Al-Anon Family Group Headquarters, Inc.

Financial Statements and Supplementary Information

Years Ended December 31, 2018 and 2017

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Al-Anon Family Group Headquarters, Inc. (a nonprofit Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Al-Anon Family Group Headquarters, Inc. as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As discussed in Note 2 to the financial statements, Al-Anon Family Group Headquarters, Inc. adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in 2018. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of 2018 Convention Revenue and Expenses on page 20 are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Dixon Hughes Goodman LLP

Norfolk, Virginia
February 25, 2019

Al-Anon Family Group Headquarters, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	**$ 1,619,970**	$ 1,307,705
Accounts receivable	**172,673**	178,806
Inventories of books and other literature	**394,965**	432,037
Deferred charges and deposits	**118,436**	168,583
Investments	**5,759,434**	6,601,457
Property and equipment, net	**1,570,753**	1,700,521
Intangible assets, net	**197,709**	124,685
Total assets	**$ 9,833,940**	$ 10,513,794
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	**$ 296,595**	$ 289,141
Accrued postretirement health benefits	**769,808**	791,866
Unearned subscription income	**199,766**	195,450
Unearned convention and conference income	**121,526**	590,503
Total liabilities	**1,387,695**	1,866,960
Net assets without donor restrictions	**8,446,245**	8,646,834
Total liabilities and net assets	**$ 9,833,940**	$ 10,513,794

See accompanying notes.

Al-Anon Family Group Headquarters, Inc.
Statements of Activities
Year Ended December 31, 2018

	General Fund	Board Designed Funds Reserve Fund	Building Fund	2018 Totals
REVENUE:				
Literature sales	$ 3,975,491	$ -	$ -	**$ 3,975,491**
Cost of sales	781,297	-	-	**781,297**
Gross profit	3,194,194	-	-	**3,194,194**
Forum subscriptions	257,685	-	-	**257,685**
Contributions	1,953,460	-	-	**1,953,460**
Noncash contributions	25,077	-	-	**25,077**
Investment losses	(90,787)	(362,649)	-	**(453,436)**
Convention income (net)	217,358	-	-	**217,358**
Total revenue	5,556,987	(362,649)	-	**5,194,338**
FUNCTIONAL EXPENSES:				
Program services	2,731,010	-	-	**2,731,010**
Literature distribution services	859,503	-	-	**859,503**
General administration	1,826,472	(22,058)	-	**1,804,414**
Total functional expenses (benefit)	5,416,985	(22,058)	-	**5,394,927**
Change in net assets for year	140,002	(340,591)	-	**(200,589)**
Net assets without donor restrictions, beginning of year	1,862,964	5,139,588	1,644,282	**8,646,834**
Transfers	131,650	(21,764)	(109,886)	**-**
Net assets without donor restrictions, end of year	$ 2,134,616	$ 4,777,233	$ 1,534,396	**$ 8,446,245**

Al-Anon Family Group Headquarters, Inc.
Statements of Activities
Year Ended December 31, 2017

	General Fund	Board Designed Funds Reserve Fund	Building Fund	2017 Totals
REVENUE:				
Literature sales	$ 3,523,844	$ -	$ -	$ 3,523,844
Cost of sales	752,976	-	-	752,976
Gross profit	2,770,868	-	-	2,770,868
Forum subscriptions	264,461	-	-	264,461
Contributions	1,972,931	-	-	1,972,931
Noncash contributions	145,628	-	-	145,628
Investment income	203,771	568,902	-	772,673
Total revenue	5,357,659	568,902	-	5,926,561
FUNCTIONAL EXPENSES:				
Program services	2,830,337	-	-	2,830,337
Literature distribution services	821,661	-	-	821,661
General administration	1,772,160	(599,870)	-	1,172,290
Total functional expenses (benefit)	5,424,158	(599,870)	-	4,824,288
Change in net assets for year	(66,499)	1,168,772	-	1,102,273
Net assets without donor restrictions, beginning of year	1,824,931	3,970,816	1,748,814	7,544,561
Transfers	104,532	-	(104,532)	-
Net assets without donor restrictions, end of year	$ 1,862,964	$ 5,139,588	$ 1,644,282	$ 8,646,834

