Al-Anon Family Group Headquarters, Inc.

Financial Statements

Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

Board of Trustees
Al-Anon Family Group Headquarters, Inc.
Virginia Beach, VA

Opinion
We have audited the financial statements of Al-Anon Family Group Headquarters, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Al-Anon Family Group Headquarters, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Al-Anon Family Group Headquarters, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Al-Anon Family Group Headquarters, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements
Our 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 auditors' report that includes our 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 GAAS 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 GAAS, we:

- 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 Al-Anon Family Group Headquarters, Inc.'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Al-Anon Family Group Headquarters, Inc.'s ability to continue as a going concern for a reasonable period of time.
- We are 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 we identified during the audit.

We are 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 we identified during the audit.

Dixon Hughes Goodman LLP

Norfolk, VA
February 26, 2022

Al-Anon Family Group Headquarters, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	**$ 2,987,857**	$ 3,048,978
Accounts receivable	**118,940**	51,688
Inventories of books and other literature	**355,164**	403,297
Deferred charges and deposits	**191,603**	225,491
Investments	**8,410,894**	6,416,478
Property and equipment, net	**1,491,709**	1,445,442
Intangible assets, net	**227,107**	242,213
Total assets	**$ 13,783,274**	$ 11,833,587
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	**$ 360,400**	$ 264,997
Accrued postretirement health benefits	**755,356**	790,216
Unearned subscription income	**187,531**	178,494
Unearned mobile app income	**25,944**	16,125
Unearned convention and conference income	**168,036**	83,225
Total liabilities	**1,497,267**	1,333,057
Net assets without donor restrictions	**12,286,007**	10,500,530
Total liabilities and net assets	**$ 13,783,274**	$ 11,833,587

See accompanying notes.

Al-Anon Family Group Headquarters, Inc.
Statement of Activities
Year Ended December 31, 2021

	General Fund	Board Designated Funds: Reserve Fund	Board Designated Funds: Building Fund	2021 Totals
REVENUE:				
Literature sales	$ 2,389,064	$ -	$ -	**$ 2,389,064**
Cost of sales	482,313	-	-	**482,313**
Gross profit	1,906,751	-	-	**1,906,751**
Magazine sales	238,040	-	-	**238,040**
Subscription income	33,328	-	-	**33,328**
Contributions	2,623,242	-	-	**2,623,242**
Noncash contributions	136,555	-	-	**136,555**
Investment income, net	235,693	1,826,683	-	**2,062,376**
Total revenue	5,173,609	1,826,683	-	**7,000,292**
FUNCTIONAL EXPENSES:				
Program services	2,752,049	-	-	**2,752,049**
Literature distribution services	922,257	-	-	**922,257**
General administration	1,575,369	(34,860)	-	**1,540,509**
Total functional expenses	5,249,675	(34,860)	-	**5,214,815**
Change in net assets	(76,066)	1,861,543	-	**1,785,477**
Net assets without donor restrictions, beginning of year	3,253,230	5,874,099	1,373,201	**10,500,530**
Transfers	200,247	(87,000)	(113,247)	**-**
Net assets without donor restrictions, end of year	$ 3,377,411	$ 7,648,642	$ 1,259,954	**$ 12,286,007**

Al-Anon Family Group Headquarters, Inc.
Statement of Activities
Year Ended December 31, 2020

		Board Designated Funds		
	General Fund	Reserve Fund	Building Fund	2020 Totals
REVENUE:				
Literature sales	$ 2,317,008	$ -	$ -	**$ 2,317,008**
Cost of sales	470,515	-	-	**470,515**
Gross profit	1,846,493	-	-	**1,846,493**
Magazine sales	291,963	-	-	**291,963**
Subscription income	4,662	-	-	**4,662**
Contributions	3,295,721	-	-	**3,295,721**
Noncash contributions	88,805	-	-	**88,805**
Investment income, net	38,633	325,952	-	**364,585**
Total revenue	5,566,277	325,952	-	**5,892,229**
FUNCTIONAL EXPENSES:				
Program services	2,649,544	-	-	**2,649,544**
Literature distribution services	865,903	-	-	**865,903**
General administration	1,541,640	(136,387)	-	**1,405,253**
Total functional expenses	5,057,087	(136,387)	-	**4,920,700**
Change in net assets	509,190	462,339	-	**971,529**
Net assets without donor restrictions, beginning of year	2,322,849	5,753,920	1,452,232	**9,529,001**
Transfers	421,191	(342,160)	(79,031)	**-**
Net assets without donor restrictions, end of year	$ 3,253,230	$ 5,874,099	$ 1,373,201	**$ 10,500,530**

See accompanying notes.

