

# PORCH & ASSOCIATES LLC

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

OVEREATERS ANONYMOUS, INC.

Financial Statements  
and  
Independent Auditor's Report

December 31, 2022 and 2021

# OVEREATERS ANONYMOUS, INC.

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## FINANCIAL STATEMENTS

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**Independent Auditor's Report**

Board of Directors and Management  
Overeaters Anonymous, Inc.  
Rio Rancho, New Mexico

***Opinion***

We have audited the accompanying financial statements of Overeaters Anonymous, Inc. (OA) (a not-for-profit corporation) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses 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 Overeaters Anonymous, Inc. as of December 31, 2022 and 2021, and the changes in its net assets 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OA 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 OA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Board of Directors and Management  
Overeaters Anonymous, Inc.  
Rio Rancho, New Mexico

***Auditor's 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 auditor's 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 OA'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 OA'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.

***Porch & Associates, LLC***

Albuquerque, New Mexico  
April 19, 2023

**OVEREATERS ANONYMOUS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2022 and 2021**

|   | <b>2022</b>         | 2021             |
|---|---------------------|------------------|
| <b>ASSETS</b>                           |                     |                  |
| Current Assets                          |                     |                  |
| Cash and cash equivalents               | \$ 479,718          | 899,810          |
| Cash - restricted                       | 81,156              | 72,287           |
| Accounts receivable                     | 2,354               | -                |
| Inventories                             | 187,270             | 163,283          |
| Prepaid expenses                        | 40,657              | 70,499           |
| <b>Total current assets</b>             | <b>791,155</b>      | <b>1,205,879</b> |
| Other Assets                            |                     |                  |
| Property and equipment, net             | 657,959             | 663,144          |
| Right of use asset                      | 19,561              | -                |
| Investments                             | 1,342,453           | 1,271,854        |
| Intangible assets, net                  | 25,115              | 30,914           |
| <b>Total other assets</b>               | <b>1,367,568</b>    | <b>1,302,768</b> |
| <b>Total assets</b>                     | <b>\$ 2,836,243</b> | <b>3,171,791</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                     |                  |
| Current Liabilities                     |                     |                  |
| Accounts payable                        | \$ 30,092           | 35,396           |
| Accrued expenses                        | 26,648              | 34,563           |
| Lease Liability                         | 13,670              | -                |
| <b>Total current liabilities</b>        | <b>70,410</b>       | <b>69,959</b>    |
| Non-current Liabilities                 |                     |                  |
| Lease Liability                         | 6,255               | -                |
| <b>Total liabilities</b>                | <b>76,665</b>       | <b>69,959</b>    |
| Net Assets                              |                     |                  |
| Without donor restrictions              | 2,678,422           | 3,029,545        |
| With donor restrictions                 | 81,156              | 72,287           |
| <b>Total net assets</b>                 | <b>2,759,578</b>    | <b>3,101,832</b> |
| <b>Total liabilities and net assets</b> | <b>\$ 2,836,243</b> | <b>3,171,791</b> |

*The accompanying notes are an integral part of these financial statements.*

**OVEREATERS ANONYMOUS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2022 and 2021**

|   | <b>2022</b>         | 2021             |
|---|---------------------|------------------|
| Change in Net Assets Without Donor Restrictions           |                     |                  |
| Revenues and Other Support                                |                     |                  |
| Revenues  |                     |                  |
| Sales of literature                                       | \$ 671,279          | 705,351          |
| Sales of magazines  | -                   | 3,920            |
| Contributions   | 939,285             | 1,112,219        |
| Conference registration fees                              | 36,567              | 37,548           |
| Convention registrations and banquet fees                 | -                   | 1,442            |
| <b>Total revenues</b>                                     | <b>1,647,131</b>    | <b>1,860,480</b> |
| Other Support   |                     |                  |
| Investment income (loss), net                             | (185,024)           | 93,754           |
| Interest income   | 449                 | 185              |
| Other   | 5,200               | 8,143            |
| <b>Total other support</b>                                | <b>(179,375)</b>    | <b>102,082</b>   |
| <b>Total revenues and other support</b>                   | <b>1,467,756</b>    | <b>1,962,562</b> |
| Net assets released from restrictions                     | 21,263              | 3,335            |
| <b>Total revenues and other support after release</b>     | <b>1,489,019</b>    | <b>1,965,897</b> |
| Expenses  |                     |                  |
| Program Expenses  |                     |                  |
| Literature production and distribution                    | 609,292             | 579,820          |
| Digital content   | 22,626              | -                |
| Magazine production and distribution                      | -                   | 18,850           |
| Group support and referral services                       | 618,669             | 467,706          |
| Total program expenses                                    | <b>1,250,587</b>    | <b>1,066,376</b> |
| Supporting Expenses                                       |                     |                  |
| General and administrative                                | 589,555             | 496,125          |
| <b>Total expenses</b>                                     | <b>1,840,142</b>    | <b>1,562,501</b> |
| <b>Change in net assets without donor restrictions</b>    | <b>(351,123)</b>    | <b>403,396</b>   |
| Net assets without donor restrictions, beginning of year  | 3,029,545           | 2,626,149        |
| <b>Net assets without donor restrictions, end of year</b> | <b>\$ 2,678,422</b> | <b>3,029,545</b> |
| Change in Net Assets With Donor Restrictions              |                     |                  |
| Contributions   | 30,132              | 39,723           |
| Net assets released from restrictions                     | (21,263)            | (3,335)          |
| <b>Change in net assets with donor restrictions</b>       | <b>8,869</b>        | <b>36,388</b>    |
| Net assets with donor restrictions, beginning of year     | 72,287              | 35,899           |
| <b>Net assets with donor restrictions, end of year</b>    | <b>\$ 81,156</b>    | <b>72,287</b>    |

