

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

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

For the Years Ended December 31, 2024 and 2023



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, 2024 and 2023, and the related combined statements of activities and changes in net assets (deficits), 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, 2024 and 2023, and the combined statements of activities and changes in net assets (deficits), 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, 2024 and 2023. 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, 2024 and 2023 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 21, 2025

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives
Combined Statements of Financial Position
December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 531,561	\$ 886,932
Accounts receivable	11,100	26,951
Prepaid expenses	131,774	93,742
Total Current Assets	<u>674,435</u>	<u>1,007,625</u>
Fixed Assets		
Office equipment	70,270	68,874
Accumulated depreciation	<u>(63,759)</u>	<u>(59,097)</u>
Net Fixed Assets	<u>6,511</u>	<u>9,777</u>
Long-Term Assets		
Right of use asset - operating lease	80,639	118,376
Miscellaneous long-term asset - security deposit	3,942	3,942
Investments	571,078	559,446
Total Long-Term Assets	<u>655,659</u>	<u>681,764</u>
Total Assets	<u><u>\$ 1,336,605</u></u>	<u><u>\$ 1,699,166</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 38,668	\$ 40,944
Accrued payroll and taxes	41,888	74,599
Right of use liability - operating lease, current portion	40,905	37,737
Deferred revenue	777,705	1,091,163
Total Current Liabilities	<u>899,166</u>	<u>1,244,443</u>
Long-Term Liabilities		
Right of use liability - operating lease, net of current portion	<u>39,734</u>	<u>80,639</u>
Total Long-Term Liabilities	<u>39,734</u>	<u>80,639</u>
Total Liabilities	<u>938,900</u>	<u>1,325,082</u>
Net Assets		
Without donor restrictions	<u>397,705</u>	<u>374,084</u>
Total Net Assets	<u>397,705</u>	<u>374,084</u>
Total Liabilities and Net Assets	<u><u>\$ 1,336,605</u></u>	<u><u>\$ 1,699,166</u></u>

**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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenue		
Memberships	\$ 467,644	\$ 451,977
Conference	1,803,109	1,635,690
Education	104,990	44,533
Data warehouse	62,170	57,340
Operations	269,431	253,568
Interest and dividends	21,122	17,451
Other	172,010	172,400
Total Operating Revenue	<u>2,900,476</u>	<u>2,632,959</u>
Operating Expenses		
Program		
Membership	1,553,602	1,461,128
Conference	1,319,704	1,147,187
Education	12,803	43,477
Management and general	7,471	8,968
Total Operating Expenses	<u>2,893,580</u>	<u>2,660,760</u>
Non-Operating Revenue (Expenses)		
Employee Retention Credit	-	58,714
Gains (losses) on investments	16,725	38,694
Gains (losses) on disposal	-	(8,026)
Total Non-Operating Revenue (Expenses)	<u>16,725</u>	<u>97,408</u>
Net Increase (Decrease) In		
Net Assets Without Donor Restrictions	23,621	69,607
Net Assets Without Donor		
Restrictions, Beginning of Year	<u>382,110</u>	<u>312,503</u>
Net Assets Without Donor		
Restrictions, End of Year	<u>\$ 405,731</u>	<u>\$ 382,110</u>

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, 2024 and 2023**

	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	<u>\$ 1,553,602</u>	<u>\$ 1,319,704</u>	<u>\$ 12,803</u>	<u>\$ 2,886,109</u>	<u>\$ 7,471</u>	<u>\$ -</u>	<u>\$ 2,893,580</u>