Al-Anon Family Group Headquarters, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Literature Distribution Services	General Administration	2021 Totals
Operating expenses:				
Salaries	$ 1,775,434	$ 653,290	$ 647,392	**$ 3,076,116**
Employee benefits	402,549	149,262	143,955	**695,766**
	2,177,983	802,552	791,347	**3,771,882**
Occupancy costs	129,845	103,347	31,799	**264,991**
Packing and shipping, net	-	(12,120)	-	**(12,120)**
Postage	110,474	2,437	33,933	**146,844**
Telephone	10,106	4,214	38,729	**53,049**
Stationery and supplies	30,437	2,504	24,567	**57,508**
Office services and expenses	55,803	5,298	215,647	**276,748**
Credit card and bank fees	-	-	103,269	**103,269**
Repairs and maintenance	3,813	1,590	6,604	**12,007**
Travel and meetings	5,709	-	30,022	**35,731**
Direct conference costs, net	17,935	-	-	**17,935**
Professional fees	-	-	75,800	**75,800**
Printing	90,098	-	-	**90,098**
Canadian office	1,990	-	-	**1,990**
Public service announcements	67,800	-	-	**67,800**
Membership survey	500	-	-	**500**
Miscellaneous expenses	-	7	22,066	**22,073**
In-kind non-cash service expense	-	-	136,555	**136,555**
Total operating expenses	2,702,493	909,829	1,510,338	**5,122,660**
Nonoperating expenses:				
Depreciation and amortization	12,397	1,277	50,166	**63,840**
Postretirement health benefits	37,159	11,151	(19,995)	**28,315**
Total nonoperating expenses	49,556	12,428	30,171	**92,155**
Total expenses	$ 2,752,049	$ 922,257	$ 1,540,509	**$ 5,214,815**

	Program Services	Literature Distribution Services	General Administration	2020 Totals
Operating expenses:				
Salaries	$ 1,658,544	$ 636,207	$ 682,435	$ 2,977,186
Employee benefits	361,750	140,489	141,474	643,713
	2,020,294	776,696	823,909	3,620,899
Occupancy costs	133,624	106,354	32,725	272,703
Packing and shipping, net	-	(46,412)	-	(46,412)
Postage	116,275	2,614	38,775	157,664
Telephone	9,907	4,215	36,319	50,441
Stationery and supplies	18,966	-	24,915	43,881
Office services and expenses	10,688	6,129	219,633	236,450
Credit card and bank fees	-	-	112,237	112,237
Repairs and maintenance	4,558	1,979	5,172	11,709
Travel and meetings	1,701	-	24,289	25,990
Direct conference costs, net	18,115	-	-	18,115
Professional fees	-	-	76,970	76,970
Printing	163,008	-	-	163,008
Canadian office	1,781	-	-	1,781
Office volunteers	-	10	-	10
Public service announcements	103,097	-	-	103,097
Miscellaneous expenses	59	(2)	7,490	7,547
In-kind non-cash service expense	-	-	88,805	88,805
Total operating expenses	2,602,073	851,583	1,491,239	4,944,895
Nonoperating expenses:				
Depreciation and amortization	10,535	1,776	30,190	42,501
Postretirement health benefits	36,936	12,544	(116,176)	(66,696)
Total nonoperating expenses	47,471	14,320	(85,986)	(24,195)
Total expenses	$ 2,649,544	$ 865,903	$ 1,405,253	$ 4,920,700