Al-Anon Family Group Headquarters, Inc.
Statements of Functional Expenses
Year Ended December 31, 2018

	Program Services	Literature Distribution Services	General Administration	2018 Totals
Operating expenses:				
Salaries	$ 1,563,705	$ 626,208	$ 875,279	$ 3,065,192
Employee benefits	352,717	142,383	200,085	695,185
	1,916,422	768,591	1,075,364	3,760,377
Occupancy costs	136,530	108,666	33,437	278,633
Packing and shipping (net)	-	(46,330)	-	(46,330)
Postage	147,785	3,296	43,351	194,432
Telephone	8,735	4,367	34,805	47,907
Stationery and supplies	28,397	312	35,407	64,116
Office services and expenses	36,067	6,192	192,830	235,089
Credit card and bank fees	-	-	103,572	103,572
Repairs and maintenance	3,251	2,065	7,949	13,265
Travel and meetings	29,378	-	187,994	217,372
Direct conference costs	97,220	-	-	97,220
Professional fees	-	-	73,774	73,774
Printing	112,312	1,416	-	113,728
Canadian office	1,591	-	-	1,591
Office volunteers	-	60	-	60
Public service announcements	95,625	-	-	95,625
Miscellaneous expenses	-	-	18,105	18,105
Non-cash service expense	25,077	-	-	25,077
Total operating expenses	2,638,390	848,635	1,806,588	5,293,613
Nonoperating expenses:				
General service meeting	20,165	-	-	20,165
Membership survey	150	-	-	150
Depreciation	26,006	2,450	4,451	32,907
Postretirement health benefits	46,299	8,418	(6,625)	48,092
Total nonoperating expenses	92,620	10,868	(2,174)	101,314
Total expenses	$ 2,731,010	$ 859,503	$ 1,804,414	$ 5,394,927

Al-Anon Family Group Headquarters, Inc.
Statements of Functional Expenses
Year Ended December 31, 2017

	Program Services	Literature Distribution Services	General Administration	2017 Totals
Operating expenses:				
Salaries	$ 1,634,075	$ 611,805	$ 926,279	$ 3,172,159
Employee benefits	397,421	149,877	166,166	713,464
	2,031,496	761,682	1,092,445	3,885,623
Occupancy costs	130,342	103,741	32,916	266,999
Packing and shipping (net)	-	(65,779)	-	(65,779)
Postage	147,951	2,891	36,943	187,785
Telephone	9,541	4,347	36,411	50,299
Stationery and supplies	35,534	331	42,842	78,707
Outreach activities	-	-	-	-
Office services and expenses	15,180	6,084	152,166	173,430
Credit card and bank fees	-	-	94,093	94,093
Repairs and maintenance	3,527	2,118	3,324	8,969
Travel and meetings	58,792	-	150,403	209,195
Direct conference costs	62,358	-	-	62,358
Professional fees	-	-	38,576	38,576
Printing	109,196	-	-	109,196
Canadian office	1,523	-	-	1,523
Office volunteers	-	70	-	70
Public service announcements	43,076	-	-	43,076
Miscellaneous expenses	-	200	20,536	20,735
Non-cash service expense	145,628	-	-	145,628
Total operating expenses	2,794,144	815,685	1,700,655	5,310,483
Nonoperating expenses:				
General service meeting	1,496	-	-	1,496
Membership survey	750	-	-	750
Depreciation	33,947	5,976	7,589	47,512
Postretirement health benefits	-	-	(535,953)	(535,953)
Total nonoperating expenses	36,193	5,976	(528,364)	(486,195)
Total expenses	$ 2,830,337	$ 821,661	$ 1,172,291	$ 4,824,288

See accompanying notes.

