

**Combined Audited  
Financial Statements**  
With Supplemental Information

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

**December 31, 2023 and 2022**



# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

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## Table of Contents

<b>Independent Auditor's Report</b> .....	1-2
<b>Financial Statements</b>	
Combined Statements of Financial Position .....	3
Combined Statements of Activities and Changes in Net Assets .....	4
Combined Statements of Functional Expenses .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-14
<b>Supplemental Information</b>	
Combining Schedules of Financial Position .....	16-17
Combining Schedules of Activities and Changes in Net Assets .....	18-19
Combining Schedules of Functional Expenses .....	20-21
<b>Schedule of Lead Auditor</b> .....	22



**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, 2023 and 2022, 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, 2023 and 2022, 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.

### **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, 2023 and 2022. 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, 2023 and 2022 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 22, 2024

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combined Statements of Financial Position December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 886,932	\$ 715,346
Accounts receivable	26,951	20,301
Prepaid expenses	93,742	95,687
Total Current Assets	1,007,625	831,334
<b>Fixed Assets</b>		
Leasehold improvements	-	8,600
Office equipment	68,874	73,562
Total Fixed Assets	68,874	82,162
Accumulated depreciation	(59,097)	(65,096)
Net Fixed Assets	9,777	17,066
<b>Long-Term Assets</b>		
Right of use asset - operating lease	118,376	-
Miscellaneous long-term asset - security deposit	3,942	-
Investments	559,446	508,449
Total Long-Term Assets	681,764	508,449
Total Assets	\$ 1,699,166	\$ 1,356,849
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 40,944	\$ 59,213
Accrued payroll and taxes	74,599	79,829
Right of use liability - operating lease, current portion	37,737	-
Deferred revenue	1,091,163	905,304
Total Current Liabilities	1,244,443	1,044,346
<b>Long-Term Liabilities</b>		
Right of use liability - operating lease, net of current portion	80,639	-
Total Long-Term Liabilities	80,639	-
Total Liabilities	1,325,082	1,044,346
<b>Net Assets</b>		
Without donor restrictions	374,084	312,503
Total Net Assets	374,084	312,503
Total Liabilities and Net Assets	\$ 1,699,166	\$ 1,356,849

# 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, 2023 and 2022

	2023	2022
<b>Operating Revenue</b>		
Memberships	\$ 451,977	\$ 470,912
Conference	1,687,199	1,423,430
Education	44,533	64,388
Data warehouse	57,340	55,960
Operations	202,059	221,957
Interest and dividends	17,451	12,155
Other	172,400	144,350
Total Operating Revenue	2,632,959	2,393,152
<b>Operating Expenses</b>		
Program		
Membership	1,461,128	1,241,891
Conference	1,147,187	1,039,894
Education	43,477	44,045
Management and general	8,968	28,647
Total Operating Expenses	2,660,760	2,354,477
<b>Non-Operating Revenue (Expenses)</b>		
Employee Retention Credit	58,714	-
Gains (losses) on investments	38,694	(99,802)
Gains (losses) on disposal	(8,026)	-
Total Non-Operating Revenue (Expenses)	89,382	(99,802)
<b>Net Increase (Decrease) In Net Assets Without Donor Restrictions</b>	61,581	(61,127)
<b>Net Assets Without Donor Restrictions, Beginning of Year</b>	312,503	373,630
<b>Net Assets Without Donor Restrictions, End of Year</b>	\$ 374,084	\$ 312,503

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combined Statements of Functional Expenses For the Years Ended December 31, 2023 and 2022

