

OVEREATERS ANONYMOUS, INC.

Financial Statements
and
Independent Auditor's Report

December 31, 2021 and 2020

OVEREATERS ANONYMOUS, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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
June 13, 2022

OVEREATERS ANONYMOUS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 899,810	730,554
Cash - restricted	72,287	35,899
Accounts receivable	-	1,431
Inventories	163,283	195,602
Prepaid expenses	70,499	51,821
Total current assets	<u>1,205,879</u>	<u>1,015,307</u>
Property and equipment, net	<u>663,144</u>	709,036
Other Assets		
Investments	1,271,854	976,868
Intangible assets, net	30,914	36,713
Total other assets	<u>1,302,768</u>	<u>1,013,581</u>
Total assets	<u>\$ 3,171,791</u>	<u>2,737,924</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 35,396	30,121
Accrued expenses	34,563	37,423
Unearned revenue	-	8,332
Total current liabilities	<u>69,959</u>	<u>75,876</u>
Net Assets		
Without donor restrictions	3,029,545	2,626,149
With donor restrictions	72,287	35,899
Total net assets	<u>3,101,832</u>	<u>2,662,048</u>
Total liabilities and net assets	<u>\$ 3,171,791</u>	<u>2,737,924</u>

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

OVEREATERS ANONYMOUS, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

	2021	2020
Change in Net Assets Without Donor Restrictions		
Revenues and Other Support		
Revenues		
Sales of literature	\$ 705,351	714,719
Sales of magazines	3,920	91,451
Contributions	1,112,219	948,957
Conference registration fees	37,548	19,501
Convention registrations and banquet fees	1,442	-
Payroll Protection Program	-	134,800
Total revenues	1,860,480	1,909,428
Other Support		
Investment income, net	93,754	120,831
Interest income	185	249
Other	8,143	24,544
Total other support	102,082	145,624
Total revenues and other support	1,962,562	2,055,052
Net assets released from restrictions	3,335	37,902
Total revenues and other support after release	1,965,897	2,092,954
Expenses		
Program Expenses		
Literature production and distribution	579,820	558,616
Magazine production and distribution	18,850	154,960
Group support and referral services	467,706	388,291
Total program expenses	1,066,376	1,101,867
Supporting Expenses		
General and administrative	496,125	502,336
Total expenses	1,562,501	1,604,203
Change in net assets without donor restrictions	403,396	488,751
Net assets without donor restrictions, beginning of year	2,626,149	2,137,398
Net assets without donor restrictions, end of year	\$ 3,029,545	2,626,149
Change in Net Assets With Donor Restrictions		
Contributions	39,723	26,114
Net assets released from restrictions	(3,335)	(37,902)
Change in net assets with donor restrictions	36,388	(11,788)
Net assets with donor restrictions, beginning of year	35,899	47,687
Net assets with donor restrictions, end of year	\$ 72,287	35,899

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

OVEREATERS ANONYMOUS, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from:		
Literature and magazine sales	\$ 702,370	731,401
Contributions	1,151,942	975,071
Conference and convention registration fees	38,990	19,501
Other sources	8,143	24,544
Interest income	185	249
Cash paid to employees and suppliers	(1,493,790)	(1,597,571)
Net cash provided by operating activities	<u>407,840</u>	<u>153,195</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(964)	(48,288)
Purchase of investments	(200,000)	-
Change in money market funds in investments	(1,232)	1,050
Net cash used by investing activities	<u>(202,196)</u>	<u>(47,238)</u>
Cash Flows From Financing Activities		
Proceeds from the Payroll Protection Program	-	134,800
Net change in cash and cash equivalents	205,644	240,757
Cash and cash equivalents, beginning of year	<u>766,453</u>	<u>525,696</u>
Cash and cash equivalents, end of year	<u><u>\$ 972,097</u></u>	<u><u>766,453</u></u>
Cash and cash equivalents are reported on the statement of financial position as follows:		
Cash and cash equivalents	\$ 899,810	730,554
Cash - restricted	72,287	35,899
	<u><u>\$ 972,097</u></u>	<u><u>766,453</u></u>

