

**American Alliance of Orthopaedic Executives
American Association of Orthopaedic Executives**

Combined Financial Statements
Together with Independent Auditor's Report
With Supplemental Information

For the Years Ended December 31, 2025 and 2024



**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**

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Donovan CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Alliance of Orthopaedic Executives
Indianapolis, Indiana

Opinion

We have audited the accompanying combined financial statements (financial statements) of American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives (collectively AAOE), which comprise the combined statements of financial position as of December 31, 2025 and 2024, and the related combined statements of activities and changes in net assets, cash flows, and combined functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of AAOE as of December 31, 2025 and 2024, and the combined statements of activities and changes in net assets, cash flows, and combined functional expenses 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. 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 AAOE 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 AAOE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, 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 AAOE'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 AAOE'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 audits.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements for the years ended December 31, 2025 and 2024. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements for the years ended December 31, 2025 and 2024 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Donovan CPAs
Indianapolis, Indiana
March 13, 2026

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combined Statements of Financial Position
December 31, 2025 and 2024**

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 897,560	\$ 531,561
Accounts receivable, net of allowance	21,711	11,100
Prepaid expenses	163,785	131,774
Total Current Assets	1,083,056	674,435
Fixed Assets		
Office equipment	27,836	70,270
Accumulated depreciation	(23,705)	(63,759)
Net Fixed Assets	4,131	6,511
Long-Term Assets		
Right of use asset - operating lease	39,734	80,639
Miscellaneous long-term asset - security deposit	3,942	3,942
Investments	635,861	571,078
Total Long-Term Assets	679,537	655,659
Total Assets	\$ 1,766,724	\$ 1,336,605
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 33,701	\$ 38,668
Accrued payroll and taxes	52,863	41,888
Right of use liability - operating lease, current portion	39,734	40,905
Deferred revenue	1,080,667	777,705
Total Current Liabilities	1,206,965	899,166
Long-Term Liabilities		
Right of use liability - operating lease, net of current portion	-	39,734
Total Long-Term Liabilities	-	39,734
Total Liabilities	1,206,965	938,900
Net Assets		
Without donor restrictions	559,759	397,705
Total Net Assets	559,759	397,705
Total Liabilities and Net Assets	\$ 1,766,724	\$ 1,336,605

See independent auditor's report and the notes to the financial statements.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combined Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Operating Revenue		
Memberships	\$ 444,232	\$ 467,644
Conference	1,850,746	1,803,109
Education	61,631	104,990
Data warehouse	43,630	62,170
Operations	310,850	269,431
Interest and dividends	32,766	21,122
Other	265,927	172,010
Total Operating Revenue	3,009,782	2,900,476
Operating Expenses		
Program		
Membership	1,639,450	1,553,602
Conference	1,229,549	1,319,704
Education	20,709	12,803
Management and general	4,988	7,471
Total Operating Expenses	2,894,696	2,893,580
Non-Operating Revenue		
Gains (losses) on investments	46,968	16,725
Total Non-Operating Revenue	46,968	16,725
Net Increase In		
Net Assets Without Donor Restrictions	162,054	23,621
Net Assets Without Donor Restrictions, Beginning of Year	397,705	374,084
Net Assets Without Donor Restrictions, End of Year	\$ 559,759	\$ 397,705

See independent auditor's report and the notes to the financial statements.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combined Statements of Functional Expenses
For the Years Ended December 31, 2025 and 2024**