*The accompanying notes are an integral part of these financial statements.*

**OVEREATERS ANONYMOUS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2022 and 2021**

|   | <b>2022</b>       | 2021             |
|---|-------------------|------------------|
| Cash Flows From Operating Activities  |                   |                  |
| Cash received from:   |                   |                  |
| Literature sales  | \$ 668,925        | 702,370          |
| Contributions   | 969,417           | 1,151,942        |
| Conference and convention registration fees   | 36,567            | 38,990           |
| Other sources   | 5,200             | 8,143            |
| Interest income   | 449               | 185              |
| Cash paid to employees and suppliers  | (1,792,160)       | (1,493,790)      |
| <b>Net cash (used) provided by operating activities</b>                                   | <b>(111,602)</b>  | <b>407,840</b>   |
| Cash Flows From Investing Activities  |                   |                  |
| Purchase of property and equipment  | (44,362)          | (964)            |
| Additions to Right of Use Asset   | (19,561)          | -                |
| Purchase of investments   | (250,000)         | (200,000)        |
| Change in money market funds in investments   | (5,623)           | (1,232)          |
| <b>Net cash used by investing activities</b>  | <b>(319,546)</b>  | <b>(202,196)</b> |
| Cash Flows From Financing Activities  |                   |                  |
| Payment of principal portion of lease liability   | 19,925            | -                |
| <b>Net change in cash and cash equivalents</b>  | <b>(411,223)</b>  | <b>205,644</b>   |
| Cash and cash equivalents, beginning of year  | 972,097           | 766,453          |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 560,874</b> | <b>972,097</b>   |
| Cash and cash equivalents are reported on the statement of financial position as follows: |                   |                  |
| Cash and cash equivalents   | \$ 479,718        | 899,810          |
| Cash - restricted   | 81,156            | 72,287           |
|   | <b>\$ 560,874</b> | <b>972,097</b>   |