Al-Anon Family Group Headquarters, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	**$ 1,785,477**	$ 971,529
Adjustments to reconcile to net cash from operating activities		
Depreciation and amortization	**177,087**	162,458
Gain on investments (realized and unrealized)	**(2,076,276)**	(336,958)
Interest/dividend income reinvested	**(31,489)**	(35,876)
Change in operating assets and liabilities:		
Accounts receivable	**(67,252)**	87,483
Inventories of books and other literature	**48,133**	(55,995)
Deferred charges and deposits	**33,888**	(65,786)
Accounts payable and accrued expenses	**95,403**	(39,042)
Accrued postretirement health benefits	**(34,860)**	(136,387)
Unearned subscription income	**9,037**	(11,644)
Unearned mobile app income	**9,819**	16,125
Unearned convention and conference income	**84,811**	(26,740)
Net cash provided by operating activities	**33,778**	529,167
Cash flows from investing activities:		
Sale of investments and transfers to operating cash	**4,141,119**	2,706,587
Purchases of investments	**(4,027,770)**	(1,707,690)
Purchases of intangibles	**(8,559)**	(26,810)
Purchases of property and equipment	**(199,689)**	(92,182)
Net cash provided (used) by investing activities	**(94,899)**	879,905
Net change in cash	**(61,121)**	1,409,072
Cash and cash equivalents, beginning of year	**3,048,978**	1,639,906
Cash and cash equivalents, end of year	**$ 2,987,857**	$ 3,048,978

Notes to Financial Statements

1. Organization and Nature of Activities

Al-Anon Family Group Headquarters, Inc. (Organization) is a not-for-profit corporation that publishes and distributes books, pamphlets and other materials directly related to Al-Anon's program of assisting families and friends of alcoholics in dealing with the problems of alcoholism. It also assists in the formation of new Al-Anon and Alateen groups and coordinates policy among all such groups throughout the world.

2. Summary of Significant Accounting Policies

Basis of accounting

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. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

> **Net assets without donor restrictions** represent unrestricted revenue and contributions received without donor-imposed restrictions. These funds are available for the overall operations of the Organization and can be designated by the Board of Trustees to fund certain projects. See Notes 4 and 9 related to Board designated Reserve and Building Funds. Unrestricted contributions and bequests are recognized as revenue when cash is received.

> **Net assets with donor restrictions** are those that are stipulated by donors for specific purposes or are inherently time restricted, such as promises to give. The Organization does not accept restricted contributions and does not solicit promises to give. Therefore, there are no net assets with donor restrictions.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with maturities of three months or less and all certificates of deposit to be cash equivalents. Cash and cash equivalents may include checking accounts, savings accounts, repurchase agreements, commercial paper, and money market funds.

Accounts receivable

Receivables from contracts with customers are reported as accounts receivable. Contract liabilities are reported as unearned income. The Organization considers accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is required. The Organization's policy is to charge off accounts receivable when management determines the receivable will not be collected.

Inventories of books and other literature

Inventories are recorded at cost under the first-in, first-out (FIFO) method of accounting. Slow-moving or obsolete items have been written-down to net realizable value.

Literature distributed without charge is not accounted for separately, but is included in the cost of sales. The cost of non-English literature is charged to expense in the year produced.

Investments

Investments are shown at quoted market prices to represent their fair value. Gains and losses on investments are recognized on the sale or redemption on an average cost basis. The Organization carries substantially all investments in equity securities at fair value and record the subsequent changes in fair values in the Statement of Activities as a component of investment activity, net.

The Board of Trustees may authorize the transfer of net investment income from the Reserve Fund and the Building Fund to the General Fund. The Board has approved the transfer of up to 4% of the fair value of the investment portfolio based on a 36-month average from the Reserve Fund to the General Fund each year.

Property and equipment

Property and equipment are stated at cost and depreciated by the straight-line method over the following useful lives:

Building	40 years
Building improvements	10 years
Furniture and equipment	3 to 10 years

The Organization's policy is to capitalize property and equipment purchased with a cost greater than $1,000.

Intangible assets

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the Organization amortizes intangible assets with a finite useful life. Amortizable intangibles will be amortized straight-line over the life of the agreements.

Revenue recognition

The Organization generates revenue primarily from literature sales, magazine subscriptions, and contributions from members. Revenues from nonexchange transactions are accounted for in accordance with the guidance for contributions and promises to give under Accounting Standards Codification ("ASC") Topic 958, while revenues from exchange contracts with customers are accounted for in accordance with ASC Topic 606. The determination of whether a contract is exchange or nonexchange requires management to exercise judgment and evaluate subjective criteria about whether there is a reciprocal exchange of commensurate value that flows to the direct benefit of the parties to the contract. Although the accounting guidance differs for exchange and nonexchange contracts, in practice, the timing and amount of revenue recognition for the Organization's contracts generally would not differ significantly under either Topic.

