



**Adult Children of Alcoholics World Service Organization**  
**Financial Statements**  
**December 31, 2023**



BRETT BRADBURY CPA PC

# Adult Children of Alcoholics World Service Organization

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BRETT BRADBURY CPA PC  
NONPROFIT AUDIT |  
REVIEW | COMPILATION

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Adult Children of Alcoholics World Service Organization  
Signal Hill, California

### **Opinion**

I have audited the accompanying financial statements of Adult Children of Alcoholics World Service Organization (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 my opinion, the financial statements present fairly, in all material respects, the financial position of Adult Children of Alcoholics World Service Organization 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**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of Adult Children of Alcoholics World Service Organization and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 Adult Children of Alcoholics World Service Organization'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**

My 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 my 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 the 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, I:

- 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 Adult Children of Alcoholics World Service Organization'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Adult Children of Alcoholics World Service Organization's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

*Brett Bradbury CPA PC*

Long Beach, California

February 29, 2024

**Adult Children of Alcoholics World Service Organization**  
**Statement of Financial Position**  
**December 31, 2023**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 467,209
Accounts receivable, net	3,881
Inventory	400,091
Prepaid expenses	45,191
Total Current Assets	916,372

**Long-Term Assets**

Property and equipment, net	14,016
Intangible assets, net	69,401
Operating lease right-of-use assets	722,238
Deposits	15,985
Total Long-Term Assets	821,640

Total Assets	\$ 1,738,012
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 54,378
Accrued liabilities	60,013
Deferred revenue	8,710
Operating lease liabilities, current portion	138,337
Notes payable, current portion	13,416
Total Current Liabilities	274,854

**Long-Term Liabilities**

Operating lease liabilities, net of current portion	625,849
Notes payable, net of current portion	7,826
Total Long-Term Liabilities	633,675

Total Liabilities	908,529
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**Net Assets**

Without donor restrictions	804,398
With donor restrictions	25,085
Total Net Assets	829,483

Total Liabilities and Net Assets	\$ 1,738,012
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**Adult Children of Alcoholics World Service Organization**  
**Statement of Activities**  
**Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Inventory sales	\$ 1,729,711	\$ -	\$ 1,729,711
Contributions	495,176	14,360	509,536
Events and conferences	26,882	-	26,882
Total Support and Revenue	<u>2,251,769</u>	<u>14,360</u>	<u>2,266,129</u>
<b>Expenses</b>			
Program services:	1,813,762	-	1,813,762
Total Program Services	<u>1,813,762</u>	<u>-</u>	<u>1,813,762</u>
Supporting services:			
Management and general	319,862	-	319,862
Fundraising	52,788	-	52,788
Total Supporting Services	<u>372,650</u>	<u>-</u>	<u>372,650</u>
Total Expenses	<u>2,186,412</u>	<u>-</u>	<u>2,186,412</u>
<b>Nonoperating Revenue</b>			
Credit card rewards	8,347	-	8,347
Gain on foreign currency exchange	3,324	-	3,324
Interest income	2,697	-	2,697
Total Nonoperating Revenue	<u>14,368</u>	<u>-</u>	<u>14,368</u>
<b>Change in net assets</b>	79,725	14,360	94,085
Net assets, beginning of year	<u>724,673</u>	<u>10,725</u>	<u>735,398</u>
<b>Net assets, end of year</b>	<u>\$ 804,398</u>	<u>\$ 25,085</u>	<u>\$ 829,483</u>

**Adult Children of Alcoholics World Service Organization**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2023**

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
<b>Salaries and Related Expenses</b>				
Salaries and wages	\$ 497,348	\$ 84,142	\$ 21,036	\$ 602,526
Payroll taxes	39,634	6,881	1,721	48,236
Employee benefits	14,242	2,380	595	17,217
Total Salaries and Related Expenses	551,224	93,403	23,352	667,979
<b>Other Expenses</b>				
Bank and merchant fees	-	39,484	-	39,484
Contracted services	77,252	4,066	-	81,318
Cost of goods sold	899,413	-	-	899,413
Depreciation and amortization	12,814	2,402	801	16,017
Dues and subscriptions	-	3,478	-	3,478
Events and conferences	45,382	-	15,127	60,509
Information technology	34,325	26,402	1,226	61,953
Insurance	2,881	2,594	180	5,655
Licenses and fees	-	347	-	347
Office expense	11,907	5,677	504	18,088
Postage and delivery	328	55	14	397
Professional fees	-	116,900	-	116,900
Program supplies	38,894	-	-	38,894
Rent expense	113,856	21,347	7,117	142,320
Repairs and maintenance	5,649	1,059	353	7,061
Travel	10,610	918	3,537	15,065
Utilities	9,227	1,730	577	11,534
Total Other Expenses	1,262,538	226,459	29,436	1,518,433
Total Expenses	\$ 1,813,762	\$ 319,862	\$ 52,788	\$ 2,186,412