*The accompanying notes are an integral part of these financial statements.*

**OVEREATERS ANONYMOUS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2022**

|   | Programmatic Services                           |                    |  |                               | Total            |
|---|---|--------------------|--|-------------------------------|------------------|
|   | Literature<br>Production<br>and<br>Distribution | Digital<br>Content | Group<br>Support and<br>Referral<br>Services | General and<br>Administrative |                  |
| <b>Salary and related expenses</b>                                  |   |                    |  |                               |                  |
| Salaries  | \$ 232,652                                      | -                  | 204,934                                      | 321,139                       | <b>758,725</b>   |
| Payroll taxes   | 20,462  | -                  | 18,395                                       | 20,862                        | <b>59,719</b>    |
| Employee benefits   | 46,665  | -                  | 42,183                                       | 52,906                        | <b>141,754</b>   |
| <b>Total salaries and related expenses</b>                          | <b>299,780</b>                                  | <b>-</b>           | <b>265,512</b>                               | <b>394,907</b>                | <b>960,198</b>   |
| <b>Other expenses</b>   |   |                    |  |                               |                  |
| Banquet and entertainment   | -   | -                  | 3,843  | -                             | <b>3,843</b>     |
| Delegate support payments   | -   | -                  | 5,525  | -                             | <b>5,525</b>     |
| Equipment maintenance and repairs                                   | -   | -                  | -  | 2,056                         | <b>2,056</b>     |
| Equipment rental  | -   | -                  | 18,995                                       | 8,255                         | <b>27,250</b>    |
| Insurance   | -   | -                  | 1,156  | 22,787                        | <b>23,943</b>    |
| Literature development  | 2,360   | -                  | -  | -                             | <b>2,360</b>     |
| Other   | -   | -                  | 209,407                                      | 9,418                         | <b>218,825</b>   |
| Occupancy   | 8,721   | 5,233              | 8,721  | 12,209                        | <b>34,884</b>    |
| Outside services  | 10,167  | -                  | -  | 29,434                        | <b>39,601</b>    |
| Parliamentarian   | -   | -                  | 10,384                                       | -                             | <b>10,384</b>    |
| Postage and shipping  | 114,383   | -                  | 94   | 770                           | <b>115,247</b>   |
| Printing and duplicating  | 117,412   | -                  | 6,290  | -                             | <b>123,702</b>   |
| Professional exhibits   | -   | -                  | 7,857  | -                             | <b>7,857</b>     |
| Promotions and attractions  | -   | -                  | 89   | 3,286                         | <b>3,375</b>     |
| Supplies  | 13,801  | -                  | 1,718  | 47,256                        | <b>62,776</b>    |
| Taxes - nonpayroll  | -   | -                  | -  | 650                           | <b>650</b>       |
| Telephone   | -   | -                  | 50   | 15,197                        | <b>15,247</b>    |
| Translation fund  | 7,881   | -                  | -  | -                             | <b>7,881</b>     |
| Travel, lodging, and meals  | -   | -                  | 50,039                                       | 2,383                         | <b>52,422</b>    |
| Utilities   | 5,136   | 3,081              | 5,136  | 7,190                         | <b>20,543</b>    |
| Website maintenance   | 11,465  | 6,879              | 11,465                                       | 16,052                        | <b>45,862</b>    |
| Lease Accounting Standard   | -   | -                  | -  | 365                           | <b>365</b>       |
| <b>Total other expenses</b>   | <b>291,326</b>                                  | <b>15,193</b>      | <b>340,770</b>                               | <b>177,307</b>                | <b>824,596</b>   |
| <b>Total salary and other expenses<br/>before non-cash expenses</b> | <b>591,106</b>                                  | <b>15,193</b>      | <b>606,282</b>                               | <b>572,214</b>                | <b>1,784,794</b> |
| <b>Non-Cash Expenses</b>  |   |                    |  |                               |                  |
| Depreciation  | 12,387  | 7,432              | 12,387                                       | 17,341                        | <b>49,547</b>    |
| Amortization  | 5,799   | -                  | -  | -                             | <b>5,799</b>     |
| <b>Total non-cash expenses</b>                                      | <b>18,186</b>                                   | <b>7,432</b>       | <b>12,387</b>                                | <b>17,341</b>                 | <b>55,346</b>    |
| <b>Total functional expenses</b>                                    | <b>\$ 609,292</b>                               | <b>22,626</b>      | <b>618,669</b>                               | <b>589,555</b>                | <b>1,840,141</b> |