	Membership	Conference	Education	Total Program	Management and General	Fundraising	2023 Totals
Expenses							
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
<b>Total Expenses</b>	<b>\$ 1,461,128</b>	<b>\$ 1,147,187</b>	<b>\$ 43,477</b>	<b>\$ 2,651,792</b>	<b>\$ 8,968</b>	<b>\$ -</b>	<b>\$ 2,660,760</b>
	Membership	Conference	Education	Total Program	Management and General	Fundraising	2022 Totals
Expenses							
Salaries and wages	\$ 531,290	\$ 167,520	15,636	\$ 714,446	\$ -	\$ -	\$ 714,446
Retirement	22,188	-	-	22,188	-	-	22,188
Other employee benefits	74,391	-	-	74,391	-	-	74,391
Payroll taxes	50,183	-	-	50,183	-	-	50,183
Legal	6,869	-	-	6,869	2,250	-	9,119
Accounting	14,405	-	1,100	15,505	2,788	-	18,293
Advocacy	32,970	-	-	32,970	-	-	32,970
Other professional fees	31,660	-	-	31,660	16,750	-	48,410
Advertising	71,338	17,389	-	88,727	-	-	88,727
Office	89,708	4,260	-	93,968	1,299	-	95,267
Information technology	80,163	116,328	27,309	223,800	2,000	-	225,800
Occupancy	55,138	-	-	55,138	-	-	55,138
Travel and transportation	12,011	14,221	-	26,232	-	-	26,232
Conferences	62,079	572,686	-	634,765	-	-	634,765
Depreciation	7,271	-	-	7,271	3,560	-	10,831
Insurance	10,524	6,941	-	17,465	-	-	17,465
Outside sales contract	89,703	140,549	-	230,252	-	-	230,252
<b>Total Expenses</b>	<b>\$ 1,241,891</b>	<b>\$ 1,039,894</b>	<b>\$ 44,045</b>	<b>\$ 2,325,830</b>	<b>\$ 28,647</b>	<b>\$ -</b>	<b>\$ 2,354,477</b>

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combined Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Reconciliation of Changes in Net Assets to Net Cash Provided By Operating Activities</b>		
Change in net assets	\$ 61,581	\$ (61,127)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities</b>		
Depreciation expense	6,580	10,831
(Gain) loss on investments	(50,997)	82,577
(Gain) loss on disposal of fixed assets	8,025	-
Decrease (increase) in accounts receivable	(6,650)	8,803
Decrease (increase) in right of use asset - operating lease	(118,376)	-
Decrease (increase) in security deposit	(3,942)	-
Decrease (increase) in prepaid expenses	1,945	294
Increase (decrease) in accounts payable	(18,269)	15,458
Increase (decrease) in accrued payroll and taxes	(5,230)	(8,970)
Increase (decrease) in employer deferred taxes	-	(12,418)
Increase (decrease) in right of use liability - operating lease	118,376	-
Increase (decrease) in deferred revenue	185,859	106,809
<b>Net Cash Provided By Operating Activities</b>	<b>178,902</b>	<b>142,257</b>
<b>Cash Flow From Investing Activities</b>		
Purchase of fixed assets	(7,316)	(5,676)
<b>Net Cash Used In Investing Activities</b>	<b>(7,316)</b>	<b>(5,676)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	171,586	136,581
<b>Cash and Cash Equivalents, Beginning of Year</b>	715,346	578,765
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 886,932</b>	<b>\$ 715,346</b>
<b>Supplemental Information</b>		
Income taxes paid	\$ -	\$ -



# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

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## Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

### 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.

#### 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.

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

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## Note 2 – Significant Accounting Policies (continued)

### Subsequent Events

AAOE evaluated subsequent events through March 22, 2024, 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, 2023 and 2022 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, 2023 and 2022, 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.

### Employer Deferred Taxes Payable

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) allows employers to defer the deposit and payment of AAOE's share of Social Security taxes. The payroll tax deferral period began on March 27, 2020 and ended December 31, 2020. The deferred deposits of AAOE's share of Social Security taxes are due in two installments of at least 50% on December 31, 2021, and 2022 to avoid penalties and interest. At December 31, 2023 and 2022, AAOE's employer deferred tax payable amounts are \$0 and \$0, respectively. AAOE elected to present the entire amount as current liabilities.

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

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## 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:

	2023	2022
Rent	\$ 0	\$ 2,621
Memberships	332,785	324,643
Conferences	694,912	465,859
Sponsorships and other	63,466	112,181
	\$1,091,163	\$ 905,304

### 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, 2023 and 2022.

### Membership

AAOE’s membership dues are for January 1<sup>st</sup> through December 31<sup>st</sup> and are billed in October for the following calendar year. All membership dues collected before December 31<sup>st</sup> are kept in a deferred membership account until January 1<sup>st</sup>, 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

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## 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, 2023 and 2022, general advertising expenses are \$86,744 and \$71,338, respectively, and conference advertising expenses are \$24,268 and \$17,389, 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, 2023 and 2022.