**Adult Children of Alcoholics World Service Organization**  
**Statement of Cash Flows**  
**Year Ended December 31, 2023**

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 94,085
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	16,017
Amortization of operating lease right-of-use asset	104,988
(Increase) decrease in operating assets:	
Accounts receivable	3,912
Inventory	(51,391)
Prepaid expenses	15,634
Deposits	(6,967)
Increase (decrease) in operating liabilities:	
Accounts payable	45,884
Accrued liabilities	4,499
Deferred revenue	(2,075)
Operating lease liability, net	(63,040)
Net cash provided by operating activities	<u>161,546</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of property and equipment	(6,498)
Purchases of intangible assets	(4,298)
Net cash used in investing activities	<u>(10,796)</u>
<b>Cash Flows from Financing Activities</b>	
Principal payments on notes payable	(13,417)
Net cash used in financing activities	<u>(13,417)</u>
Net increase in cash and cash equivalents	137,333
Cash and cash equivalents, beginning of year	<u>329,876</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 467,209</u></u>
Cash and cash equivalents consists of:	
Unrestricted cash and cash equivalents	\$ 442,124
Restricted cash and cash equivalents	25,085
	<u><u>\$ 467,209</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>	
Interest paid	\$ -
Income taxes paid	\$ -
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>	
Operating lease right-of-use-assets obtained in exchange for lease liabilities	\$ 777,661

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 1 – ORGANIZATION

Adult Children of Alcoholics World Service Organization (the Organization) was incorporated under the laws of the state of California on January 12, 1987. The Organization is a publicly supported organization as described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

The Organization's primary office location is in Signal Hill, California. The Organization also holds inventory in other warehouses maintained by third parties. The mission of the Organization is to serve the fellowship of Adult Children of Alcoholics (ACA) worldwide and through its agency to help those seeking recovery from the effects of an upbringing in an alcoholic or otherwise dysfunctional environment. The means for recovery is provided through sharing information and personal experiences with one another and using the 12 steps and 12 traditions as a basis for this sharing. By doing so, the intent is to better the individual's life experiences and hence the communities wherein they reside.

The Organization's programs provide adult children of alcoholics twelve step informational and educational materials, develop additional twelve step program and educational materials with the creation and publication of additional European languages, provide free program books and literature to persons incarcerated in jails and prisons or are patients in institutions, and provide free program books and literature to professional psychologists, therapists, and other medical doctors.

The Organization relies on the generosity of the community for its support and voluntary contributions. bequests, gifts, grants, and fees for its services. All members of the Board of Directors and Committees are volunteers and do not receive compensation for such services.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

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 ("U.S. GAAP"). The statements of financial position are presented in order of liquidity.

The Organization classifies revenue, other support, and expenses into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment. The Organization has not set up a board-designated endowment.
- *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include bank checking accounts used for operating purposes and highly liquid investments available for current use with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes.

#### Accounts Receivable

Accounts receivable is stated at the amount billed to the Organization's customers and represents amounts due for books and other materials sold by the Organization. Receivables are recorded at estimated fair value at the time of origination and are reflected in the statement of financial position net of expected credit losses. The measurement of expected credit losses is determined based on historical experience, current conditions, and reasonable and supportable forecasts. The Organization did not have any expected credit losses as of December 31, 2023 as it deemed the amount to be immaterial.

#### Inventories

Inventories of merchandise purchased for resale are stated at lower of cost or market determined by weighted average cost method. Donated goods inventory is recorded at fair value at the date of donation. Inventories generally consist of books and other materials held for retail sale.

#### Fair Value Measurements

The Organization carries certain assets and liabilities at fair value. Fair value is defined 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.

The Organization classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

- Level 1 - Quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Examples of such assets are actively traded stocks, bonds, and mutual funds. This Level of data is given priority over Level 2 and 3 data in establishing fair market value.
- Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly. An example of such an asset is an investment that is not traded actively and therefore no quoted price is available, but other similar investments have traded recently, or other data such as interest or yield rates are available that allows for a valuation of the asset. This Level of data is given priority over Level 3 data in establishing a fair market value.
- Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data. In this situation, unobservable data may be used to make the best fair value determination possible.

