

**AMERICAN ALLIANCE OF ORTHOPAEDIC EXECUTIVES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash and Cash Equivalents	\$ 905,180	\$ 994,107
Investments	972,295	819,338
Prepaid Expenses	181,003	180,491
Property and Equipment, Net	42,926	37,138
<b>Total Assets</b>	<b>\$ 2,101,404</b>	<b>\$ 2,031,074</b>

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 96,151	\$ 72,903
Accrued Expenses	128,465	86,932
Deferred General Revenues	338,837	346,310
Deferred Conference Revenues	863,789	410,687
<b>Total Liabilities</b>	1,427,242	916,832
<b>Net Assets</b>		
Without Donor Restrictions	674,162	1,114,242
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,101,404</b>	<b>\$ 2,031,074</b>

**AMERICAN ALLIANCE OF ORTHOPAEDIC EXECUTIVES  
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
General	\$ 673,382	\$ 687,352
Conference	1,864,546	1,578,377
Total Revenue	2,537,928	2,265,729
<b>Expenses</b>		
General	1,841,271	1,648,177
Conference	1,245,688	1,169,721
Total Expenses	3,086,959	2,817,898
<b>Other Income and Expenses</b>		
Loss on Sale of Fixed Assets	-	(1,346)
Net Investment (Loss) Return	108,951	(45,349)
Total Other Income and Expenses	108,951	(46,695)
Change in Net Assets	(440,080)	(598,864)
<b>Net Assets at Beginning of Year</b>	1,114,242	1,713,106
<b>Net Assets at End of Year</b>	<b>\$ 674,162</b>	<b>\$ 1,114,242</b>

**AMERICAN ALLIANCE OF ORTHOPAEDIC EXECUTIVES  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (440,080)	\$ (598,864)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows (Used by) Provided by Operating Activities		
Depreciation	13,926	15,356
Loss on sale of fixed assets	-	1,346
Realized and Unrealized (Gain) Loss on Investments	(93,381)	62,568
Changes In		
Security Deposits	-	25,804
Prepaid Expenses	(512)	(15,510)
Interest Receivable	-	-
Accounts Payable	23,248	60,835
Accrued Expenses	41,533	29,274
Deferred General Revenues	(7,473)	76,175
Deferred Conference Revenues	453,102	(295,627)
	(9,637)	(638,643)
Net Cash Flows Provided by Operating Activities		
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(19,714)	(10,037)
Purchase of Investments	(972,287)	(30,715)
Proceeds from Sale of Investments	912,711	243,695
	(79,290)	202,943
Net Cash Flows Provided by Investing Activities		
Net Change in Cash and Cash Equivalents	(88,927)	(435,700)
<b>Beginning Cash and Cash Equivalents Balance</b>	994,107	1,429,807
<b>Ending Cash and Cash Equivalents Balance</b>	\$ 905,180	\$ 994,107