Al-Anon Family Group Headquarters, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Contributions received	**$ 1,953,460**	$ 1,972,931
Literature sales	**3,774,644**	4,266,919
Convention income	**217,358**	-
Payments for literature supplies	**(875,970)**	(915,023)
Payments for salaries and benefits	**(3,760,377)**	(3,885,623)
Payments to vendors	**(1,361,568)**	(860,310)
Net cash (used by) provided by operating activities	**(52,453)**	578,894
Cash flows from investing activities:		
Sale of investments and transfers to operating cash	**1,565,963**	1,310,161
Purchases of investments	**(1,110,796)**	(1,260,908)
Purchases of intangibles	**(78,913)**	(124,685)
Purchases of property and equipment	**(11,536)**	(19,243)
Net cash provided by (used by) investing activities	**364,718**	(94,675)
Net change in cash	**312,265**	484,219
Cash, beginning of year	**1,307,705**	823,486
Cash, end of year	**$ 1,619,970**	$ 1,307,705

	2018	2017
Reconciliation of change in net assets to net cash provided by (used for) operation activities:		
Change in net assets	**$ (200,589)**	$ 1,102,273
Adjustments to reconcile to net cash from operating activities		
Depreciation and amortization	**147,193**	161,124
Loss (gain) on investments (realized and unrealized)	**425,743**	(750,517)
Interest/dividend income reinvested	**(38,887)**	(32,647)
Change in operating assets and liabilities:		
Accounts receivable	**6,133**	(22,525)
Inventories of books and other literature	**37,072**	146,505
Deferred charges and deposits	**50,147**	57,870
Accounts payable and accrued expenses	**7,454**	15,542
Accrued postretirement health benefits	**(22,058)**	(599,870)
Unearned subscription income	**4,316**	18,247
Unearned convention and conference income	**(468,977)**	482,892
Net cash (used by) provided by operating activities	**$ (52,453)**	$ 578,894

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

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 sale or redemption on an average cost basis.

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.

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.

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 2018 and 2017, the Organization recognized contribution revenue of $25,077 and $145,628, 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. In 2018 there was $710,809 of direct convention revenue and $493,451 of direct convention expense, resulting in a net revenue of $217,358, which is included in the statements of activities. There was no convention income in 2017.

Direct conference costs

The Organization records income related to direct conference costs net of related costs. In 2018 and 2017, there was $149,775 and $119,916, respectively, of direct conference revenue and $246,995 and $182,274, respectively, of direct conference expense, resulting in a net expense of $97,220 and $62,358, 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. In 2018 and 2017 there was $15,451 and $4,000, respectively, of general service meeting revenue and $35,616 and $5,496, respectively of general service meeting expense, resulting in a net expense of $20,165 and $1,496, respectively, which is included in the statements of activities in program services expense.

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 2018 and 2017 includes cost of literature sold of $781,297 and $752,976, respectively, which is a reduction from literature sales in the statements of activities, plus literature distribution services expense of $859,503 and $821,661, respectively, for total costs of $1,640,800 and $1,574,637, respectively. Included in packing and shipping expense is $541,206 and $515,741, respectively, of revenue for shipping cost included in billed amounts for literature and $494,876 and $349,962, respectively, of expense, for a net gain of $46,330 and $65,779, respectively, which is included in literature distribution services expense on the statements of activities.

Included in general administration expenses is $31,652 for fundraising appeal letters.

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses, which is shown as supplementary information. 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 $75,723 and $35,069 for 2018 and 2017, respectively.

At December 31, 2018 and 2017, the Organization had cash deposits in a Canadian financial institution of $495,391 and $314,744, 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.

Recent accounting pronouncement

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities.* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's (NFP) liquidity, financial performance, and cash flows. Under the new guidance, financial statements and noted disclosure requirements for NFP entities include the following:

1. Present on the face of the statements of financial position net assets with and without donor restrictions.
2. Present on the statements of activities additional operation measures.
3. Present on the statements of activities investment return, net of external and internal investment expenses.
4. Continue to present on the face of the statements of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
5. Enhanced disclosures that provide quantitative and qualitative information about liquidity management.
6. Enhanced disclosures that provide information on allocation of functionalized expenses.