Exchange Contracts Accounted for under Topic 606

Revenues for exchange contracts accounted for under Topic 606 include literature sales and magazine subscriptions are reported at amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing the contracted good or services. The Organization determines the transaction price based on the stated fixed price of the good or annual subscription. The nature of the Organization's exchange contracts generally do not include variable consideration that require significant judgments to estimate the transaction price or related constraints due to risk of significant reversal.

Performance obligations are determined based on the nature of delivery of the goods and services provided. Performance obligations for subscription sales are generally recognized over time based on the subscription period. Performance obligations for literature sales are recognized at a point in time when inventory is shipped to the customer. Performance obligations for convention and conference income are recognized at a point in time when the convention or conference occurs.

Contract revenues for 2021 and 2020 are comprised of the following:

	2021	2020
Performance obligations satisfied at a point in time	**$ 2,411,560**	$ 2,375,992
Performance obligations satisfied over time	**248,872**	237,641
	$ 2,660,432	$ 2,613,633

Receivables consist of amounts for which the Organization has an unconditional right to collect for literature distributed to customers. Receivables are impaired when determined to be uncollectible based on identified risk of nonpayment. The Organization rarely incurs bad debt expense due to the nature of its receivables. Recoveries of accounts previously written off are recorded as a reduction of bad debt expense when received. Interest is not charged on receivables. Collateral is not required to secure outstanding receivables.

The Organization does not incur costs to obtain customer contracts that are incremental to a given contract (e.g., commissions) or recoverable. In some cases, the Organization may receive payment prior to the completion of the performance obligation. Such amounts are considered to be contract liabilities. The balance of contract liabilities at December 31, 2021 and 2020 were $381,511 and $277,844, respectively, and was reported as unearned income on the statement of financial position.

Nonexchange Transactions Accounted for under Topic 958

Arrangements that are determined to be nonexchange transactions are excluded from the scope of Topic 606 and fall under Topic 958. A nonexchange transaction is not considered to be a reciprocal exchange of goods and services with a customer, but rather is tantamount to a contribution from a resource provider.

Under Topic 958, nonexchange transactions may be conditional or unconditional. If there is both 1) a barrier and 2) a right of return or release of the resource provider's obligation to transfer assets, then the contribution is conditional. If both criteria are not present, then the contribution is unconditional and is recognized upon satisfaction of any conditions. A contribution also may include a purpose or use restriction on the funding, or may be intended for use in a future year and thus have an explicit or implicit time restriction. Once a contribution becomes unconditional, an entity shall consider whether there is a purpose or time restriction prior to recognizing the funds as unrestricted revenue.

Unconditional contributions are considered to be available for unrestricted use. The organization does not accept restricted contributions.

Unearned subscription income

The Organization sells subscriptions to a monthly publication called *The Forum*. The Organization records as unearned subscription income the prorated amount of subscriptions which have not been delivered.

The Organization sells yearly subscriptions to premium content delivered via the Al-Anon Mobile App. The Organization records as unearned premium subscription income the prorated amount of content which has not been delivered.

Unearned convention and conference income

The Organization records convention and conference income received prior to the convention or conference as unearned convention or conference income.

Noncash contributions

The Organization recognizes contribution revenue for items or services that would be purchased, if not donated, at the fair value of those items at the time the donation is received. During 2021 and 2020, the Organization recognized contribution revenue of $136,555 and $88,805, respectively, related to donated marketing services for keywords which link to the Organization's website. The value of the donated non-cash marketing services has been properly reflected in the statements of activities.

Convention income

The Organization records income related to conventions held net of related costs. There was no convention income in 2021 or 2020.

Direct conference costs

The Organization records direct conference costs net of related income. In 2021 and 2020, there was $783 and $30,600, respectively, of direct conference revenue and $18,718 and $48,715, respectively, of direct conference expense, resulting in a net expense of $17,935 and $18,115, respectively, which is included in the statements of activities in program services expense.

General service meetings

The Organization records income related to general services meetings net of related costs. There was no general service meeting income in 2021 or 2020.