**AMERICAN ALLIANCE OF ORTHOPAEDIC EXECUTIVES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	<b>For the Year Ended December 31, 2019</b>		
	<b>Annual Conference</b>	<b>Supporting Activities</b>	<b>Total</b>
Salary Allocation	\$ 298,500	\$ (298,500)	\$ -
Outsource Sales - Conference	81,286	-	81,286
Speaker Fees	98,780	-	98,780
Preliminary Program	16,939	-	16,939
Final Program	10,979	-	10,979
50th Anniversary Advice	2,338	-	2,338
WiFi/Onsite Utilities	1,161	-	1,161
Reception	47,597	-	47,597
Food/Beverage	391,406	-	391,406
On-site Events	2,798	-	2,798
e-Biz Registration Software and Staff	35,385	-	35,385
Recording Content	7,000	-	7,000
Staff Travel	14,159	-	14,159
Board Member Travel	853	-	853
Audio Visual	65,318	-	65,318
Mobile App	3,150	-	3,150
Postage and Shipping	1,072	1,640	2,712
Printing/Duplicating	1,126	796	1,922
Setup/Decorator	27,914	-	27,914
CEU's/CME's	4,725	-	4,725
Security	12,376	-	12,376
Prospectus	1,463	-	1,463
Marketing and Promotion	24,884	57,091	81,975
Awards and Gifts	2,674	-	2,674
Photography	6,000	-	6,000
Sponsored Products	69,395	-	69,395
A/C Miscellaneous Expense	825	-	825
Consulting - Meeting Planner	6,000	-	6,000
Charitable Contributions	9,194	-	9,194
Other Program Costs	391	1,736	2,127
Rent	-	47,945	47,945
Internet and IT Support	-	8,524	8,524
Equipment Lease Payments	-	4,347	4,347
PEO Fees	-	16,980	16,980
Accounting Services	-	72,162	72,162
Office Expense	-	4,424	4,424
Conference Room Rental	-	50	50
Depreciation Expense	-	13,926	13,926
Staff Compensation	-	864,486	864,486
Payroll Taxes	-	57,501	57,501
Health and Life Insurance	-	63,938	63,938
Retirement Benefits	-	1,319	1,319
Workers Compensation	-	2,138	2,138
Telecommunication	-	1,808	1,808
Audit and Tax Services	-	11,000	11,000
Trademark Application and Renewal	-	2,123	2,123
Legal Services	-	6,909	6,909
Outsourced Sales - Other	-	11,040	11,040
Professional Services	-	100,119	100,119
Office Supplies	-	3,799	3,799
Computer Expenses	-	7,580	7,580
Dues & Subscriptions	-	2,785	2,785
Storage	-	720	720
Employee Recognition	-	358	358
Staff Training & Professional Development	-	11,224	11,224
Site Visits	-	2,201	2,201
Website/Technology	-	89,373	89,373
Travel - Society	-	433	433
Miscellaneous Society	-	1,562	1,562
Bank Charges/CC Processing	-	62,995	62,995
Board of Directors' Expenses	-	14,508	14,508
Strategic Planning	-	14,044	14,044
Senior Leadership Meeting	-	147	147
Annual Report	-	4,000	4,000
AAOS Annual Meeting	-	1,367	1,367
NOLC Meeting	-	1,060	1,060
Annual Conference Committee	-	11,546	11,546
Education Council	-	750	750
Data Portal Hosting Fees	-	13,118	13,118
Stratusi Development Time	-	39,535	39,535
State Society Speaking	-	711	711
Benchmarking Council	-	22,905	22,905
Data Warehouse & Registry	-	35,087	35,087
Advocacy Council	-	16,062	16,062
Capital Hill Day	-	15,582	15,582
Travel to DC (Appointments)	-	996	996
Data Warehouse Development	-	305,510	305,510
Data Warehouse Hosting	-	14,436	14,436
Data Warehouse Consulting	-	12,966	12,966
Data Advisory Board	-	31,607	31,607
Speaking and Exhibiting	-	2,022	2,022
Data Marketing and Promotion	-	30,323	30,323
Specialized Education Committee	-	16,000	16,000
Miscellaneous Board and Committee Expense	-	457	457
	<b>Total Expenses</b>	<b>\$ 1,841,271</b>	<b>\$ 3,086,959</b>

See accompanying notes.

**AMERICAN ALLIANCE OF ORTHOPAEDIC EXECUTIVES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2018**

	<b>Annual Conference</b>	<b>Supporting Activities</b>	<b>Total</b>
Salary Allocation	\$ 332,316	\$ (332,316)	\$ -
Speaker Fees	84,909	-	84,909
Preliminary Program	8,333	-	8,333
Final Program	9,475	-	9,475
Invitation to Exhibit	428	-	428
Reception	49,537	-	49,537
Food/Beverage	406,669	-	406,669
On-site Events	3,348	-	3,348
e-Biz Registration Software and Staff	27,602	-	27,602
Staff Travel	12,338	-	12,338
Board Member Travel	5,510	-	5,510
Vendor Travel	7,985	-	7,985
Audio Visual	57,367	-	57,367
Mobile App	3,000	-	3,000
Postage and Shipping	4,723	2,179	6,902
Printing/Duplicating	5,785	172	5,957
Setup/Decorator	22,169	-	22,169
CEU's/CME's	9,091	-	9,091
Security	2,647	-	2,647
Marketing and Promotion	21,800	10,908	32,708
Awards and Gifts	4,569	-	4,569
Photography	6,000	-	6,000
Sponsored Products	39,802	-	39,802
Consulting - Meeting Planner	27,101	-	27,101
Charitable Contributions	9,585	-	9,585
Insurances	6,570	-	6,570
Other Program Costs	1,062	1,466	2,528
Rent	-	47,995	47,995
Internet and IT Support	-	12,291	12,291
Equipment Lease Payments	-	4,035	4,035
PEO Fees	-	7,393	7,393
Accounting Services	-	71,358	71,358
Office Expense	-	16	16
Conference Room Rental	-	50	50
Depreciation Expense	-	15,356	15,356
Staff Compensation	-	845,134	845,134
Payroll Taxes	-	62,624	62,624
Health and Life Insurance	-	49,046	49,046
Disability Insurance	-	588	588
Retirement Benefits	-	28,305	28,305
Workers Compensation	-	529	529
Wellnes Benefit	-	5,434	5,434
Telecommunications	-	300	300
Trademark Application and Renewal	-	7,930	7,930
Legal Services	-	12,770	12,770
Intern	-	800	800
Office Supplies	-	5,453	5,453
Computer Expenses	-	2,279	2,279
Dues & Subscriptions	-	2,924	2,924
Storage	-	791	791
Staff Training & Professional Development	-	18,930	18,930
Site Visits	-	3,729	3,729
Website/Technology	-	43,460	43,460
Travel - Society	-	2,406	2,406
Bank Charges/CC Processing	-	38,247	38,247
Board of Directors' Expenses	-	15,045	15,045
Strategic Planning	-	38,986	38,986
Annual Report	-	4,500	4,500
NOLC Meeting	-	2,523	2,523
Annual Conference Committee	-	22,474	22,474
Education Council	-	5,025	5,025
Benchmarking Council	-	57,472	57,472
Data Warehouse & Registry	-	452,159	452,159
Advocacy Council	-	46,543	46,543
Legacy Committee	-	4,650	4,650
Specialized Education Committee	-	26,146	26,146
Conference Calls - Committees	-	72	72
<b>Total Expenses</b>	<b>\$ 1,169,721</b>	<b>\$ 1,648,177</b>	<b>\$ 2,817,898</b>