	Membership	Conference	Education	Total Program	Management and General	Fundraising	2023 Totals
Salaries and wages	\$ 648,632	\$ 342,670	14,055	\$ 1,005,357	\$ -	\$ -	\$ 1,005,357
Retirement	33,069	-	-	33,069	-	-	33,069
Other employee benefits	81,362	-	-	81,362	-	-	81,362
Payroll taxes	71,271	-	-	71,271	-	-	71,271
Legal	3,794	-	-	3,794	2,813	-	6,607
Accounting	15,587	-	1,500	17,087	2,491	-	19,578
Advocacy	65,940	-	-	65,940	-	-	65,940
Other professional fees	49,758	-	-	49,758	-	-	49,758
Advertising	86,744	24,268	-	111,012	-	-	111,012
Office	93,230	2,313	-	95,543	1,414	-	96,957
Information technology	90,964	121,502	27,922	240,388	2,250	-	242,638
Occupancy	45,874	-	-	45,874	-	-	45,874
Travel and transportation	8,185	15,339	-	23,524	-	-	23,524
Conferences	70,664	545,534	-	616,198	-	-	616,198
Depreciation	6,580	-	-	6,580	-	-	6,580
Insurance	12,387	8,712	-	21,099	-	-	21,099
Outside sales contract	77,087	86,849	-	163,936	-	-	163,936
Total Expenses	<u>\$ 1,461,128</u>	<u>\$ 1,147,187</u>	<u>\$ 43,477</u>	<u>\$ 2,651,792</u>	<u>\$ 8,968</u>	<u>\$ -</u>	<u>\$ 2,660,760</u>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 23,621	\$ 61,581
Adjustments to reconcile change in net assets to net change in cash from operating activities		
Depreciation expense	4,662	6,580
(Gain) loss on investments	(21,632)	(50,997)
(Gain) loss on disposal of fixed assets	-	8,025
Change in certain assets and liabilities:		
Accounts receivable	15,851	(6,650)
Right of use asset - operating lease	37,737	(118,376)
Security deposit	-	(3,942)
Prepaid expenses	(38,032)	1,945
Accounts payable	(2,276)	(18,269)
Accrued payroll and taxes	(32,711)	(5,230)
Right of use liability - operating lease	(37,737)	118,376
Deferred revenue	(313,458)	185,859
Net change in cash from operating activities	<u>(363,975)</u>	<u>178,902</u>
Investing Activities		
Purchase of fixed assets	(1,396)	(7,316)
Purchase of investments	(188,000)	-
Proceeds from sale of investments	198,000	-
Net change in cash from investing activities	<u>8,604</u>	<u>(7,316)</u>
Net Change in Cash and Cash Equivalents	(355,371)	171,586
Cash and Cash Equivalents, Beginning of Year	<u>886,932</u>	<u>715,346</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 531,561</u></u>	<u><u>\$ 886,932</u></u>

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, 2024 and 2023

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 electronic data warehouse, 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.

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, 2024 and 2023

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 21, 2025, 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, except for Association plans on dissolving during 2025.

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, 2024 and 2023 is \$0 and \$0, respectively, due to subsequent collection on accounts receivable. AAOE's bad debt expense is \$0 and \$0, during the years ended December 31, 2024 and 2023, 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, 2024 and 2023

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:

	<u>2024</u>	<u>2023</u>
Memberships	310,280	332,785
Conferences	414,068	694,912
Sponsorships and other	53,357	63,466
	<u>\$ 777,705</u>	<u>\$ 1,091,163</u>

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, 2024 and 2023.

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, 2024 and 2023

Note 2 – Significant Accounting Policies (continued)

Employee Retention Credit

AAOE was eligible for the Employee Retention Credit (ERC) under the CARES Act. AAOE applied for ERC for the quarters end June and September 2021 totaling \$58,714. During the year ended December 31, 2023, AAOE received ERC funds of \$58,714 recorded to Employee Retention Credit and interest of \$827 recorded to interest and dividend income on the statement of activities and changes in net assets.

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, 2024 and 2023, general advertising expenses are \$83,087 and \$86,744, respectively, and conference advertising expenses are \$17,641 and \$24,268, 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 totals \$0 for the years ended December 31, 2024 and 2023. Alliance files an Internal Revenue Service form 990T for unrelated business income taxes. For the years ended December 31, 2024 and 2023, Alliance paid 9,102 and 6,350, respectively in federal income taxes which are 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 2023 financial statements are reclassified for comparative purposes to conform with the presentation in the 2024 financial statements. Total assets, liabilities, net assets, and changes in net assets are unchanged due to these reclassifications.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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.

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, 2024 and 2023. 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.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 3 – Investments and Fair Value (Continued)

AAOE's investments consist of the following as of December 31, 2024 and 2023:

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
	<u>\$ 562,384</u>	<u>\$ 604,041</u>	<u>\$ 41,657</u>
December 31, 2023			
	Costs or Original Donated Value	Market Value	Unrealized Gain (Loss)
Money Market Funds	\$ 19,042	\$ 19,042	\$ -
Mutual Funds			
Fixed Income	393,359	361,413	(31,946)
Equity	147,616	198,033	50,417
	<u>\$ 560,017</u>	<u>\$ 578,488</u>	<u>\$ 18,471</u>

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, 2024 and 2023:

	2024	2023
Unrealized Gain (Loss)	\$ 41,659	\$ 18,471
Realized Gain (Loss)	(19,123)	25,542
Investment fees	(5,811)	(5,319)
	<u>\$ 16,725</u>	<u>\$ 38,694</u>

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, 2024 and 2023, AAOE made matching contributions of \$32,898 and \$33,069, respectively.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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, 2024 and 2023, the total rent expense is \$37,321 and \$21,215, respectively, and is included in occupancy expense on the statement of functional expenses. The office lease required a deposit of \$3,942.