	Membership	Conference	Education	Total Program	Management and General	Fundraising	2025 Totals
Grant	\$ -	\$ -	\$ 17,492	\$ 17,492	\$ -	\$ -	\$ 17,492
Salaries and wages	733,495	362,501	1,252	1,097,248	-	-	1,097,248
Retirement	37,415	-	-	37,415	-	-	37,415
Other employee benefits	76,540	-	-	76,540	-	-	76,540
Payroll taxes	81,072	-	-	81,072	-	-	81,072
Legal	9,716	-	-	9,716	2,847	-	12,563
Accounting	19,823	-	1,800	21,623	1,068	-	22,691
Advocacy	60,445	-	-	60,445	-	-	60,445
Other professional fees	81,836	-	-	81,836	-	-	81,836
Advertising	84,375	13,185	-	97,560	-	-	97,560
Office	126,475	863	165	127,503	1,073	-	128,576
Information technology	98,050	77,208	-	175,258	-	-	175,258
Occupancy	45,164	-	-	45,164	-	-	45,164
Travel and transportation	19,827	14,922	-	34,749	-	-	34,749
Conferences	77,793	604,345	-	682,138	-	-	682,138
Depreciation	4,176	-	-	4,176	-	-	4,176
Insurance	8,034	8,107	-	16,141	-	-	16,141
Outside sales contract	69,150	148,418	-	217,568	-	-	217,568
Bad debt	6,064	-	-	6,064	-	-	6,064
Total Expenses	\$ 1,639,450	\$ 1,229,549	\$ 20,709	\$ 2,889,708	\$ 4,988	\$ -	\$ 2,894,696

	Membership	Conference	Education	Total Program	Management and General	Fundraising	2024 Totals
Salaries and wages	\$ 679,072	\$ 333,026	\$ 3,044	\$ 1,015,142	\$ -	\$ -	\$ 1,015,142
Retirement	32,898	-	-	32,898	-	-	32,898
Other employee benefits	77,186	-	-	77,186	-	-	77,186
Payroll taxes	74,629	-	-	74,629	-	-	74,629
Legal	4,468	-	-	4,468	2,639	-	7,107
Accounting	15,915	-	1,822	17,737	1,985	-	19,722
Advocacy	66,998	-	-	66,998	-	-	66,998
Other professional fees	92,473	-	-	92,473	-	-	92,473
Advertising	83,087	17,641	-	100,728	-	-	100,728
Office	116,744	2,743	165	119,652	1,330	-	120,982
Information technology	83,154	160,340	7,772	251,266	1,517	-	252,783
Occupancy	41,498	-	-	41,498	-	-	41,498
Travel and transportation	10,797	22,772	-	33,569	-	-	33,569
Conferences	63,972	646,110	-	710,082	-	-	710,082
Depreciation	4,662	-	-	4,662	-	-	4,662
Insurance	3,594	10,404	-	13,998	-	-	13,998
Outside sales contract	102,455	126,668	-	229,123	-	-	229,123
Total Expenses	\$ 1,553,602	\$ 1,319,704	\$ 12,803	\$ 2,886,109	\$ 7,471	\$ -	\$ 2,893,580

See independent auditor's report and the notes to the financial statements.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combined Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Operating Activities		
Change in net assets	\$ 162,054	\$ 23,621
Adjustments to reconcile change in net assets to net change in cash from operating activities		
Depreciation expense	4,176	4,662
(Gain) loss on investments	(46,968)	(21,632)
Changes in certain assets and liabilities:		
Accounts receivable	(10,611)	15,851
Right of use asset - operating lease	40,905	37,737
Prepaid expenses	(32,011)	(38,032)
Accounts payable	(4,967)	(2,276)
Accrued payroll and taxes	10,975	(32,711)
Right of use liability - operating lease	(40,905)	(37,737)
Deferred revenue	302,962	(313,458)
Net change in cash from operating activities	385,610	(363,975)
Investing Activities		
Purchase of fixed assets	(1,796)	(1,396)
Purchase of investments	(17,815)	(188,000)
Proceeds from sale of investments	-	198,000
Net change in cash from investing activities	(19,611)	8,604
Net Change in Cash and Cash Equivalents	365,999	(355,371)
Cash and Cash Equivalents, Beginning of Year	531,561	886,932
Cash and Cash Equivalents, End of Year	\$ 897,560	\$ 531,561

See independent auditor's report and the notes to the financial statements.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 1 – Nature of Activities

Background

The financial statements include the activity of American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives, collectively referenced as AAOE. AAOE's purpose is to promote the professional development of the orthopaedic manager, encourage stimulation of interest and research in orthopaedic practice management and the representation of concerns and ideas of a broad base of orthopaedic administrators on health care related issues.