See accompanying notes.

**AMERICAN ALLIANCE OF ORTHOPAEDIC EXECUTIVES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

American Association of Orthopaedic Executives was founded in 1969 and was later incorporated as a nonprofit organization under the laws of the State of Alabama in 1991. American Alliance of Orthopaedic Executives was founded under the laws of Indiana in 2016. They will be referred to combined as the Association.

The Association's purposes are 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.

**Consolidation**

The consolidated financial statements include American Alliance of Orthopaedic Executive's similar organization American Association of Orthopaedic Executives who shares the same Board of Directors. All significant intercompany transactions are eliminated. Revenues from the American Association of Orthopaedic Executives was \$32,120 in 2019 and \$79,264 in 2018.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to the assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Accounts Receivable**

Under rare circumstances, if any, does the Association have accounts receivable. Notices are sent a few months prior to December reminding past members that the membership is due. There is no contractual obligation to join, therefore no receivables are recorded. The money that is collected prior to December 31 is kept in a deferred membership account until January 1. The conference related revenues are similar. They are accumulated in a deferred revenue account until the conference date. After the conference they are recognized as income. Since they do not expect any material losses, the Association has not established an allowance for doubtful accounts at December 31, 2019 and 2018.

**Investments**

Investments if purchased are recorded at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, and other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment are stated at cost or, if contributed, market value at date of gift, and depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals exceeding \$500 are capitalized.

The useful lives of property and equipment for purposes of computing depreciation are:

Office Furniture and Equipment	7 Years
Computer Equipment	5 Years

**Long-Lived Assets**

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended December 31, 2019 and 2018.

**Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operation and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for supporting the data warehouse project.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

**Revenue and Support Recognition**

The Association records revenue from annual member dues, conference registrations, exhibit fees and sponsorships, webinar sponsorships, royalties earned on published articles, benchmarking survey sales, and investment gains.

Income from membership dues, webinar sponsorships, and conference income is deferred and recognized over the periods to which the income relates and when the events will occur.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by a donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported at present value net of estimated uncollectible pledges, using risk-free interest rates

**Recognition of Donor Restrictions**

Donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions. Public support and revenue, including unconditional promises to give, are considered available for unrestricted use unless restricted by the donor. Net assets with donor restrictions are reported as net assets without restrictions if the restriction expires in the reporting period in which the support is received.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated 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. Staff compensation expense has been allocated on the basis of estimates of time and effort.

**Income Taxes**

The Association and Alliance are nonprofit organizations as described in Section 501(c)(3) and 501(c)(6) of the Internal Revenue Code and are exempt from federal and state income taxes.

The Association have adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Association recognized no interest or penalties in the statements of activities during the years ended December 31, 2019 and 2018. If the situation arose in which the Association would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Association is not currently under audit nor has the Association been contacted by these jurisdictions.

Based on the evaluation of the Association's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for either of the years ended December 31, 2019 or 2018.