*The accompanying notes are an integral part of these financial statements.*



**OVEREATERS ANONYMOUS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2021**

|   | Programmatic Services                           |   |  |                               |                  |
|---|---|---|--|-------------------------------|------------------|
|   | Literature<br>Production<br>and<br>Distribution | Magazine<br>Production<br>and<br>Distribution | Group<br>Support and<br>Referral<br>Services | General and<br>Administrative | Total            |
| <b>Salary and related expenses</b>                                  |   |   |  |                               |                  |
| Salaries  | \$ 204,362                                      | -   | 172,761                                      | 290,833                       | <b>667,956</b>   |
| Payroll taxes   | 17,958  | -   | 15,664                                       | 17,855                        | <b>51,477</b>    |
| Employee benefits   | 39,635  | -   | 34,475                                       | 41,717                        | <b>115,827</b>   |
| <b>Total salaries and related expenses</b>                          | <b>261,955</b>                                  | <b>-</b>                                      | <b>222,900</b>                               | <b>350,405</b>                | <b>835,260</b>   |
| <b>Other expenses</b>   |   |   |  |                               |                  |
| Banquet and entertainment   | -   | -   | 6,301  | -                             | <b>6,301</b>     |
| Delegate support payments   | -   | -   | 515  | -                             | <b>515</b>       |
| Equipment maintenance and repairs                                   | -   | -   | -  | 1,685                         | <b>1,685</b>     |
| Equipment rental  | -   | -   | 41,200                                       | 7,992                         | <b>49,192</b>    |
| Insurance   | -   | -   | 1,456  | 20,739                        | <b>22,195</b>    |
| Literature development  | 2,885   | -   | -  | -                             | <b>2,885</b>     |
| Other   | -   | -   | 90,354                                       | 7,650                         | <b>98,004</b>    |
| Occupancy   | 5,527   | 3,316   | 5,527  | 7,737                         | <b>22,107</b>    |
| Outside services  | 13,325  | -   | -  | 17,473                        | <b>30,798</b>    |
| Parliamentarian   | -   | -   | 7,982  | -                             | <b>7,982</b>     |
| Postage and shipping  | 111,256   | -   | 195  | 1,557                         | <b>113,008</b>   |
| Printing and duplicating  | 141,567   | -   | 7,142  | -                             | <b>148,709</b>   |
| Professional exhibits   | -   | -   | 1,020  | -                             | <b>1,020</b>     |
| Promotions and attractions  | -   | -   | 44   | 2,051                         | <b>2,095</b>     |
| Supplies  | 9,816   | -   | 1,391  | 32,245                        | <b>43,452</b>    |
| Taxes - nonpayroll  | -   | -   | -  | 683                           | <b>683</b>       |
| Telephone   | -   | -   | -  | 9,637                         | <b>9,637</b>     |
| Translation fund  | 1,800   | -   | -  | -                             | <b>1,800</b>     |
| Travel, lodging, and meals  | -   | -   | 55,787                                       | 23                            | <b>55,810</b>    |
| Utilities   | 4,410   | 2,646   | 4,410  | 6,175                         | <b>17,641</b>    |
| Website maintenance   | 9,766   | 5,860   | 9,768  | 13,673                        | <b>39,067</b>    |
| <b>Total other expenses</b>   | <b>300,352</b>                                  | <b>11,822</b>                                 | <b>233,092</b>                               | <b>129,320</b>                | <b>674,586</b>   |
| <b>Total salary and other expenses<br/>before non-cash expenses</b> | <b>562,307</b>                                  | <b>11,822</b>                                 | <b>455,992</b>                               | <b>479,725</b>                | <b>1,509,846</b> |
| <b>Non-Cash Expenses</b>  |   |   |  |                               |                  |
| Depreciation  | 11,714  | 7,028   | 11,714                                       | 16,400                        | <b>46,856</b>    |
| Amortization  | 5,799   | -   | -  | -                             | <b>5,799</b>     |
| <b>Total non-cash expenses</b>                                      | <b>17,513</b>                                   | <b>7,028</b>                                  | <b>11,714</b>                                | <b>16,400</b>                 | <b>52,655</b>    |
| <b>Total functional expenses</b>                                    | <b>\$ 579,820</b>                               | <b>18,850</b>                                 | <b>467,706</b>                               | <b>496,125</b>                | <b>1,562,501</b> |

*The accompanying notes are an integral part of these financial statements.*

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**NOTE 1. ORGANIZATION**

Overeaters Anonymous, Inc. (OA) was formed as a California not-for-profit corporation on May 16, 1969. The Internal Revenue Service issued a ruling stating that OA qualifies as a public charity and is exempt from federal income tax under Section 501(c)(3). In November 2007, OA filed Articles of Merger with the New Mexico Corporation Commission. The Articles merged the California Corporation into a newly formed New Mexico not-for-profit Corporation. The California Corporation was dissolved and, in June 2008, OA filed Restated Articles of Incorporation, becoming a New Mexico not-for-profit corporation.

The specific and primary purpose of OA is to aid those with the problem of compulsive overeating to overcome that problem through a 12-Step program of recovery.

The OA program is carried out primarily through local groups in which recovering compulsive overeaters share their experience, strength, and hope. OA is defined by the organization's charter as the Board of Trustees, the World Service Office, and the annual meeting of delegates at the World Service Business Conference. OA administers the World Service Office as the international headquarters of Overeaters Anonymous and provides services to local groups and regional service bodies through three major activities: maintaining an international directory so that inquirers can be referred to meetings, publishing literature that augments the help provided by the local groups, and publishing two periodicals, one of which is distributed as free literature to members. OA is supported primarily by voluntary contributions from members and from sales of literature. OA charges no dues or fees.

The accompanying financial statements do not include the operations of the local groups or service bodies, which are autonomous.

*Programs and Services.* During the year ended December 31, 2022 and 2021, OA incurred program and service expenses in the following major categories:

*Literature Production and Distribution* - This service provides information about the programs of recovery from compulsive overeating and suggestions for implementing the 12 Steps and 12 Traditions of OA, and suggested guidelines for group activities.