Services provided to members include access to educational resources, forums, and webinars, an annual benchmarking survey, recurring newsletters and informational mailings about the orthopaedic industry, representation on health care related issues, and networking opportunities.

American Alliance of Orthopaedic Executives (Alliance) was founded under the laws of Indiana in 2016.

American Association of Orthopaedic Executives (Association) was founded in 1969 and was later incorporated as a nonprofit organization under the laws of the State of Alabama in 1991. During 2025, Association started to wind down operations and transferred all assets to Alliance. Association officially dissolved in September 2025.

Programs

AAOE has the following programs:

- Membership Activities – Provide members with practice management tools, resources, professional development, and network opportunities to keep up to date in the orthopaedic industry.
- Conferences – Provide conferences to members for continued education and updates in the orthopaedic industry.
- Education – Provide learning opportunities in the orthopaedic industry.

Fundraising

AAOE has no fundraising activities.

Note 2 – Significant Accounting Policies

Basis for Combination

Significant intercompany transactions are eliminated during the combination process. Since Alliance and Association utilize the same board of directors and officers, management believes a combination is appropriate and presents a clearer financial presentation. All significant intercompany transactions and balances are eliminated in the combined financial statements.

Accounting Method

AAOE's financial statements are prepared on the accrual basis of accounting.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 2 – Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes during the reporting period. Actual results could differ from those estimates.

Subsequent Events

AAOE evaluated subsequent events through March 13, 2026, which is the date the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated further disclosure in and/or adjustments to the accompanying financial statements.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, AAOE considers all highly liquid instruments with a maturity of three months or less to be considered cash and cash equivalents. The carrying amount of cash approximates fair value due to the type of investments and the maturity dates. There are no cash equivalents, except for money market funds.

Accounts Receivable

Accounts receivable are stated at the amount AAOE's management expects to collect from outstanding balances. AAOE's management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts receivable. The allowance for doubtful accounts as of December 31, 2025 and 2024 is \$6,064 and \$0, respectively. During the years ended December 31, 2025 and 2024, AAOE's bad debt expense is \$6,064 and \$0, respectively.

Fixed Assets

AAOE's fixed assets are stated at cost and depreciated over the estimated useful lives of three to ten years using the straight-line method. AAOE capitalizes items over \$500 that have a useful life of one year or more. Expenditures for additions are capitalized. When office equipment is sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income.

Donated Assets

Donations of property and equipment and other assets are recorded as revenue at their estimated or quoted fair value at the date of donation. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets with explicit restrictions regarding their use and contributions of cash that must be used for specific purposes are reported as restricted revenue. If donor stipulations regarding how long these donated assets must be maintained are absent, AAOE reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. AAOE reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 2 – Significant Accounting Policies (Continued)

Deferred Revenue

Income from membership dues, conference income, and webinar sponsorships is deferred and recognized over the periods to which the income relates and when the events will occur. AAOE's deferred revenue consists of the following:

	2025	2024
Memberships	\$ 304,805	\$ 310,280
Conferences	706,393	414,068
Sponsorships and other	69,469	53,357
	\$ 1,080,667	\$ 777,705

Net Assets

The financial statements are prepared in accordance with Financial Statements of Not-for-Profit Organizations. This requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are classified as either without or with donor restrictions. The following class of net assets and a brief description is as follows:

Net Assets Without Donor Restrictions – These amounts are not subject to usage restrictions based on donor-imposed requirements and include general assets and liabilities of AAOE. These amounts also include previously restricted assets where restrictions are met or expire. The net assets without donor restrictions may be used freely at the direction of management to support AAOE's purpose and operations.

Net Assets With Donor Restrictions – These amounts are subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by management's actions. Certain assets may be restricted in perpetuity. When a restriction expires, the amount is reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. AAOE does not have net assets with donor restrictions at December 31, 2025 and 2024.

Membership

AAOE's membership dues are for January 1st through December 31st and are billed in October for the following calendar year. All membership dues collected before December 31st are kept in a deferred membership account until January 1st, and then become recognized as revenue. AAOE does not record receivables, as there is no contractual obligation to join. Members who join in the middle of the calendar year are billed at a pro-rated amount for the remaining calendar year.