**Recently Issued Significant Accounting Standards**

Revenue Recognition Standards

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

In 2019 the company had disaggregated income as follows:

Membership	\$397,301
Conference	1,864,546
Miscellaneous	276,081



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In June, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The core principle of the guidance is to clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

**Lease Accounting Standard**

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 31, 2020.

The Association is currently in the process of evaluating the impact of adoption of these ASUs on their consolidated financial statements.

**Change in Accounting Principle**

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities (Topic 958). The core principles of the guidance are a reduction in the number of net asset categories from three to two, reporting investment return net of external and internal investment expenses, the placed-in-service approach for reporting expirations of restrictions on donated assets and enhanced disclosures regarding designations and donor restrictions, qualitative and quantitative liquidity information, expense allocation methods, expenses by natural classification and function and underwater endowments. The Association implemented ASU 2016-14 and adjusted presentation in these consolidated statements accordingly.

**NOTE 2 - CASH AND CASH FLOW INFORMATION**

At various times throughout the year, the Association may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor.

For purposes of the cash flows statements, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be a cash equivalent.

**NOTE 3 - INVESTMENTS**

The following is a summary of the market value of investments:

	<b>December 31,</b>	
	2019	2018
Mutual Funds:		
Fixed Income	\$ 696,633	\$ 527,809
Equities	275,662	291,529
	\$ 972,295	\$ 819,338

**NOTE 4 - FAIR VALUE MEASUREMENTS**

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

**Level 2** - Inputs for the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for either of the years ended December 31, 2019 or 2018.

Cash and Cash Equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Mutual Funds - Valued at the net asset value (NAV) of shares held by the Association at year end.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the operating date.

**AMERICAN ALLIANCE OF ORTHOPAEDIC EXECUTIVES**

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Association's marketable securities at fair value:

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b><u>December 31, 2019</u></b>				
Cash and Cash Equivalents	\$ 50,891	\$ -	\$ -	\$ 50,891
Mutual Funds:				
Fixed Income	696,633	-	-	696,633
Equity	<u>275,662</u>	<u>-</u>	<u>-</u>	<u>275,662</u>
Total Marketable Securities at Fair Value	<u>\$ 1,023,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,186</u>

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b><u>December 31, 2018</u></b>				
Cash and Cash Equivalents	\$ 45,327	\$ -	\$ -	\$ 45,327
Mutual Funds:				
Fixed Income	527,809	-	-	527,809
Equity	<u>291,529</u>	<u>-</u>	<u>-</u>	<u>291,529</u>
Total Marketable Securities at Fair Value	<u>\$ 864,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864,665</u>

**Risks and Uncertainties**

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the consolidated statements of financial position.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2019:

	<b><u>December 31,</u></b>	
	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$ 8,600	\$ 8,600
Office Furniture and Equipment	52,794	40,790
Computer Equipment	25,025	17,315
Intangibles	6,500	6,500
Less Accumulated Depreciation	<u>(49,993)</u>	<u>(36,067)</u>
	<u>\$ 42,926</u>	<u>\$ 37,138</u>

**NOTE 6 – Liquidity Management**

American Association of Orthopaedic Executives’ financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$	905,180
Investments		972,295
<b>Total</b>	<b>\$</b>	<b>1,877,475</b>

**NOTE 7 - OPERATING LEASE**

The Association entered into a non-cancelable operating lease arrangement on December 3, 2015 for office space. The lease terms begin on January 1, 2016 with a term of 89 months expiring May 31, 2023. The lease agreement included 5 months of rent abatement for 2016.

Minimum annual rental payments required under the terms of the operating lease are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 51,415
2021	52,562
2022	53,709
2023	22,578
<sup>a</sup> Total	\$ 180,264

The Association paid rent of \$47,945 and 47,995 for the years ended December 31, 2019 and 2018 respectively.

**NOTE 8 – PENSION PLAN**

A 401(k) plan is available for all employees. Employees are eligible after three months of service. The Company matches 100% of the first 4% that the employee contributes. The 2019 and 2018 plan contributions were \$1,319 and \$28,305 respectively.

**NOTE 9 - COMMITMENTS**

The Association contracts hotels for future conferences. The contracts carry cancellation policies which would penalize the Association under a set schedule in the event of cancellation. It is the intent of the Association to honor all outstanding contracts.

**Other Services**

The Association has various other contracts for IT services and marketing services. Th estimated annual costs for these services is \$198,500.

**NOTE 10 - SUBSEQUENT EVENT**

Management has evaluated subsequent events through February 18, 2020, which is the date the financial statements were available to be issued.