*Digital Content* - This service now covers what was once Magazine Production and Distribution and provides a forum for sharing experiences about the OA recovery program and current information about OA and its activities. This service is responsible for OA's overall online presence, through its various websites and on social media.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Group Support and Referral Services* - This service provides activities, including the annual World Service Business Conference, directed toward growth and successful functioning of groups in accordance with the 12 Traditions of OA.

This summary of significant accounting policies of OA is presented to assist in the understanding of OA's financial statements. The financial statements and notes are the representations of OA's management who is responsible for their integrity and objectivity.

*Allowance for Uncollectible Accounts.* Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management feels that accounts receivable is fully collectible and, accordingly, no allowance for uncollectible accounts is considered necessary. OA had accounts receivable in the amount of \$2,354 and \$0 at December 31, 2022 and 2021, respectively.

*Basis of Presentation.* OA's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presenting Financial Statements. Under ASC 958-205, OA 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.

*Basis of Accounting.* The financial statements of OA are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Cash Flow Information.* OA considers all cash, money market, and short-term investments with an original maturity of three months or less to be cash equivalents.

*Concentrations of Risk.* OA maintains cash and cash equivalents with financial institutions. At times, such amounts may exceed FDIC limits. OA limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to cash. OA's cash balances were in excess of FDIC insurance by \$315,407 and \$568,153 at December 31, 2022 and 2021, respectively. OA has not experienced any losses on uninsured balances and does not believe this is a significant risk.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Revenue and Revenue Recognition.* OA follows ASC Topic 606, *Revenue from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred by OA in an amount that reflects the consideration to which OA expects to be entitled to in exchange for the goods or services.

*Contributions.* All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purpose are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, OA reports the support as without donor restrictions.

*Donated Goods and Services.* Generally accepted accounting principles requires that professional service hours (attorney, accountants, doctors, etc.) be recorded in the financial statements, but not volunteer hours. Volunteers and board members have donated significant amounts of their time in OA's programs. The value of these hours is not recorded in the financial statements. There was no in-kind expense or revenue for the years ending December 31, 2022 or 2021.

*Functional Expense Allocation.* The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated on the basis of time and effort.

*Income Taxes.* OA is organized as a New Mexico nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a). The IRS determined that OA, under IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundation. OA is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. OA's open audit periods are 2020 through 2022.

OA evaluates uncertain tax positions in accordance with ASC 740 whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. OA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Intangible Assets.* Under ASC 350-30-25, Intangibles - Goodwill and Other, costs of internally developing, maintaining, or restoring intangible assets that are not specifically identifiable, that have indeterminate lives, or that are inherent in a continuing business or nonprofit activity and related to an entity as a whole, shall be recognized as an expense when incurred. Because costs of renewing and maintaining trademarks and foreign registrations have specifically identifiable costs with determinate useful lives they have been capitalized. Trademark and foreign registration costs are being amortized using the straight-line method over the following renewal or extension terms:

|                             |          |
|-----------------------------|----------|
| European Union Registration | 10 years |
| Australian Trademark        | 10 years |
| Canadian Trademark          | 15 years |

OA's future cash flows are not materially impacted by its ability to extend or renew agreements related to its amortizable intangible assets.

*Inventories.* Inventories, consisting primarily of books and pamphlets held for resale, are stated at the lower of cost (first-in, first-out method) or market. Due to the unique nature of OA's mission, a large number of items are included in inventory. For some of these items, more than a one-year supply is on hand.

*Investments.* Investments consist of certificates of deposit, individual stocks, mutual funds, and money market funds. Investments are carried at fair market value or appraised value, and realized and unrealized gains and losses and investment income are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless a donor or law temporarily or permanently restricts their use. Investment income consists of interest, dividends, and unrealized and realized gains and losses, net of related fees.

*Net Assets.* Net assets are composed of the following:

*Net Assets Without Donor Restrictions.* Net assets that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or have been met.

*Net Assets With Donor Restrictions.* Net assets that are subject to restrictions imposed by donors that may or will be met by the occurrence of a specific event or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restrictions.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

The governing board has designated net assets without donor restrictions for the following purposes as of December 31, 2022:

An operating reserve in the amount of \$425,355, a building and capital reserve in the amount of \$9,534, a reserve for the purpose of producing audiobooks in the amount of \$6,623, a reserve for the purpose of updating the FAM database in the amount of \$58,589, a reserve for the purpose of hiring professional translators in the amount of \$50,330, a reserve for the purpose of developing a platform to replace the Lifeline magazine in the amount of \$36,032, a reserve for the purpose of updating the OA.org website in the amount of \$44,080, a reserve for the purpose of increasing OA's Public Information/Public Outreach in the amount of \$71,351, and a reserve for building repairs and upgrades in the amount of \$27,455.