Conferences

Conference revenue is accumulated in a deferred revenue account until the conference date. After the conference date, the amounts are recognized as revenue.

Education

AAOE offers on demand webinars and educational meetings with doctors. Once amounts are collected, they are recognized as revenue. If education amounts are received in advance of services to be performed, AAOE classifies these amounts as deferred revenue until services are performed.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 2 – Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, AAOE's costs are allocated among the programs and supporting services, which benefit from those costs based on estimates of time and effort spent on the related activities.

Advertising Expense

AAOE expenses advertising costs as they incur. For the years ended December 31, 2025 and 2024, general advertising expenses are \$84,375 and \$83,087, respectively, and conference advertising expenses are \$13,185 and \$17,641, respectively.

Income Taxes

Alliance and Association are exempt from federal and state income tax under the provisions of Section 501(c)(6) and 501(c)(3), respectively, of the Internal Revenue Code; therefore, no provision for income taxes is made in the financial statements. Alliance is classified as an entity that is not a private foundation within the meaning of Section 509(a).

Generally accepted accounting principles in the United States require AAOE to examine its tax positions for uncertain positions. AAOE is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would not sustain an examination by applicable taxing authorities. AAOE's policy is to recognize penalties and interest as incurred in its statements of activities as a component of operating expenses, which total \$0 for the years ended December 31, 2025 and 2024. Alliance files an Internal Revenue Service form 990T for unrelated business income taxes. For the years ended December 31, 2025 and 2024, Alliance paid \$0 and \$9,102, respectively in federal income taxes, which is reported in office expense on the consolidated statement of functional expenses.

AAOE's federal and state income tax returns are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Reclassification

Certain accounts in the 2024 financial statements are reclassified for comparative purposes to conform with the presentation in the 2025 financial statements. Total assets, liabilities, net assets, and changes in net assets are unchanged due to these reclassifications.

Note 3 – Investments and Fair Value

AAOE adopted the provisions of Fair Value Measurements (Fair Value) for measurement of investments that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair Value is defined as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Interest earned is recorded on the accrual bases and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sales of investments are determined using the specific-identification method. Realized and unrealized gains and losses on investments are included in the statement of activities.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 3 – Investments and Fair Value (Continued)

Fair Value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that AAOE has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

AAOE does not have any level 2 or 3 investments for the years ended December 31, 2025 and 2024. A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

- Short-term financial instruments – The fair value of short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximates their carrying value due to the short-term nature of these instruments. AAOE’s investments primarily consist of money market funds, Federal Government and Corporate Bonds and stocks, and mutual funds. The investments are carried at fair value on quoted prices in active markets (all Level 1 measurements) and traded in active exchange markets, such as the New York Stock Exchange.

AAOE’s investments consist of the following as of December 31, 2025 and 2024:

	December 31, 2025		
	Costs or Original Donated Value	Market Value	Unrealized Gain (Loss)
Money Market Funds	\$ 13,362	\$ 13,362	\$ -
Mutual Funds			
Fixed Income	349,826	341,808	(8,018)
Equity	199,560	294,053	94,493
	\$ 562,748	\$ 649,223	\$ 86,475
	December 31, 2024		
	Costs or Original Donated Value	Market Value	Unrealized Gain (Loss)
Money Market Funds	\$ 32,964	\$ 32,964	\$ -
Mutual Funds			
Fixed Income	336,812	320,249	(16,563)
Equity	192,608	250,828	58,220
	\$ 562,384	\$ 604,041	\$ 41,657

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 3 – Investments and Fair Value (Continued)

Included in gains (losses) on investments on the statements of activities and changes net assets are the following gains and losses for the years ended December 31, 2025 and 2024:

	2025	2024
Unrealized Gain (Loss)	\$ 44,780	\$ 41,659
Realized Gain (Loss)	8,315	(19,123)
Investment fees	(6,127)	(5,811)
	\$ 46,968	\$ 16,725

Note 4 – Retirement Plan

AAOE has a 401(k) plan that is available for all employees. Employees are eligible after three months of service. AAOE matches 100% of the first 4% that an employee contributes. During the years ended December 31, 2025 and 2024, AAOE made matching contributions of \$37,415 and \$32,898, respectively.