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and Equipment

Property and equipment used in the operations of the Organization are stated at cost or, if donated, at the fair value at the date of contribution. All donated assets are reported as unrestricted support unless donors' stipulations specify how the assets must be used. The Organization reports expirations of donor restrictions when the acquired assets are placed in service and reclassifies with donor restricted net assets to without donor restricted net assets at that time. Property and equipment with a cost of at least \$1,000 and a useful life of three years or more is capitalized. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Land	Not depreciated
Buildings and improvements	5-39 years
Machinery and equipment	3-7 years
Furniture and fixtures	5-7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that increase the fixed asset values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Expenditures for fixed assets that are purchased with government funds are expensed when acquired because the grantor retains title to such assets.

Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by depreciation taken prior to the sale. Gains and losses are recognized in the statements of activities and changes in net assets upon disposal of property and equipment.

#### Intangible Assets

The Organization recognizes website design, software, trademarks, and copyrights as components of its intangible assets. These intangible assets are amortized using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years.

The Organization periodically reviews intangible assets for impairment. Intangible assets are included on the statement of financial position as other long-term assets. The Organization initiates its review whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of an asset is measured by comparison of its carrying amount to the expected future undiscounted cash flows that the asset is expected to generate. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its fair value. Significant management judgement is required in this process.

#### Construction in Progress

Subcontractor fees and software purchases are captured in the construction in progress account when purchased, or at the time of donation. These costs are considered to be construction in progress until they are placed in service. Construction in progress is not amortized until the completion of the software development.

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment of Long-lived Assets**

The Organization reviews its investment in long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of December 31, 2023, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

#### **Deposits**

Deposits are amounts paid on lease agreements that are expected to be refunded at the end of the lease term unless renewed.

#### **Compensated Absences**

The Organization's employees earn paid-time-off (PTO) based on the amount of time worked annually. Unused PTO for full-time employees is cumulative from year to year and can be accrued. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

#### **Leases**

The Organization leases office space under an operating lease. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying balance sheets. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit rate, the Organization has elected to use an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise.

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue Recognition

##### Inventory sales

Revenue is recognized when a customer obtains control of promised goods, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods. For the Organization, this generally means revenue is recognized when the books and other materials are shipped to the customer, as this is the point in time that the customer obtains control. The Organization's contracts with customers do not include significant financing components, variable consideration, or noncash consideration.

Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance, and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties. The Organization applies the practical expedient in Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers and does not adjust the promised amount of consideration for the effects of a significant financing component due to the expectation that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

##### Contributions

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional promises to give (pledges receivable) are recognized as contributions when received at their estimated fair value. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Amounts received that are restricted for future periods or by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class.

Unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions. Capital campaign contributions are considered net assets with donor restrictions until the asset is placed into service.

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue Recognition (continued)

##### In-Kind Contributions

In addition to receiving cash contributions, the Organization may receive in-kind contributions from various donors. The value of in-kind donations is based on either donor-stated value, face value or replacement value had the Organization needed to purchase from an outside source. The fair market value is determined through active markets of identical or similar items. For the year ended December 31, 2023, there were no in-kind contributions received.

##### Events and Conferences Revenue

Revenue from events and conferences includes registrations and meal tickets and are recognized in the period in which the event occurs.

##### Contributed Services

Several volunteers have donated significant amounts of time and services to the Organization. Contributed services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services donated are not reflected in the accompanying financial statements as an expense or as income from donations; such services do not meet the above criteria for recording under U.S. GAAP.

#### Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

#### Income Taxes

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Agency. As of December 31, 2023, management evaluated the Organization's tax positions and concluded that the Organization had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

The Organization's returns are subject to potential examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed. Any interest or penalties assessed to the Organization are recorded in other expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

#### Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses that are associated with more than one program or supporting service have been allocated among the programs and supporting services benefited based on a percentage of direct salaries method. The percentage of direct salaries method assigns time spent by employees on each program or support service to obtain overall percentages spent on each organizational activity.

Overhead expenses and supporting departments are allocated based on headcount percentages for each program and supporting department. Depreciation and facility costs are allocated based on square footage of the space used by each department.

#### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues, expenses and changes in net assets during the reporting period. While management believes that these estimates are adequate as of December 31, 2023, it is possible that actual results could differ from those estimates, and the difference could be material to the financial statements.

#### Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*. ASU 2016-13 requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Organization to use forward looking information to better formulate its credit loss estimates. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and early adoption is permitted. The Organization adopted ASU 2016-13 of this pronouncement on its financial statements, although management currently believes the adoption of this standard is not expected to have a significant impact on the financial statements.