Functional allocation of expenses

The total program cost of producing and distributing literature includes the cost of literature sold and total literature distribution services expense. Shipping and handling costs are also included. The total expense for 2021 and 2020 includes cost of literature sold of $482,313 and $470,515 respectively, which is a reduction from literature sales in the statements of activities, plus literature distribution services expense of $922,257 and $865,903, respectively, for total costs of $1,404,570 and $1,336,418, respectively. Included in packing and shipping expense is $258,822 and $308,874, respectively, of revenue for shipping cost included in billed amounts for literature and $270,942 and $355,286, respectively, of expense, for a net gain of $12,120 and $46,412, respectively, which is included in literature distribution services expense on the statements of activities.

Included in general administration expenses is $32,613 and $33,904 for fundraising appeal letters for 2021 and 2020, respectively.

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which can be directly associated with a function are charged directly. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, utilities and office administrative expenses, which are allocated on the basis of estimates of employee resources, square footage, and accounting fees that are allocated entirely to general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Management made certain significant estimates in the calculation of liabilities for postretirement health benefits. Postretirement health benefits include estimates of employee retention and health care cost trends. It is reasonably possible that a change in these estimates will occur in the near term. The effects of changes in these estimates cannot be determined.

Concentration of credit risk

At times, the Organization has cash and cash equivalents at financial institutions in excess of the federally insured limit. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. The Organization places its cash and equivalents with high credit quality financial institutions.

Included in these financial statements are the operations of the Public Information (P.I.) office in Canada. Canadian source revenues are processed in the U.S. office, but deposited in a Canadian bank. Likewise, expenses of the Canadian P.I. office were disbursed from the Canadian bank account. Included in net realized gains is a foreign currency loss adjustment of $55,908 and $42,432 for 2021 and 2020, respectively.

At December 31, 2021 and 2020, the Organization had cash deposits in a Canadian financial institution of $449,290 and $558,630, respectively, (U.S. dollars).

The Organization sells its publications to affiliated organizations in foreign countries and occasionally purchases foreign language publications from other countries, but not in significant quantities.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and the statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Presentation of sales taxes

The Organization's sales are subject to sales tax imposed by various jurisdictions. The Organization collects that sales tax from customers and remits it to the applicable jurisdiction. The Organization’s accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 26, 2022, the date the financial statements were available to be issued.

3. Retirement Plan

The Organization sponsors a defined contribution plan covering all eligible employees which includes a cash or deferred arrangement that is intended to qualify under section 401(k) of the Internal Revenue Code. The Organization's contribution rate is 4.3% of the first $25,000 of salary and 8.5% of the excess over that amount. The first 3% of the Organization's contribution is fully vested immediately due to the plan's safe harbor provision. The contributions for 2021 and 2020 were $190,720 and $178,257, respectively, and is included in employee benefits on the statements of functional expenses.

4. Reserve Fund

In April 1970, the Board of Trustees funded the Reserve Fund in an initial amount of $80,000, the purpose of which was to set aside sufficient funds to ensure the continuation of the Organization's essential services and the funding of special projects. The objective for the fund was to maintain an amount equal to one year's operating expenses. Effective July 1, 1999, the Board of Trustees redefined one year's operating expenses to include all expenses of the Organization except for unusual, nonrecurring items in excess of $100,000. At the same time, the board stated that the Reserve Fund's assets would be measured against the objective using the lower of cost or fair value.

Transfers between funds are reviewed by the Board on a year-to-year basis. Due to net transfers and retained income during the years, the Reserve Fund balance was $7,648,642 and $5,874,099 at December 31, 2021 and 2020, respectively.

5. Liquidity and Availability

The Organization operates on a cash-based budget. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Short-term needs are primarily for salaries, purchases of inventory, supplies, board and staff travel, and general administrative expenses. Expenses due in the coming year are covered by funds raised through contributions and literature sales.

As part of the Organization's liquidity plan, any operational expenditures in excess of anticipated revenue, creating an operational budget shortfall paid for in the same year, are covered by the Reserve Fund.

