent with revenue-producing activities are excluded from revenue.

The Association generally does not have post-shipment obligations, such as credits and discounts, rebates and price protection, or other similar privileges. Customers are not granted price protection and have no additional product return rights beyond the right to return defective products. The Association does not have any significant financing components, as payment is received at or shortly after the point of sale.

**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.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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, 2019, the Association had no unrelated business taxable income. The Association’s tax years from 2016 to 2019 are open to review for federal tax purposes, and its tax years from 2015 to 2019 are open to review for state income tax purposes.

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, 2019, the Association did not have any unrecognized tax benefits.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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.

**Recent Accounting Pronouncement – Adopted**

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and all subsequently issued clarifying ASUs, replaces most of the existing revenue recognition guidance in US GAAP. ASU 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the new standard effective January 1, 2019, which was the first day of the Association’s fiscal year using the modified retrospective approach and applying the aggregate portfolio approach.

The Association’s revenue arrangements generally consist of a single performance obligation to transfer promised goods, which is recognized at a point in time. Based on the Association’s evaluation process and review of its contracts with customers, the timing and the amount of revenue recognized previously are consistent with how revenue is recognized under the new standard. Accordingly, no changes were required to previously reported revenues as a result of the adoption. In addition, the Association’s contracts do not contain variable consideration, and contract modifications are generally minimal. For these reasons, the adoption of ASU 2014-09 did not have a significant impact on the Association’s financial statements.

**New Accounting Pronouncements – Not Yet Adopted**

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.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**New Accounting Pronouncements – Not Yet Adopted (Continued)**

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 assists 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.

**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, 2019, the Association received no contributions that were deemed net assets with donor restrictions.

**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, 2019:

Cash and equivalents	\$ <u>156,941</u>
Total Financial Assets Available to Meet General Expenditures within One Year	\$ <u><u>156,941</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, 2019, the Association had no balances in excess of federally insured limits.

During 2019, the Association purchased approximately 97% of its inventory from one nonprofit supplier. At December 31, 2019, the Association had no balance due to this supplier.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 4: Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at December 31, 2019:

Bank demand accounts	\$ 154,100
Cash on hand	1,497
Undeposited funds	<u>1,344</u>
 Total Cash and Cash Equivalents	 <u>\$ 156,941</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 term is month to month for 2019, with a new lease commencing January 1, 2020, and expiring December 31, 2024.

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 converted to a month-to-month lease term. Effective July 1, 2019, the Association signed an amendment to extend the lease through June 30, 2021.

Rent expense for the year ended December 31, 2019, was \$38,505.

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

2020	\$ 42,955
2021	37,255
2022	31,356
2023	32,304
2024	<u>33,264</u>
 Total	 <u>\$ 177,134</u>

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 5: Commitments and Contingencies (Continued)**

**Obligations Held under Capital Leases**

The Association is a lessee of equipment under capital leases expiring at various dates through December 2024. The assets and liabilities under the capital leases are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets. The assets are depreciated over the lower of their related lease terms or their estimated productive lives.

The following is a summary of equipment held under capital leases:

Equipment	\$	40,690
Less: Accumulated depreciation		<u>(22,229)</u>
 Equipment Held under Capital Leases, Net		 <u><u>\$ 18,461</u></u>

Depreciation of the assets held under the capital lease obligations charged to expense for 2019 totaled approximately \$8,140.

Minimum future lease payments under capital lease obligations are as follows:

2020	\$	8,028
2021		4,604
2022		3,120
2023		3,120
2024		<u>3,120</u>
 Total minimum future lease payments		 21,992
Less: Amount representing interest		<u>(2,388)</u>
 Present value of net minimum lease payments		 19,604
Current portion of capital lease obligations		<u>(7,072)</u>
 Long-Term Portion of Capital Lease Obligations		 <u><u>\$ 12,532</u></u>

The interest rate for the Association's capital leases is 6%.

**ORANGE COUNTY INTERGROUP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 6: Subsequent Events**

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the United States, including California where the Association is headquartered, have declared a state of emergency.

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and volatility of financial markets across the world. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to the Association and its overall financial condition. The rapid development and fluidity of this situation precludes management from making a reasonable estimate as to the ultimate adverse impact of the pandemic on the Association’s results of operations, financial condition, and liquidity for fiscal year 2020.

Other events occurring after December 31, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of June 5, 2020, which is the date the financial statements were available to be issued.