The amendments in ASU 2016-14 are effective for the Organization beginning on January 1, 2018. Management has adopted this standard for the year ended December 31, 2018 and has determined that the effects of adopting this ASU are not material to its financial statements.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 25, 2019, 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 7.3% of the first $25,000 of salary and 9.5% 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 2018 and 2017 were $218,415 and $236,704, 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 $4,777,233 and $5,139,588 at December 31, 2018 and 2017, respectively.

5. Liquidity and Availability

The Organization runs its operations 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.

To provide further liquidity assurance, the Organization maintains its cash and investments in reserve accounts. As of December 31, 2018, and 2017, the balance in the cash reserve account was $455,074 and $125,056, respectively. In addition to the cash reserve account, the Organization has additional unrestricted and undesignated bank accounts of $1,130,703 and $1,143,505 at December 31, 2018 and 2017, respectively.

6. Investments

Investments at December 31, 2018 are summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	**$ 260,303**	**$ 231,275**	**$ (29,028)**
Equity securities	**2,606,484**	**3,577,413**	**970,929**
Debt securities	**1,956,736**	**1,950,746**	**(5,990)**
	$ 4,823,523	**$ 5,759,434**	**$ 935,911**

Investments at December 31, 2017 are summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 44,982	$ 44,982	$ -
Mutual funds	255,977	232,985	(22,992)
Equity securities	2,747,142	4,276,438	1,529,296
Debt securities	2,094,291	2,047,052	(47,239)
	$ 5,142,392	$ 6,601,457	$ 1,459,065

Investment income for 2018 and 2017 was as follows:

	2018	2017
Interest and dividends	**$ 38,887**	$ 83,135
Net realized gains	**97,408**	128,721
Net unrealized gains (losses)	**(523,151)**	621,796
Investment expenses	**(66,580)**	(60,979)
Net investment income (losses)	**$ (453,436)**	$ 772,673

7. Property and Equipment

Property and equipment consist of the following:

	2018	2017
Property and equipment		
Land	**$ 158,347**	$ 158,347
Building	**2,791,878**	2,791,878
Building improvements	**537,515**	533,115
Furniture and equipment	**444,598**	437,462
	3,932,338	3,920,802
Accumulated depreciation	**(2,361,585)**	(2,220,281)
	$ 1,570,753	$ 1,700,521

Total depreciation expense for 2018 and 2017 is $141,304 and $161,124, respectively. Depreciation on the building of $114,286 and $113,612 has been included in occupancy costs for 2018 and 2017, respectively.

8. Intangible Assets

Intangible assets consisted of the following at December 31, 2018:

	2018	2017
Trademarks	**$ 203,598**	$ 124,685
Accumulated Amortization	**(5,889)**	-
	$ 197,709	$ 124,685

Capitalized costs to date represent legal costs incurred to acquire trademarks. Amortization expense of $5,889 and $0 was recorded during 2018 and 2017, 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 $1,953,344 and $1,839,058 at December 31, 2018 and 2017, respectively.

A transfer between the Building Fund and General Fund was made in the current year to accurately reflect the cost less accumulated depreciation of the land and building of $1,534,396 and $1,644,282 as of December 31, 2018 and 2017, 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 2.5%. A discount rate of 2.75% has been used to measure the accrued postretirement health benefits liability. The following table sets forth the information regarding the plan at December 31:

	2018	2017
Postretirement benefits liability	**$ 769,808**	$ 791,866
Decrease in accrued benefits liability	**$ 22,058**	$ 599,870
Benefits paid	**$ 70,149**	$ 63,917

During 1996, the board authorized this liability to be carried by the Reserve Fund. Accordingly, the liability decrease 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.

11. Lease Commitments

The Organization leases office equipment and computers under operating leases with varying expirations. Lease expense for office equipment and computers was $18,580 and $24,455 in 2018 and 2017, respectively.