*Promises to Give.* Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. There were no unconditional promises to give at year-end.

*Property and Equipment, Net.* OA capitalizes expenditures over \$1,000 with a useful life greater than one year. Property and equipment is recorded at cost if purchased or fair value if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for using the straight-line method over the following estimated useful lives:

|                           |               |
|---------------------------|---------------|
| Land improvements         | 15 years      |
| Building and improvements | 5 to 40 years |
| Furniture and fixtures    | 5 to 10 years |
| Equipment                 | 3 to 5 years  |

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Leases.* OA is a lessee for a non-cancellable lease of equipment and recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The lease liabilities are recognized for leases with an initial individual value of \$1,000 or more in total future lease payments. At the commencement of a lease, OA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how OA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- a. OA uses a rate of 3.25% for leases with a term of 1 year to 5 years.
- b. The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that OA is reasonably certain to exercise.

OA monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

*Related Party Transactions.* Certain sales of literature and donations are made to and received from member's groups, intergroups, and National/Language Service Boards or Regions registered with OA. The groups and service bodies are legally separate from OA. Therefore, they are not considered to be related party transactions.

*Shipping and Handling Costs.* Freight billed to customers is considered sales revenue and the related freight costs is expensed in postage and shipping.

*Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires OA to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

*Risk Management.* OA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. OA has obtained commercial insurance coverage to protect itself against such losses.

*Subsequent Events.* Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. OA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. OA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

OA has evaluated subsequent events through April 19, 2023, which is the date the financial statements are available to be issued. There were no material subsequent events.

**NOTE 3. RESTRICTED CASH**

Restricted cash consists of donor-restricted contributions. OA had \$35,912 and \$37,308 restricted for travel assistance for conference delegates, \$34,520 and \$18,101 for translation assistance, and \$10,724 and \$16,878 restricted for professional exhibit assistance at December 31, 2022 and 2021, respectively. Total restricted cash was \$81,156 and \$72,287 at December 31, 2022 and 2021, respectively.



**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 4. INVESTMENTS**

OA had the following investments at December 31:

| At December 31, 2022               |                     |                  |                                    |
|------------------------------------|---------------------|------------------|------------------------------------|
|                                    | Cost                | Fair Value       | Gross<br>Unrealized<br>Gain (Loss) |
| Certificates of deposit            | \$ 207,063          | 206,482          | (581)                              |
| Individual stocks                  | 89,041              | 133,897          | 44,856                             |
| Mutual funds:                      |                     |                  |                                    |
| Equity                             | 462,095             | 420,481          | (41,614)                           |
| Balanced - equity and fixed income | 101,321             | 97,015           | (4,306)                            |
| Fixed income                       | 564,029             | 484,578          | (79,451)                           |
| Total investments                  | <u>\$ 1,423,549</u> | <u>1,342,453</u> | <u>(81,096)</u>                    |
| At December 31, 2021               |                     |                  |                                    |
|                                    | Cost                | Fair Value       | Gross<br>Unrealized<br>Gain (Loss) |
| Certificates of deposit            | \$ 200,599          | 200,557          | (42)                               |
| Individual stocks                  | 83,919              | 169,060          | 85,141                             |
| Mutual funds:                      |                     |                  |                                    |
| Equity                             | 347,941             | 435,211          | 87,270                             |
| Balanced - equity and fixed income | 64,589              | 72,758           | 8,169                              |
| Fixed income                       | 410,787             | 394,268          | (16,519)                           |
| Total investments                  | <u>\$ 1,107,835</u> | <u>1,271,854</u> | <u>164,019</u>                     |

**NOTE 5. FAIR VALUE MEASUREMENTS AND DISCLOSURES**

OA reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 5. FAIR VALUE MEASUREMENTS AND DISCLOSURES**  
**(CONTINUED)**

A three-tier hierarchy categorizes the inputs as follows:

- Level 1      Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
  
- Level 2      Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
  
- Level 3      Unobservable inputs for the asset or liability. In these situations, inputs were developed using the best information available in the circumstances.