Note 5 – Operating Leases

Facilities

AAOE entered into a non-cancelable operating lease arrangement on December 3, 2015 for office space. The lease term began on January 1, 2016 with a term of 89 months expiring May 31, 2023. The lease agreement included five months of rent abatement for 2016. During the year ended December 31, 2020, AAOE received a six-month rental rate reduction of ½ the agreed upon rate. Due to this, the lease was amended and extended for an additional 3 months, expiring on August 31, 2023. AAOE did not adopt the lease standard due to the leases being under one year. The lease was \$16.50 per square foot with rate increases each year. In accordance with accounting for leases under professional standards, AAOE amortized the total lease payments over the term of the lease.

AAOE signed an office lease effective on June 1, 2023. The lease requires monthly payments starting at \$3,031 that increases each year on June 1st and ends on November 30, 2026. For the years ended December 31, 2025 and 2024, the total rent expense is \$40,525 and \$37,321, respectively, and is included in occupancy expense on the statement of functional expenses. The office lease required a deposit of \$3,942.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 5 – Operating Leases (Continued)

During the year ended December 31, 2023, AAOE signed a new copier lease effective October 2023. The lease base rate is \$323 per month until September 2026 with additional usage and charges. For the years ended December 31, 2025 and 2024, total copier lease expense is \$4,639 and \$4,176, respectively, and is included in occupancy expense on the statement of functional expenses.

Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2025 are as follows:

	Operating Lease
2026	\$ 40,430
Less imputed interest	(696)
	\$ 39,734

As most leases do not provide an implicit rate, AAOE uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

The weighted average lease terms and discount rates for the operating lease are presented below:

Weighted average remaining lease term (years)	
Operating lease	1
Weighted average discount rate	
Operating lease	3.5%

Note 6 – Related Party Transactions

The relationship between Alliance and Association is disclosed in Note 1. Below are some of the key elements from the shared service agreement between Alliance and Association:

- Payroll – Alliance has agreements with Association for payroll and payroll-related expenses. Association leases employees for daily operations from Alliance. Alliance charged \$1,252 and \$3,044, respectively, for payroll and payroll-related expenses for the years ended December 31, 2025 and 2024.
- Due to Alliance/Due from Association – Alliance is reimbursed for shared day-to-day operating expenses. Amounts owed to the Alliance from the Association for operating expenses as of December 31, 2025 and 2024 are \$0 and \$3,990, respectively.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 7 – Liquidity Management

AAOE’s liquidity management consists of the following quantitative and qualitative measurements:

Quantitative Measurement - AAOE’s resources available for general use within one year at December 31, 2025 and 2024 are:

	2025	2024
Financial assets	\$ 1,083,056	\$ 674,435
Not available within one year (prepaid expenses)	(163,785)	(131,774)
Less current obligations without right of use liability	(1,167,231)	(858,261)
Financial assets available for general use within one year	<u>\$ (247,960)</u>	<u>\$ (315,600)</u>

Qualitative Measurement - AAOE receives a significant amount of its support through memberships and conferences. Because the memberships and conferences require resources to be used in a particular manner or in a future period, AAOE must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year. In the course of business, management structures AAOE’s financial assets to be available as its general expenditures, liabilities, and other obligations come due, and endeavors to maintain cash balances equal to approximately three months of non-conference operating expenses and deferred revenue.

Note 8 – Concentrations and Commitments

Concentration in Credit Risk

AAOE maintains cash balances in financial institutions. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total uninsured balances in these accounts as of December 31, 2025 and 2024 are \$627,553 and \$250,566, respectively.

Commitments

AAOE contracts hotels for future conferences. The contracts carry cancellation policies which can penalize AAOE under a set schedule in the event of cancellation. It is the intent of AAOE to honor all outstanding contracts. AAOE has contracted this to a third-party vendor, which expires on December 31, 2026.