Rent expense amounts to \$37,321 and \$40,043, respectively, for the years ended December 31, 2024 and 2023 and are included in occupancy on the statement of functional expenses.

Office Equipment

AAOE entered into a copy machine lease effective June 1, 2020 for \$353 per month plus usage for three years. Copier lease expense amounts to \$0 and \$3,178 for the years ended December 31, 2024 and 2023, respectively, and is included in occupancy on the statement of functional expenses.

During the year ended December 31, 2023, AAOE entered into two new leases. AAOE elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of the underlying asset and are applying this expedient to all relevant asset classes.

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, 2024 and 2023, total copier lease expense is \$4,176 and \$968, 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, 2024 are as follows:

	<u>Operating Lease</u>
2025	\$ 43,083
2026	40,431
Total office lease expense	\$ 83,514
Less imputed interest	(2,875)
	<u>\$ 80,639</u>

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.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 5 – Operating Leases (Continued)

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

Weighted average remaining lease term (years)	
Operating lease	2
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 \$3,044 and \$14,056, respectively, for payroll and payroll-related expenses for the years ended December 31, 2024 and 2023.
- 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, 2024 and 2023 are \$3,990 and \$179,024, respectively.

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, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Financial assets	\$ 674,435	\$ 1,007,625
Not available within one year (prepaid expenses)	(131,774)	(93,742)
Less current obligations without right of use liability	(858,261)	(1,206,706)
Financial assets available for general use within one year	<u>\$ (315,600)</u>	<u>\$ (292,823)</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.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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, 2024 and 2023 are \$250,566 and \$580,184, 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 expired on December 31, 2024.

Supplemental Information

**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	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><u>\$ 1,311,301</u></u>	<u><u>\$ 29,294</u></u>	<u><u>\$ (3,990)</u></u>	<u><u>\$ 1,336,605</u></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				
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><u>\$ 1,311,301</u></u>	<u><u>\$ 29,294</u></u>	<u><u>\$ (3,990)</u></u>	<u><u>\$ 1,336,605</u></u>

See independent auditor's report.

**American Alliance of Orthopaedic Executives and
American Association of Orthopaedic Executives**
Combining Schedules of Financial Position
December 31, 2023

	<u>Alliance</u>	<u>Association</u>	<u>Elimination</u>	<u>2023 Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 865,224	\$ 21,708	\$ -	\$ 886,932
Accounts receivable	26,951	-	-	26,951
Accounts receivable, related party	179,024	-	(179,024)	-
Prepaid expenses	92,225	1,517	-	93,742
Total Current Assets	<u>1,163,424</u>	<u>23,225</u>	<u>(179,024)</u>	<u>1,007,625</u>
Fixed Assets				
Office equipment	28,596	40,278	-	68,874
Accumulated depreciation	(18,819)	(40,278)	-	(59,097)
Net Fixed Assets	<u>9,777</u>	<u>-</u>	<u>-</u>	<u>9,777</u>
Long-Term Assets				
Right of use asset - operating lease	118,376	-	-	118,376
Miscellaneous long-term asset - security deposit	3,942	-	-	3,942
Investments	358,549	200,897	-	559,446
Total Long-Term Assets	<u>480,867</u>	<u>200,897</u>	<u>-</u>	<u>681,764</u>
Total Assets	<u>\$ 1,654,068</u>	<u>\$ 224,122</u>	<u>\$ (179,024)</u>	<u>\$ 1,699,166</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 34,744	\$ 6,200	\$ -	\$ 40,944
Accrued payroll and taxes	74,599	-	-	74,599
Accounts payable, related party	-	179,024	(179,024)	-
Right of use liability - operating lease, current portion	37,737	-	-	37,737
Deferred revenue	1,091,163	-	-	1,091,163
Total Current Liabilities	<u>1,238,243</u>	<u>185,224</u>	<u>(179,024)</u>	<u>1,244,443</u>
Long-Term Liabilities				
Right of use liability - operating lease, net of current portion	80,639	-	-	80,639
Total Long-Term Liabilities	<u>80,639</u>	<u>-</u>	<u>-</u>	<u>80,639</u>
Total Liabilities	<u>1,318,882</u>	<u>185,224</u>	<u>(179,024)</u>	<u>1,325,082</u>
Net Assets				
Net assets without donor restrictions	335,186	38,898	-	374,084
Total Net Assets	<u>335,186</u>	<u>38,898</u>	<u>-</u>	<u>374,084</u>
Total Liabilities and Net Assets	<u>\$ 1,654,068</u>	<u>\$ 224,122</u>	<u>\$ (179,024)</u>	<u>\$ 1,699,166</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
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)			
Employee Retention Credit	-	-	-
Gains (losses) on investments	13,579	3,146	16,725
Gains (losses) on disposal	-	-	-
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><u>\$ 372,401</u></u>	<u><u>\$ 25,304</u></u>	<u><u>\$ 397,705</u></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
December 31, 2023**