In addition, the Organization leases virtual office space in Canada under a lease which expires May 31, 2019. Lease expense for this office space was $751 and $663 in 2018 and 2017, respectively.

The minimum lease payments required under the above operating leases as of December 31, 2018 are as follows:

Year Ending December 31,	
2019	$ 19,463
2020	16,416
2021	13,805
2022	3,242
	$ 52,926

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 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, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds				
Fixed income	**$ 231,275**	**$ -**	**$ -**	**$ 231,275**
Equity securities				
Financial sector	**1,181,563**	**-**	**-**	**1,181,563**
Health care sector	**897,509**	**-**	**-**	**897,509**
Technology sector	**783,917**	**-**	**-**	**783,917**
Energy sector	**185,610**	**-**	**-**	**185,610**
Industrial sector	**315,798**	**-**	**-**	**315,798**
Services sector	**56,200**	**-**	**-**	**56,200**
Consumer discretionary sector	**16,592**	**-**	**-**	**16,592**
Consumer cyclical sector	**26,502**	**-**	**-**	**26,502**
Materials sector	**85,396**	**-**	**-**	**85,396**
Utilities sector	**12,640**	**-**	**-**	**12,640**
Real estate sector	**7,748**	**-**	**-**	**7,748**
Telecommunications sector	**7,500**	**-**	**-**	**7,500**
Other	**428**	**-**	**-**	**438**
Total	**3,577,413**	**-**	**-**	**3,577,413**
Debt securities				
U.S. Treasury securities	**509,137**	**-**	**-**	**509,137**
U.S. Corporate bonds	**1,091,304**	**-**	**-**	**1,091,304**
Other	**7,689**	**-**	**-**	**7,689**
Mortgage-backed securities	**-**	**342,616**	**-**	**342,616**
Total	**1,608,130**	**342,616**	**-**	**1,950,746**
Total fair value measurements	**$ 5,416,818**	**$ 342,616**	**$ -**	**$ 5,759,434**

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 232,985	$ -	$ -	$ 232,985
Equity securities				
Financial sector	1,348,360	-	-	1,348,360
Health care sector	1,013,349	-	-	1,013,349
Technology sector	774,457	-	-	774,457
Energy sector	569,851	-	-	569,851
Industrial sector	424,362	-	-	424,362
Services sector	65,144	-	-	65,144
Consumer discretionary sector	27,158	-	-	27,158
Consumer staples sector	20,536	-	-	20,536
Materials sector	13,472	-	-	13,472
Utilities sector	10,548	-	-	10,548
Real estate sector	4,372	-	-	4,372
Telecommunications sector	4,133	-	-	4,133
Other	696	-	-	696
Total	4,276,438	-	-	4,276,438
Debt securities				
U.S. Treasury securities	487,391	-	-	487,391
U.S. Corporate bonds	1,150,750	-	-	1,150,750
Mortgage-backed securities	-	408,911	-	408,911
Total	1,638,141	408,911	-	2,047,052
Total fair value measurements	$ 6,147,564	$ 408,911	$ -	$ 6,556,475

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, 2018.

Al-Anon Family Group Headquarters, Inc.

Supplementary Information

December 31, 2018

Al-Anon Family Group Headquarters, Inc.
Schedule of 2018 Convention Revenue and Expenses
Year Ended December 31, 2018

Revenue:		
Registration and cancellation fees	$	564,169
Pioneer Luncheon		91,780
Day of Connecting		40,440
WSC Homecoming		14,420
Total revenue		710,809
Expenses:		
Convention Center		44,643
Rentals		236,100
Registration and staff support		29,143
Transportation and hotel costs		25,953
Entertainment		400
Simultaneous translation		15,621
Convention host committee		5,040
AA participation		2,822
Pre-convention travel		12,234
Printing and supplies		6,638
Postage		5,572
Public outreach filming		1,544
Food and beverage		6,310
Miscellaneous expenses		26,267
Pioneer luncheon		56,398
Day of Connecting		1,660
WSC Homecoming		17,106
Total expenses		493,451
Net revenue	$	217,358