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Supplemental Information

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Combining Schedules of Financial Position
December 31, 2025

	<u>Alliance</u>	<u>Association</u>	<u>Elimination</u>	<u>2025 Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 897,560	\$ -	\$ -	\$ 897,560
Accounts receivable, net of allowance	21,711	-	-	21,711
Accounts receivable, related party	-	-	-	-
Prepaid expenses	163,785	-	-	163,785
Total Current Assets	<u>1,083,056</u>	<u>-</u>	<u>-</u>	<u>1,083,056</u>
Fixed Assets				
Office equipment	27,836	-	-	27,836
Accumulated depreciation	(23,705)	-	-	(23,705)
Net Fixed Assets	<u>4,131</u>	<u>-</u>	<u>-</u>	<u>4,131</u>
Long-Term Assets				
Right of use asset - operating lease	39,734	-	-	39,734
Miscellaneous long-term asset - security deposit	3,942	-	-	3,942
Investments	635,861	-	-	635,861
Total Long-Term Assets	<u>679,537</u>	<u>-</u>	<u>-</u>	<u>679,537</u>
Total Assets	<u>\$ 1,766,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,766,724</u>
	<u>Alliance</u>	<u>Association</u>	<u>Elimination</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 33,701	\$ -	\$ -	\$ 33,701
Accrued payroll and taxes	52,863	-	-	52,863
Accounts payable, related party	-	-	-	-
Right of use liability - operating lease, current portion	39,734	-	-	39,734
Deferred revenue	1,080,667	-	-	1,080,667
Total Current Liabilities	<u>1,206,965</u>	<u>-</u>	<u>-</u>	<u>1,206,965</u>
Long-Term Liabilities				
Right of use liability - operating lease, net of current portion	-	-	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,206,965</u>	<u>-</u>	<u>-</u>	<u>1,206,965</u>
Net Assets				
Without donor restrictions	559,759	-	-	559,759
Total Net Assets	<u>559,759</u>	<u>-</u>	<u>-</u>	<u>559,759</u>
Total Liabilities and Net Assets	<u>\$ 1,766,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,766,724</u>

See independent auditor's report.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Combining Schedules of Financial Position
December 31, 2024

	<u>Alliance</u>	<u>Association</u>	<u>Elimination</u>	<u>2024 Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 502,267	\$ 29,294	\$ -	\$ 531,561
Accounts receivable, net of allowance	11,100	-	-	11,100
Accounts receivable, related party	3,990	-	(3,990)	-
Prepaid expenses	131,774	-	-	131,774
Total Current Assets	<u>649,131</u>	<u>29,294</u>	<u>(3,990)</u>	<u>674,435</u>
Fixed Assets				
Office equipment	29,992	40,278	-	70,270
Accumulated depreciation	(23,481)	(40,278)	-	(63,759)
Net Fixed Assets	<u>6,511</u>	<u>-</u>	<u>-</u>	<u>6,511</u>
Long-Term Assets				
Right of use asset - operating lease	80,639	-	-	80,639
Miscellaneous long-term asset - security deposit	3,942	-	-	3,942
Investments	571,078	-	-	571,078
Total Long-Term Assets	<u>655,659</u>	<u>-</u>	<u>-</u>	<u>655,659</u>
Total Assets	<u>\$ 1,311,301</u>	<u>\$ 29,294</u>	<u>\$ (3,990)</u>	<u>\$ 1,336,605</u>
	<u>Alliance</u>	<u>Association</u>	<u>Elimination</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 38,668	\$ -	\$ -	\$ 38,668
Accrued payroll and taxes	41,888	-	-	41,888
Accounts payable, related party	-	3,990	(3,990)	-
Right of use liability - operating lease, current portion	40,905	-	-	40,905
Deferred revenue	777,705	-	-	777,705
Total Current Liabilities	<u>899,166</u>	<u>3,990</u>	<u>(3,990)</u>	<u>899,166</u>
Long-Term Liabilities				
Right of use liability - operating lease, net of current portion	39,734	-	-	39,734
Total Long-Term Liabilities	<u>39,734</u>	<u>-</u>	<u>-</u>	<u>39,734</u>
Total Liabilities	<u>938,900</u>	<u>3,990</u>	<u>(3,990)</u>	<u>938,900</u>
Net Assets				
Net assets without donor restrictions	372,401	25,304	-	397,705
Total Net Assets	<u>372,401</u>	<u>25,304</u>	<u>-</u>	<u>397,705</u>
Total Liabilities and Net Assets	<u>\$ 1,311,301</u>	<u>\$ 29,294</u>	<u>\$ (3,990)</u>	<u>\$ 1,336,605</u>