	2023		
	<u>Alliance</u>	<u>Association</u>	<u>Total</u>
Operating Revenue			
Memberships	\$ 451,977	\$ -	\$ 451,977
Conference	1,635,690	-	1,635,690
Education	44,533	-	44,533
Data warehouse	57,340	-	57,340
Operations	253,568	-	253,568
Interest and dividends	11,498	5,953	17,451
Other	172,400	-	172,400
Total Operating Revenue	<u>2,627,006</u>	<u>5,953</u>	<u>2,632,959</u>
Operating Expenses			
Program			
Membership	1,461,128	-	1,461,128
Conference	1,147,187	-	1,147,187
Education	-	43,477	43,477
Management and general	-	8,968	8,968
Total Operating Expenses	<u>2,608,315</u>	<u>52,445</u>	<u>2,660,760</u>
Non-Operating Revenue (Expenses)			
Employee Retention Credit	58,714	-	58,714
Gains (losses) on investments	27,647	11,047	38,694
Gains (losses) on disposal	(8,026)	-	(8,026)
Total Non-Operating Revenue (Expenses)	<u>78,335</u>	<u>11,047</u>	<u>89,382</u>
Net Increase (Decrease) In			
Net Assets Without Donor Restrictions	97,026	(35,445)	61,581
Net Assets Without Donor			
Restrictions, Beginning of Year	<u>238,160</u>	<u>74,343</u>	<u>312,503</u>
Net Assets Without Donor			
Restrictions, End of Year	<u>\$ 335,186</u>	<u>\$ 38,898</u>	<u>\$ 374,084</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, 2024 and 2023**

	Alliance					
	<u>Membership</u>	<u>Conference</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2024 Total</u>
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>

	Alliance					
	<u>Membership</u>	<u>Conference</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total</u>
Salaries and wages	\$ 648,632	\$ 342,670	\$ 991,302	\$ -	\$ -	\$ 991,302
Retirement	33,069	-	33,069	-	-	33,069
Other employee benefits	81,362	-	81,362	-	-	81,362
Payroll taxes	71,271	-	71,271	-	-	71,271
Legal	3,794	-	3,794	-	-	3,794
Accounting	15,587	-	15,587	-	-	15,587
Advocacy	65,940	-	65,940	-	-	65,940
Other professional fees	49,758	-	49,758	-	-	49,758
Advertising	86,744	24,268	111,012	-	-	111,012
Office	93,230	2,313	95,543	-	-	95,543
Information technology	90,964	121,502	212,466	-	-	212,466
Occupancy	45,874	-	45,874	-	-	45,874
Travel and transportation	8,185	15,339	23,524	-	-	23,524
Conferences	70,664	545,534	616,198	-	-	616,198
Depreciation	6,580	-	6,580	-	-	6,580
Insurance	12,387	8,712	21,099	-	-	21,099
Outside sales contract	77,087	86,849	163,936	-	-	163,936
Total Expenses	<u>\$ 1,461,128</u>	<u>\$ 1,147,187</u>	<u>\$ 2,608,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,608,315</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, 2024 and 2023**

	Association			
	Education	Management and General	Fundraising	2024 Totals
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>

	Association			
	Education	Management and General	Fundraising	2023 Totals
Salaries and wages	\$ 14,055	\$ -	\$ -	\$ 14,055
Retirement	-	-	-	-
Other employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
Legal	-	2,813	-	2,813
Accounting	1,500	2,491	-	3,991
Advocacy	-	-	-	-
Other professional fees	-	-	-	-
Advertising	-	-	-	-
Office	-	1,414	-	1,414
Information technology	27,922	2,250	-	30,172
Occupancy	-	-	-	-
Travel and transportation	-	-	-	-
Conferences	-	-	-	-
Depreciation	-	-	-	-
Insurance	-	-	-	-
Outside sales contract	-	-	-	-
Total Expenses	<u>\$ 43,477</u>	<u>\$ 8,968</u>	<u>\$ -</u>	<u>\$ 52,445</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, 2024 and 2023**

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