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

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

OVEREATERS ANONYMOUS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Programmatic Services				Total
	Literature Production and Distribution	Magazine Production and Distribution	Group Support and Referral Services	General and Administrative	
Salary and related expenses					
Salaries	\$ 183,328	65,703	184,868	263,326	697,225
Payroll taxes	15,631	5,060	13,585	18,548	52,824
Employee benefits	37,002	11,912	32,040	44,778	125,732
Total salaries and related expenses	235,961	82,675	230,493	326,652	875,781
Other expenses					
Banquet and entertainment	-	-	1,914	-	1,914
Delegate support payments	-	-	4,432	-	4,432
Equipment maintenance and repairs	-	-	-	1,952	1,952
Equipment rental	-	-	-	8,642	8,642
Insurance	-	-	1,156	18,462	19,618
Literature development	6,124	-	-	-	6,124
Other	-	526	88,427	6,984	95,937
Occupancy	6,053	3,632	6,052	8,473	24,210
Outside services	5,344	-	-	28,717	34,061
Parliamentarian	-	-	3,250	-	3,250
Postage and shipping	129,958	11,641	661	1,101	143,361
Printing and duplicating	118,784	35,025	15,828	-	169,637
Professional exhibits	-	-	1,093	-	1,093
Promotions and attractions	-	-	41	20,198	20,239
Supplies	9,512	2,091	1,789	26,808	40,200
Taxes - nonpayroll	-	-	-	547	547
Telephone	-	-	-	8,593	8,593
Translation fund	8,800	-	-	-	8,800
Travel, lodging, and meals	-	-	874	12	886
Utilities	4,309	2,586	4,309	6,033	17,237
Website maintenance	12,710	7,626	12,710	17,795	50,841
Total other expenses	301,594	63,127	142,536	154,317	661,574
Total salary and other expenses before non-cash expenses	537,555	145,802	373,029	480,969	1,537,355
Non-Cash Expenses					
Depreciation	15,262	9,158	15,262	21,367	61,049
Amortization	5,799	-	-	-	5,799
Total non-cash expenses	21,061	9,158	15,262	21,367	66,848
Total functional expenses	\$ 558,616	154,960	388,291	502,336	1,604,203

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

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020, 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.

Magazine Production and Distribution - This service provides a forum for sharing experiences about the OA recovery program and current information about OA and its activities. This service was in transition throughout 2021, but expects to be available in blog format in 2022.

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.

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 no accounts receivable at December 31, 2021, and \$1,431 at December 31, 2020.

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 \$568,153 and \$540,782 at December 31, 2021 and 2020, 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, 2021 AND 2020

**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 the Association in an amount that reflects the consideration to which the Association 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.

Magazine Subscription Revenue. OA publishes and distributes a periodical called *Lifeline Magazine*, which describes the experiences and opinions of various individuals as they relate to recovery from compulsive overeating. Subscriptions are received on a prepaid basis and are recognized as revenue over the subscription period. The magazine was discontinued as of December 2020, but expects to be available in blog format in 2022.

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, 2021 or 2020.

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 2019 through 2021.

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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.

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.

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

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

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.

The governing board has designated net assets without donor restrictions for the following purposes as of December 31, 2021:

An operating reserve in the amount of \$467,875, a building and capital reserve in the amount of \$50,000, a reserve for the purpose of producing audiobooks in the amount of \$10,000, a reserve for the purpose of updating oa.org including the FAM database in the amount of \$21,720, a reserve for the purpose of hiring professional translators in the amount of \$53,030, a reserve for the purpose of developing a platform to replace the Lifeline magazine in the amount of \$53,713, a reserve for the purpose of updating the OA.org website in the amount of \$57,550, and a reserve for the purpose of increasing OA's Public Information/Public Outreach in the amount of \$116,358.

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, 2021 AND 2020

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

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.

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 June 13, 2022, 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 \$37,308 and \$17,756 restricted for travel assistance for conference delegates, \$16,878 and \$5,110 for translation assistance, and \$18,101 and \$13,033 restricted for professional exhibit assistance at December 31, 2021 and 2020, respectively. Total restricted cash was \$72,287 and \$35,899 at December 31, 2021 and 2020, respectively.