See independent auditor's report.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combining Schedules of Activities and Change in Net Assets
For the Year Ended December 31, 2025**

	2025		
	<u>Alliance</u>	<u>Association</u>	<u>Total</u>
Operating Revenue			
Memberships	\$ 444,232	\$ -	\$ 444,232
Conference	1,850,746	-	1,850,746
Education	61,631	-	61,631
Data warehouse	43,630	-	43,630
Operations	310,850	-	310,850
Interest and dividends	32,349	417	32,766
Other	265,927	-	265,927
Total Operating Revenue	<u>3,009,365</u>	<u>417</u>	<u>3,009,782</u>
Operating Expenses			
Program			
Membership	1,639,450	-	1,639,450
Conference	1,229,549	-	1,229,549
Education	-	20,709	20,709
Management and general	-	4,988	4,988
Total Operating Expenses	<u>2,868,999</u>	<u>25,697</u>	<u>2,894,696</u>
Non-Operating Revenue (Expenses)			
Gains (losses) on investments	46,992	(24)	46,968
Total Non-Operating Revenue (Expenses)	<u>46,992</u>	<u>(24)</u>	<u>46,968</u>
Net Increase (Decrease) In			
Net Assets Without Donor Restrictions	187,358	(25,304)	162,054
Net Assets Without Donor			
Restrictions, Beginning of Year	<u>372,401</u>	<u>25,304</u>	<u>397,705</u>
Net Assets Without Donor			
Restrictions, End of Year	<u>\$ 559,759</u>	<u>\$ -</u>	<u>\$ 559,759</u>

See independent auditor's report.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combining Schedules of Activities and Change in Net Assets
For the Year Ended December 31, 2024**

	2024		
	<u>Alliance</u>	<u>Association</u>	<u>Total</u>
Operating Revenue			
Memberships	\$ 467,644	\$ -	\$ 467,644
Conference	1,803,109	-	1,803,109
Education	104,990	-	104,990
Data warehouse	62,170	-	62,170
Operations	269,431	-	269,431
Interest and dividends	17,588	3,534	21,122
Other	172,010	-	172,010
Total Operating Revenue	<u>2,896,942</u>	<u>3,534</u>	<u>2,900,476</u>
Operating Expenses			
Program			
Membership	1,553,602	-	1,553,602
Conference	1,319,704	-	1,319,704
Education	-	12,803	12,803
Management and general	-	7,471	7,471
Total Operating Expenses	<u>2,873,306</u>	<u>20,274</u>	<u>2,893,580</u>
Non-Operating Revenue (Expenses)			
Gains (losses) on investments	13,579	3,146	16,725
Total Non-Operating Revenue (Expenses)	<u>13,579</u>	<u>3,146</u>	<u>16,725</u>
Net Increase (Decrease) In			
Net Assets Without Donor Restrictions	37,215	(13,594)	23,621
Net Assets Without Donor Restrictions, Beginning of Year	<u>335,186</u>	<u>38,898</u>	<u>374,084</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 372,401</u>	<u>\$ 25,304</u>	<u>\$ 397,705</u>

See independent auditor's report.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combining Schedules of Functional Expenses
For the Years Ended December 31, 2025 and 2024**