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 2022 financial statements are reclassified for comparative purposes to conform with the presentation in the 2023 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

## 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, 2023 and 2022. 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, 2023 and 2022:

	<b>December 31, 2023</b>		
	Costs or Original Donated Value	Market Value	Unrealized Gain (loss)
Money Market Funds	\$ 19,042	\$ 19,042	\$ 0
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>
	<b>December 31, 2022</b>		
	Costs or Original Donated Value	Market Value	Unrealized Gain (loss)
Money Market Funds	\$ 14,798	\$ 14,798	\$ 0
Mutual Funds			
Fixed Income	359,079	314,210	(44,869)
Equity	170,591	194,239	23,648
	<u>\$ 544,468</u>	<u>\$ 523,247</u>	<u>\$(21,221)</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, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Unrealized Gain (Loss)	\$ 18,471	\$ (21,221)
Realized Gain (Loss)	25,542	(73,151)
	<u>\$ 44,013</u>	<u>\$ (94,372)</u>

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

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## 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, 2023 and 2022, AAOE made matching contributions of \$33,069 and \$22,188, respectively.

## Note 5 – Operating Leases

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 1 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. As of December 31, 2023 and 2022, AAOE has a deferred rent payable of \$0 and \$2,621, respectively. Rent expense amounts to \$18,828 and \$49,108, respectively, for the years ended December 31, 2023 and 2022 and is included in occupancy on the statement of functional expenses.

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 \$3,178 and \$6,030 for the years ended December 31, 2023 and 2022, 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.

### Facilities

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 1<sup>st</sup> and ending on November 30, 2026. For the year ended December 31, 2023, the total rent expense is \$21,215 and is included in occupancy expense on the statement of functional expenses. The office lease required a deposit of \$3,942.

### Office Equipment

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 year ended December 31, 2023, total copier lease expense is \$968, 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, 2023 are as follows:

	<u>Operating lease</u>
2024	\$ 41,287
2025	43,083
2026	<u>40,430</u>
Total office lease expense	\$ 124,800
Less imputed interest	<u>(6,424)</u>
	<u>\$ 118,376</u>

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

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## Note 5 – Operating Leases (continued)

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)	3
Operating lease	
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 \$14,056 and \$15,636, respectively, for payroll and payroll-related expenses for the years ended December 31, 2023 and 2022.
- 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, 2023 and 2022 are \$179,024 and \$142,947, 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, 2023 and 2022 are:

	<b>2023</b>	<b>2022</b>
Financial assets	\$ 1,007,625	\$ 831,334
Not available within one year (prepaid expenses)	(93,742)	(95,687)
Less current obligations without right of use liability	(1,206,706)	(1,044,346)
Financial assets available for general use within one year	\$ (292,823)	\$ (308,699)

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

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## **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, 2023 and 2022 are \$580,184 and \$440,932, 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, 2024.



## **Supplemental Information**

# 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>
<b>ASSETS</b>				
<b>Current Assets</b>				
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>
<b>Fixed Assets</b>				
Leasehold improvements	-	-	-	-
Office equipment	28,596	40,278	-	68,874
Total Fixed Assets	<u>28,596</u>	<u>40,278</u>	<u>-</u>	<u>68,874</u>
Accumulated depreciation	<u>(18,819)</u>	<u>(40,278)</u>	<u>-</u>	<u>(59,097)</u>
Net Fixed Assets	<u>9,777</u>	<u>-</u>	<u>-</u>	<u>9,777</u>
<b>Long-Term Assets</b>				
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>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
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>
<b>Long-Term Liabilities</b>				
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>
<b>Net Assets</b>				
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>

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combining Schedules of Financial Position December 31, 2022