A significant portion of OA's investment assets are classified within Level 1 because they comprise open-end mutual funds and exchange traded funds with readily determinable fair values based on daily redemption values.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statements of Financial Position measured at fair value on a recurring basis as of:

|                         |                     | Active Markets<br>for Identical<br>Assets<br>Level 1 | Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|-------------------------|---------------------|--|--|--|
| December 31, 2022       | Total               |  |  |  |
| Certificates of deposit | \$ 206,482          | 206,482  | -  | -  |
| Individual stocks       | 133,897             | 133,897  | -  | -  |
| Mutual funds            | 1,002,074           | 1,002,074  | -  | -  |
|                         | <u>\$ 1,342,453</u> | <u>1,342,453</u>                                     | <u>-</u>                                 | <u>-</u>   |
|                         |                     |  |  |  |
|                         |                     | Active Markets<br>for Identical<br>Assets<br>Level 1 | Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
| December 31, 2021       | Total               |  |  |  |
| Certificates of deposit | \$ 200,557          | 200,557  | -  | -  |
| Individual stocks       | 169,060             | 169,060  | -  | -  |
| Mutual funds            | 902,237             | 902,237  | -  | -  |
|                         | <u>\$ 1,271,854</u> | <u>1,271,854</u>                                     | <u>-</u>                                 | <u>-</u>   |

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 6. PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at December 31, 2022:

|   |                          |
|---|--------------------------|
| Property and equipment, not depreciated |                          |
| Land                                    | \$ 200,208               |
| Work-in-Process                         | 8,208                    |
| Property and equipment, depreciated     |                          |
| Land improvements                       | 175,016                  |
| Building and improvements               | 949,641                  |
| Furniture and fixtures                  | 134,975                  |
| Equipment                               | 186,428                  |
|   | <u>1,654,476</u>         |
| Accumulated depreciation                | <u>(996,517)</u>         |
| Property and equipment, net             | <u><u>\$ 657,959</u></u> |

Property and equipment consists of the following at December 31, 2021:

|   |                          |
|---|--------------------------|
| Property and equipment, not depreciated |                          |
| Land                                    | \$ 200,208               |
| Property and equipment, depreciated     |                          |
| Land improvements                       | 175,016                  |
| Building and improvements               | 949,641                  |
| Furniture and fixtures                  | 134,975                  |
| Equipment                               | 176,379                  |
|   | <u>1,636,219</u>         |
| Accumulated depreciation                | <u>(973,075)</u>         |
| Property and equipment, net             | <u><u>\$ 663,144</u></u> |

Depreciation expense was \$49,547 and \$46,856 for the years ended December 31, 2022 and 2021, respectively.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 7. INTANGIBLE ASSETS, NET**

Intangible assets consists of the following at December 31, 2022:

|  |                       |
|--|-----------------------|
| European Union registration                                    | \$ 12,845             |
| Australian trademark   | 2,328                 |
| Canadian trademark   | 13,119                |
| United States trademark  | 12,490                |
| World Intellectual Property Organization (WIPO) foreign filing | 17,207                |
| BENELUX trademark  | 1,936                 |
| Other trademarks   | 10,596                |
|  | <hr/> 70,521          |
| Accumulated amortization                                       | (45,406)              |
| Intangible assets, net   | <hr/> <hr/> \$ 25,115 |

Intangible assets consists of the following at December 31, 2021:

|  |                       |
|--|-----------------------|
| European Union registration                                    | \$ 12,845             |
| Australian trademark   | 2,328                 |
| Canadian trademark   | 13,119                |
| United States trademark  | 12,490                |
| World Intellectual Property Organization (WIPO) foreign filing | 17,207                |
| BENELUX trademark  | 1,936                 |
| Other trademarks   | 10,596                |
|  | <hr/> 70,521          |
| Accumulated amortization                                       | (39,607)              |
| Intangible assets, net   | <hr/> <hr/> \$ 30,914 |

Amortization expense was \$5,799 for the years ended December 31, 2022 and 2021, respectively.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 8. LEASES**

Effective January 1, 2022, OA adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). OA has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, OA accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2020) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

OA has not restated their December 31, 2021 financial statements to reflect the new accounting standard because the change in net assets would be immaterial. The change is estimated to be less than \$400.

*Right of Use Asset*

OA has recorded intangible right-to-use lease assets as a result of implementing ASC 842 – Leases. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

Lease asset activity for OA for the year ended December 31, 2022, was as follows:

|   | Beginning<br>Balance | Additions    | Deletions | Ending<br>Balance |
|---|----------------------|--------------|-----------|-------------------|
| Right of Use Assets   |                      |              |           |                   |
| Equipment   | \$ 16,453            | 16,639       | -         | <b>33,092</b>     |
| Accumulated amortization for lease assets:                        |                      |              |           |                   |
| Equipment   | -                    | (13,531)     | -         | <b>(13,531)</b>   |
| <b>Total right of use asset less<br/>accumulated amortization</b> | <b>\$ 16,453</b>     | <b>3,108</b> | <b>-</b>  | <b>19,561</b>     |

*Lease Liability*

In July 2019, OA entered into a three-year operating lease to replace the lease of a copier. The copier has a three-year extension period that OA intends to exercise. The payments are \$277 monthly for the lease term.