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

NOTE 4. INVESTMENTS

OA had the following investments at December 31:

	At December 31, 2021		
	Cost	Fair Value	Gross Unrealized 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>
	At December 31, 2020		
	Cost	Fair Value	Gross Unrealized Gain (Loss)
Individual stocks	\$ 81,150	134,125	52,975
Mutual funds:			
Equity	375,353	446,324	70,971
Fixed income	399,963	396,419	(3,544)
Total investments	<u>\$ 856,466</u>	<u>976,868</u>	<u>120,402</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, 2021 AND 2020

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 for Identical Assets Level 1	Other Observable Inputs Level 2	Significant Unobservable Inputs 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	-	-
	\$ 1,271,854	1,271,854	-	-

		Active Markets for Identical Assets Level 1	Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2020	Total			
Individual stocks	\$ 134,126	134,125	-	-
Mutual funds	842,743	842,743	-	-
	\$ 976,869	976,868	-	-

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

NOTE 6. PROPERTY AND EQUIPMENT, NET

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>\$ 663,144</u>

Property and equipment consists of the following at December 31, 2020:

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	175,415
	<u>1,635,255</u>
Accumulated depreciation	<u>(926,219)</u>
Property and equipment, net	<u>\$ 709,036</u>

Depreciation expense was \$46,856 and \$61,049 for the years ended December 31, 2021 and 2020, respectively.

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

NOTE 7. INTANGIBLE ASSETS, NET

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	<hr/> (39,607)
Intangible assets, net	<hr/> <u>\$ 30,914</u>

Intangible assets consists of the following at December 31, 2020:

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	<hr/> (33,808)
Intangible assets, net	<hr/> <u>\$ 36,713</u>

Amortization expense was \$5,799 for the years ended December 31, 2021 and 2020, respectively.

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

NOTE 8. OPERATING LEASE COMMITMENTS

In July 2019, OA entered into a three-year operating lease to replace the lease of a copier. The new payments are \$277 monthly for 36 payments. The agreement also consists of free 6 months for a total of \$1,662.

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

Future minimum lease payments are as follows:

Year ending December 31:	
2022	\$ 5,581
2023	5,581
2024	3,919
2025	2,256
2026	752
	<u>\$ 18,089</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$7,993 and \$8,642, 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:

	2021	2020
Cash and cash equivalents	\$ 899,810	730,554
Accounts receivable	-	1,431
Investments	1,271,854	976,868
	<u>\$ 2,171,664</u>	<u>1,708,853</u>

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

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.

The financial results of conferences and conventions are as follows:

	<u>2021 Conference</u>	<u>2020 Conference</u>
Registration fees and miscellaneous income	\$ 37,548	19,501
Expenses	(31,358)	(12,976)
Revenue over (under) expenses	<u>\$ 6,190</u>	<u>6,525</u>
	<u>2021 Convention</u>	<u>2020 Convention</u>
Registration fees and miscellaneous income	\$ 1,442	-
Expenses	(62,102)	(5,357)
Revenue over (under) expenses	<u>\$ (60,660)</u>	<u>(5,357)</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.

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 \$26,748 and \$27,486 in 2021 and 2020, 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 \$35,466 and \$33,740 as of December 31, 2021 and 2020, respectively.

OVEREATERS ANONYMOUS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 AND 2020

NOTE 12. COMMITMENTS AND CONTINGENCIES

OA has entered into agreements with certain hotels for its conferences and conventions to be held in 2022 and 2025. As part of these agreements, there are cancellation fees per event ranging from \$2,644 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 57% and 49% of its revenues from their donor base for the years ended December 31, 2021 and 2020, respectively.

In addition, OA receives a significant portion of its revenues from the sale of literature and magazines and is, therefore, subject to possible loss of revenue due to changes in general economic conditions. OA received approximately 35% and 41% of its revenues from the sale of literature and magazines for the years ended December 31, 2021 and 2020, respectively.

NOTE 13. ACCOUNTING STANDARDS CHANGES

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding twelve months. The lessee in a lease will be required to initially measure the right-of-use assets and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The guidance is required to be applied by OA for the year ending December 31, 2022. OA is currently evaluating the impact this guidance will have on its consolidated financial statements.