	Alliance					2025 Total
	Membership	Conference	Total Program	Management and General	Fundraising	
Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and wages	733,495	362,501	1,095,996	-	-	1,095,996
Retirement	37,415	-	37,415	-	-	37,415
Other employee benefits	76,540	-	76,540	-	-	76,540
Payroll taxes	81,072	-	81,072	-	-	81,072
Legal	9,716	-	9,716	-	-	9,716
Accounting	19,823	-	19,823	-	-	19,823
Advocacy	60,445	-	60,445	-	-	60,445
Other professional fees	81,836	-	81,836	-	-	81,836
Advertising	84,375	13,185	97,560	-	-	97,560
Office	126,475	863	127,338	-	-	127,338
Information technology	98,050	77,208	175,258	-	-	175,258
Occupancy	45,164	-	45,164	-	-	45,164
Travel and transportation	19,827	14,922	34,749	-	-	34,749
Conferences	77,793	604,345	682,138	-	-	682,138
Depreciation	4,176	-	4,176	-	-	4,176
Insurance	8,034	8,107	16,141	-	-	16,141
Outside sales contract	69,150	148,418	217,568	-	-	217,568
Bad debt	6,064	-	6,064	-	-	6,064
Total Expenses	<u>\$ 1,639,450</u>	<u>\$ 1,229,549</u>	<u>\$ 2,868,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,868,999</u>

	Alliance					2024 Total
	Membership	Conference	Total Program	Management and General	Fundraising	
Salaries and wages	\$ 679,072	\$ 333,026	\$ 1,012,098	\$ -	\$ -	\$ 1,012,098
Retirement	32,898	-	32,898	-	-	32,898
Other employee benefits	77,186	-	77,186	-	-	77,186
Payroll taxes	74,629	-	74,629	-	-	74,629
Legal	4,468	-	4,468	-	-	4,468
Accounting	15,915	-	15,915	-	-	15,915
Advocacy	66,998	-	66,998	-	-	66,998
Other professional fees	92,473	-	92,473	-	-	92,473
Advertising	83,087	17,641	100,728	-	-	100,728
Office	116,744	2,743	119,487	-	-	119,487
Information technology	83,154	160,340	243,494	-	-	243,494
Occupancy	41,498	-	41,498	-	-	41,498
Travel and transportation	10,797	22,772	33,569	-	-	33,569
Conferences	63,972	646,110	710,082	-	-	710,082
Depreciation	4,662	-	4,662	-	-	4,662
Insurance	3,594	10,404	13,998	-	-	13,998
Outside sales contract	102,455	126,668	229,123	-	-	229,123
Total Expenses	<u>\$ 1,553,602</u>	<u>\$ 1,319,704</u>	<u>\$ 2,873,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,873,306</u>

See independent auditor's report.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combining Schedules of Functional Expenses (Continued)
For the Years Ended December 31, 2025 and 2024**

	Association			
	<u>Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2025 Totals</u>
Grant	\$ 17,492	\$ -	\$ -	\$ 17,492
Salaries and wages	1,252	-	-	1,252
Retirement	-	-	-	-
Other employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
Legal	-	2,847	-	2,847
Accounting	1,800	1,068	-	2,868
Advocacy	-	-	-	-
Other professional fees	-	-	-	-
Advertising	-	-	-	-
Office	165	1,073	-	1,238
Information technology	-	-	-	-
Occupancy	-	-	-	-
Travel and transportation	-	-	-	-
Conferences	-	-	-	-
Depreciation	-	-	-	-
Insurance	-	-	-	-
Outside sales contract	-	-	-	-
Bad debt	-	-	-	-
Total Expenses	<u>\$ 20,709</u>	<u>\$ 4,988</u>	<u>\$ -</u>	<u>\$ 25,697</u>

	Association			
	<u>Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2024 Totals</u>
Salaries and wages	\$ 3,044	\$ -	\$ -	\$ 3,044
Retirement	-	-	-	-
Other employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
Legal	-	2,639	-	2,639
Accounting	1,822	1,985	-	3,807
Advocacy	-	-	-	-
Other professional fees	-	-	-	-
Advertising	-	-	-	-
Office	165	1,330	-	1,495
Information technology	7,772	1,517	-	9,289
Occupancy	-	-	-	-
Travel and transportation	-	-	-	-
Conferences	-	-	-	-
Depreciation	-	-	-	-
Insurance	-	-	-	-
Outside sales contract	-	-	-	-
Total Expenses	<u>\$ 12,803</u>	<u>\$ 7,471</u>	<u>\$ -</u>	<u>\$ 20,274</u>

See independent auditor's report.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Schedule of Lead Auditor
For the Years Ended December 31, 2025 and 2024**

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