In April 2021, OA entered into a 60 month lease for a postage meter. The payments are \$188 monthly for the lease term.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 8. LEASES (CONTINUED)**

In November 2021, OA entered into a 24 month lease for fiber and voice equipment. Payments begin January 2022. The payments are \$717 monthly for the lease term.

The future minimum payments on the leases as of December 31, 2022, are as follows:

| Year Ending<br>December 31 | Principal<br>Payments | Interest<br>Payments | Total         |
|----------------------------|-----------------------|----------------------|---------------|
| 2023                       | \$ 13,670             | 515                  | 14,185        |
| 2024                       | 3,495                 | 146                  | 3,641         |
| 2025                       | 2,199                 | 57                   | 2,256         |
| 2026                       | 561                   | 3                    | 564           |
|                            | <u>\$ 19,925</u>      | <u>721</u>           | <u>20,646</u> |

Rent expense was \$13,670 and \$7,993 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 9. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

|                           | 2022                | 2021             |
|---------------------------|---------------------|------------------|
| Cash and cash equivalents | \$ 479,718          | 899,810          |
| Accounts receivable       | 2,354               | -                |
| Investments               | 1,342,453           | 1,271,854        |
|                           | <u>\$ 1,824,525</u> | <u>2,171,664</u> |

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 10. CONFERENCE AND CONVENTION INCOME**

OA holds conferences every year and conventions periodically. The Conference in 2021 was held virtually rather than face to face due to COVID-19 and public health orders from the Governor of New Mexico. The Convention scheduled for 2021 in Orlando, FL was cancelled by the OA Executive Committee due to rising COVID-19 numbers in the state, and a new contract was secured for 2025 in Orlando, FL. OA had already placed a deposit with the hotel, the hotel agreed to take that payment as penalty if OA signed a contract with the hotel for 2025. This deposit/penalty was \$36,921, which is included in the expense figure in the amount of \$62,102 below. Due to continuing concerns about Covid-19 and ongoing travel restrictions for our international fellowship, Conference 2022 was changed from a face to face to a virtual event. A penalty of \$101,168 was incurred with the host hotel in Albuquerque, NM and is included in the expense figure below.

The financial results of conferences and conventions are as follows:

|  | 2022 Conference    | 2021 Conference |
|--|--------------------|-----------------|
| Registration fees and miscellaneous income | \$ 36,567          | 37,548          |
| Expenses                                   | (127,526)          | (31,358)        |
| Revenue over (under) expenses              | <u>\$ (90,959)</u> | <u>6,190</u>    |
|  | 2022 Convention    | 2021 Convention |
| Registration fees and miscellaneous income | \$ -               | 1,442           |
| Expenses                                   | -                  | (62,102)        |
| Revenue over (under) expenses              | <u>\$ -</u>        | <u>(60,660)</u> |

OA does not allocate salaries and related costs to conferences and conventions as no salaries are incurred for the primary purpose of supporting conferences and conventions.

**OVEREATERS ANONYMOUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2022 AND 2021**

**NOTE 11. EMPLOYEE BENEFITS**

*Retirement.* OA provides a defined contribution retirement plan in which all employees meeting certain eligibility requirements are able to participate. The plan enables all eligible employees to defer a portion of their salaries to a tax-sheltered annuity. OA matches employees' contributions each year up to a maximum of five percent of their salaries. OA's matching contribution was \$29,748 and \$26,748 in 2022 and 2021, respectively.

*Compensated Absences.* Employees of OA are entitled to paid absence time (PAT) depending on job classification and length of service. Earned PAT accrues to a maximum of one hundred fifty hours and accumulated balances will be paid to employees upon termination. The estimated liability for compensated absences was \$25,835 and \$35,466 as of December 31, 2022 and 2021, respectively.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

OA has entered into agreements with certain hotels for its conferences and conventions to be held in 2025. As part of these agreements, there are cancellation fees per event ranging from \$60,630 to \$234,016 depending on the timing of the cancellation.

*Economic Dependency.* OA receives a significant portion of its support and revenues from its donor base and is, therefore, subject to possible loss of funding due to changes in general economic conditions and donor discretion. OA received approximately 63% and 57% of its revenues from their donor base for the years ended December 31, 2022 and 2021, respectively.

In addition, OA receives a significant portion of its revenues from the sale of literature and is, therefore, subject to possible loss of revenue due to changes in general economic conditions. OA received approximately 45% and 35% of its revenues from the sale of literature for the years ended December 31, 2022 and 2021, respectively.