The Organizations' financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2021	2020
Cash and cash equivalents	**$ 2,987,857**	$ 3,048,978
Accounts receivable	**118,940**	51,688
	$ 3,106,797	$ 3,100,666

6. Investments

Investments at December 31, 2021 are summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	**$ 497,081**	**$ 475,585**	**$ (21,496)**
Equity securities	**2,787,080**	**6,834,454**	**4,047,374**
Debt securities	**1,078,609**	**1,100,855**	**22,246**
	$ 4,362,770	**$ 8,410,894**	**$ 4,048,124**

Investments at December 31, 2020 are summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	$ 490,047	$ 486,781	$ (3,266)
Equity securities	2,447,187	4,802,269	2,355,082
Debt securities	1,040,360	1,127,428	87,068
	$ 3,977,594	$ 6,416,478	$ 2,438,884

Investment income, net for 2021 and 2020 was as follows:

	2021	2020
Interest and dividends	**$ 62,372**	$ 93,450
Net realized gains (losses)	**432,466**	89,513
Net unrealized gains	**1,643,810**	247,445
Investment expenses	**(76,272)**	(65,823)
Net investment income	**$ 2,062,376**	$ 364,585

7. Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Property and equipment		
Land	**$ 158,347**	$ 158,347
Building	**2,791,878**	2,791,878
Building improvements	**612,485**	612,485
Furniture and equipment	**718,398**	518,711
	4,281,108	4,081,421
Accumulated depreciation	**(2,789,399)**	(2,635,979)
	$ 1,491,709	$ 1,445,442

Total depreciation expense for 2021 and 2020 is $153,420 and $139,745, respectively. Depreciation on the building of $113,247 and $119,957 has been included in occupancy costs for 2021 and 2020, respectively.

8. Intangible Assets

Intangible assets consisted of the following at December 31:

	2021	2020
Trademarks	**$ 296,373**	$ 287,814
Accumulated Amortization	**(69,266)**	(45,601)
	$ 227,107	$ 242,213

Capitalized costs to date represent legal costs incurred to acquire trademarks. Amortization expense of $23,667 and $22,713 was recorded during 2021 and 2020, respectively.

9. Building Fund

In July 1995, the Organization established the Building Fund to account for the construction of a new headquarters office and warehouse in Virginia Beach, Virginia. Initial funding was obtained by City of Virginia Beach Development Authority Industrial Development Revenue Bonds (Series 1995) of $2,500,000. The final payment of these bonds was made in April 2010.

The final cost of the building was $2,791,878. The land was purchased during 1995 for $158,347. Initial furniture and equipment costs were $755,150 and were capitalized and transferred to the General Fund. Building improvements totaling $537,515 have been added to the Building Fund. Accumulated depreciation on the building and building improvements was $2,302,756 and $2,189,509 at December 31, 2021 and 2020 respectively.

Transfers were made between the Building Fund and General Fund totaling $113,247 and $79,031 in 2021 and 2020, respectively, to accurately reflect the cost less accumulated depreciation of the land and building of $1,259,954 and $1,373,201 as of December 31, 2021 and 2020, respectively. The annual transfer between the Building Fund and General fund reflects the net of any future building improvements and annual depreciation.

10. Postretirement Health Benefits

The Organization provides health care benefits for retired employees after age 60 with 20 years of service. Benefits are provided before age 65 through the Organization's normal employee health plan, and then through Medicare supplemental health insurance policies. The Organization bears the entire cost of the premiums.

The plan is unfunded. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the plan is 4.5%. A discount rate of 2.02% has been used to measure the accrued postretirement health benefits liability based on active participants and current mortality rates. The following table sets forth the information regarding the plan at December 31:

	2021	2020
Postretirement benefits liability	**$ 755,356**	$ 790,216
Increase/decrease in accrued benefits liability	**$ (34,860)**	$ (136,387)
Benefits paid	**$ 63,174**	$ 69,690

During 1996, the board authorized this liability to be carried by the Reserve Fund. Accordingly, the liability increase was recorded in the Reserve Fund.

Effective January 1, 2018, the Organization elected to no longer offer postretirement health benefits. The exceptions are for those already retired, and active employees that were 65 years of age or older with 20 or more years of service prior to January 1, 2018. As of December 31, 2021, eighteen employees and retired employees are eligible for benefits under this plan.

11. Lease Commitments

The Organization leases office equipment and computers under operating leases with varying expirations. Lease expense for office equipment and computers was $23,264 and $21,186 in 2021 and 2020, respectively.