At the beginning of the first quarter of 2023, the Organization adopted ASU 2016-13. The Organization adopted ASU 2016-13 utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Organization's financial statements.

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets and liquidity resources available within one year for general expenditure, that is, without donor or other restrictions limiting their use, comprise the following as of December 31, 2023:

Cash and cash equivalents	\$ 442,124
Accounts receivable, net	3,881
	<u>\$ 446,005</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

### NOTE 4 – INVENTORY

Inventory consists of the following at December 31, 2023:

Literature	\$ 154,391
Workbooks	194,003
Medallions and chips	33,907
Other	17,790
	<u>\$ 400,091</u>

### NOTE 5 – PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31, 2023:

Contractors	\$ 22,929
Rent	13,951
Inventory deposits	3,424
Insurance	2,782
Other	2,105
	<u>\$ 45,191</u>

# Adult Children of Alcoholics World Service Organization

## Notes to Financial Statements

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### NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023:

Machinery and equipment	\$ 27,913
Furniture and fixtures	14,350
	<u>42,263</u>
Accumulated depreciation	(28,247)
Property and equipment, net	<u>\$ 14,016</u>

Depreciation expense for the year ended December 31, 2023 was \$3,496.

### NOTE 7 – INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2023:

Website	\$ 108,382
Copyright and trademark	32,302
Software	3,246
	<u>143,930</u>
Accumulated amortization	(99,615)
	44,315
Construction in progress	25,086
Intangible assets, net	<u>\$ 69,401</u>

Amortization expense for the year ended December 31, 2023 was \$12,521.

### NOTE 8 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31, 2023:

Accrued payroll	\$ 24,589
Accrued vacation	19,578
Sales tax payable	11,298
Other	4,548
	<u>\$ 60,013</u>

### NOTE 9 – RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA retirement plan, which covers substantially all full-time employees. The Organization will match up to 1% of employee contributions to the retirement plan. Matching contributions for the year ended December 31, 2023 was \$3,037.

**Adult Children of Alcoholics World Service Organization**  
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**NOTE 10 – LEASES**

**Operating Leases**

For the year ended December 31, 2023, the Organization reported lease liabilities in accordance with ASU Topic 842 – Leases. The lease agreement does not include any material residual value guarantees or restrictive covenants.

Future minimum lease payments under non-cancellable leases are as follows for the year ended December 31, 2023:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2024	\$ 169,505
2025	175,021
2026	180,272
2027	185,680
2028	141,318
Total minimum lease payments	851,794
Less: interest	(87,608)
Present value of minimum lease payments	764,186
Current portion	(138,337)
Long-term portion	\$ 625,849

Additional information related to leases for the year ended December 31, 2023 is as follows:

Operating lease cost	\$ 142,320
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 777,661
Weighted-average remaining lease term	4.83 years
Weighted-average discount rate	4.50 %

Total expenses for all leases for the year ended December 31, 2023 totaled \$142,320.

## Adult Children of Alcoholics World Service Organization

### Notes to Financial Statements

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#### NOTE 11 – NOTES PAYABLE

The Organization has a note payable dated August 2022 with an original balance of \$40,248 and monthly payments of \$1,118, principal and interest. The note is interest free and matures in July 2025.

Future principal payments on notes payable are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 13,416
2025	7,826
	<u>21,242</u>
Less: current portion of notes payable	(13,416)
Long-term portion of notes payable	<u>\$ 7,826</u>

#### NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions received or receivable by the Organization, which are limited in their use by the donor-imposed restrictions. Net assets with donor restrictions are available for the following purposes at December 31, 2023:

Subject to Expenditure for Specified Purpose:	
Literature Scholarship Fund	<u>\$ 25,085</u>
Total Subject to Expenditure for Specified Purpose	<u>25,085</u>
Total Net Assets With Donor Restrictions	<u>\$ 25,085</u>

#### NOTE 13 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. Because of the severity and global nature of the COVID-19 pandemic, the impact on the Organization’s business could be significant and have a material impact on its financial position and operating results and could have a potential future impact on its business and financial statements.

#### NOTE 14 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash and equivalents with major financial institutions. At times, such amounts may exceed Federal Depository Insurance Corporation (“FDIC”) limits. FDIC protection is \$250,000 per depositor, per insured bank, for each account ownership category. The Organization has uninsured cash balances for the year ended December 31, 2023 of \$91,784. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

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**NOTE 15 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 29, 2024, the date which the accompanying financial statements were available to be issued.

Management is not aware of any material subsequent events that would require adjustments or disclosures in the financial statements.