In addition, the Organization leases virtual office space in Canada under a lease which expires May 31, 2021. Lease automatically renews each year unless cancelled. Lease expense for this office space was $858 and $801 in 2021 and 2020, respectively.

The minimum lease payments required under the above operating leases as of December 31, 2021 are as follows:

Year Ending December 31,	
2022	$ 9,999
2023	4,836
	$ 14,835

12. Fair Value Measurements

The Organization defines fair value 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 and establishes a framework for measuring fair value. Accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Current accounting standards expands disclosures about instruments measured at fair value and applies to the other accounting pronouncements that require or permit fair value measurements.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1:	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 1 assets include mutual funds, equity and debt securities, as well as U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.
Level 2:	Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument. Level 2 assets include agency mortgage-backed debt securities whose value is determined using inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
Level 3:	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value:

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds				
Fixed income	**$ 475,585**	$ -	$ -	**$ 475,585**
Equity securities				
Financial sector	**2,770,556**	-	-	**2,770,556**
Health care sector	**1,173,753**	-	-	**1,173,753**
Technology sector	**1,568,123**	-	-	**1,568,123**
Energy sector	**89,686**	-	-	**89,686**
Industrial sector	**642,072**	-	-	**642,072**
Services sector	**13,100**	-	-	**13,100**
Consumer discretionary sector	**12,023**	-	-	**12,023**
Consumer Staples sector	**22,704**	-	-	**22,704**
Materials sector	**220,369**	-	-	**220,369**
Manufacturing	**231,421**	-	-	**231,421**
Entertainment	**70,990**	-	-	**70,990**
Utilities sector	**2,267**	-	-	**2,267**
Real estate sector	**8,757**	-	-	**8,757**

(Continued)	Assets at Fair Value as of December 31, 2021 Level 1	Level 2	Level 3	Total
Telecommunications sector	**8,633**	**-**	**-**	**8,633**
Other	**-**	**-**	**-**	**-**
Total	**6,834,454**	**-**	**-**	**6,834,454**
Debt securities				
U.S. Treasury securities	**249,666**	**-**	**-**	**249,666**
U.S. Corporate bonds	**-**	**626,720**	**-**	**626,720**
Mortgage-backed securities	**-**	**224,469**	**-**	**224,469**
Total	**249,666**	**851,189**	**-**	**1,100,855**
Total fair value measurements	**$ 7,559,705**	**$ 851,189**	**$ -**	**$ 8,410,894**

	Assets at Fair Value as of December 31, 2020 Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 486,781	$ -	$ -	$ 486,781
Equity securities				
Financial sector	1,658,444	-	-	1,658,444
Health care sector	1,062,754	-	-	1,062,754
Technology sector	1,068,601	-	-	1,068,601
Energy sector	78,342	-	-	78,342
Industrial sector	410,132	-	-	410,132
Services sector	16,522	-	-	16,522
Consumer discretionary sector	6,975	-	-	6,975
Consumer cyclical sector	20,767	-	-	20,767
Materials sector	155,997	-	-	155,997
Manufacturing	208,950	-	-	208,950
Entertainment	94,284	-	-	94,284
Utilities sector	1,715	-	-	1,715
Real estate sector	6,664	-	-	6,664
Telecommunications sector	12,122	-	-	12,122
Total	4,802,269	-	-	4,802,269
Debt securities				
U.S. Treasury securities	306,442	-	-	306,442
U.S. Corporate bonds	-	577,417	-	577,417
Mortgage-backed securities	-	243,569	-	243,569
Total	306,442	820,986	-	1,127,428
Total fair value measurements	$ 5,595,492	$ 820,986	$ -	$ 6,416,478

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

13. Commitments

The Organization has entered into a contract with the Albuquerque Convention Center for the Organization's 2023 International Convention that will be held in July 2023. In the event of cancellation, the Organization may be responsible for the entire rental, up to a maximum of $60,164 as of December 31, 2021.

14. COVID-19

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses. The COVID-19 pandemic has the potential to disrupt the operational and financial performance of the Organization and there is uncertainty in the nature and degree of its continued effects on the Organization over time. The extent to which it will impact the Organization going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on customers, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have an impact on management's accounting estimates and assumptions.