	<u>Alliance</u>	<u>Association</u>	<u>Elimination</u>	<u>2022 Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 681,009	\$ 34,337	\$ -	\$ 715,346
Accounts receivable	20,301	-	-	20,301
Accounts receivable, related party	142,947	-	(142,947)	-
Prepaid expenses	94,520	1,167	-	95,687
Total Current Assets	<u>938,777</u>	<u>35,504</u>	<u>(142,947)</u>	<u>831,334</u>
<b>Fixed Assets</b>				
Leasehold improvements	8,600	-	-	8,600
Office equipment	33,284	40,278	-	73,562
Total Fixed Assets	<u>41,884</u>	<u>40,278</u>	<u>-</u>	<u>82,162</u>
Accumulated depreciation	(24,818)	(40,278)	-	(65,096)
Net Fixed Assets	<u>17,066</u>	<u>-</u>	<u>-</u>	<u>17,066</u>
<b>Long-Term Assets</b>				
Right of use asset - operating lease	-	-	-	-
Miscellaneous long-term asset - security deposit	-	-	-	-
Investments	321,885	186,564	-	508,449
Total Long-Term Assets	<u>321,885</u>	<u>186,564</u>	<u>-</u>	<u>508,449</u>
Total Assets	<u>\$ 1,277,728</u>	<u>\$222,068</u>	<u>\$ (142,947)</u>	<u>\$ 1,356,849</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 54,435	\$ 4,778	\$ -	\$ 59,213
Accrued payroll and taxes	79,829	-	-	79,829
Accounts payable, related party	-	142,947	(142,947)	-
Right of use liability - operating lease, current portion	-	-	-	-
Deferred revenue	905,304	-	-	905,304
Total Current Liabilities	<u>1,039,568</u>	<u>147,725</u>	<u>(142,947)</u>	<u>1,044,346</u>
<b>Long-Term Liabilities</b>				
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>1,039,568</u>	<u>147,725</u>	<u>(142,947)</u>	<u>1,044,346</u>
<b>Net Assets</b>				
Net assets without donor restrictions	238,160	74,343	-	312,503
Total Net Assets	<u>238,160</u>	<u>74,343</u>	<u>-</u>	<u>312,503</u>
Total Liabilities and Net Assets	<u>\$ 1,277,728</u>	<u>\$222,068</u>	<u>\$ (142,947)</u>	<u>\$ 1,356,849</u>

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combining Schedules of Activities and Change in Net Assets December 31, 2023

	<b>2023</b>		
	Alliance	Association	Total
<b>Operating Revenue</b>			
Memberships	\$ 451,977	\$ -	\$ 451,977
Conference	1,687,199	-	1,687,199
Education	44,533	-	44,533
Data warehouse	57,340	-	57,340
Operations	202,059	-	202,059
Interest and dividends	11,498	5,953	17,451
Other	172,400	-	172,400
Total Operating Revenue	2,627,006	5,953	2,632,959
<b>Operating Expenses</b>			
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	2,608,315	52,445	2,660,760
<b>Non-Operating Revenue (Expenses)</b>			
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)	78,335	11,047	89,382
<b>Net Increase (Decrease) In</b>			
<b>Net Assets Without Donor Restrictions</b>	97,026	(35,445)	61,581
<b>Net Assets Without Donor</b>			
<b>Restrictions, Beginning of Year</b>	238,160	74,343	312,503
<b>Net Assets Without Donor</b>			
<b>Restrictions, End of Year</b>	\$ 335,186	\$ 38,898	\$ 374,084

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combining Schedules of Activities and Change in Net Assets December 31, 2022

	<b>2022</b>		
	Alliance	Association	Total
<b>Operating Revenue</b>			
Memberships	\$ 470,912	\$ -	\$ 470,912
Conference	1,423,430	-	1,423,430
Education	64,388	-	64,388
Data warehouse	39,400	16,560	55,960
Operations	221,957	-	221,957
Interest and dividends	7,864	4,291	12,155
Other	144,350	-	144,350
Total Operating Revenue	2,372,301	20,851	2,393,152
<b>Operating Expenses</b>			
Program			
Membership	1,241,891	-	1,241,891
Conference	1,039,894	-	1,039,894
Education	-	44,045	44,045
Management and general	-	28,647	28,647
Total Operating Expenses	2,281,785	72,692	2,354,477
<b>Non-Operating Revenue (Expenses)</b>			
Employee Retention Credit	-	-	-
Gains (losses) on investments	(63,915)	(35,887)	(99,802)
Gains (losses) on disposal	-	-	-
Total Non-Operating Revenue (Expenses)	(63,915)	(35,887)	(99,802)
<b>Net Increase (Decrease) In</b>			
<b>Net Assets Without Donor Restrictions</b>	26,601	(87,728)	(61,127)
<b>Net Assets Without Donor</b>			
<b>Restrictions, Beginning of Year</b>	211,559	162,071	373,630
<b>Net Assets Without Donor</b>			
<b>Restrictions, End of Year</b>	\$ 238,160	\$ 74,343	\$ 312,503

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combining Schedules of Functional Expenses For the Years Ended December 31, 2023 and 2022

	<b>Alliance</b>					<b>2023</b> Total
	Membership	Conference	Total Program	Management and General	Fundraising	
Expenses						
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>

	<b>Alliance</b>					<b>2022</b> Total
	Membership	Conference	Total Program	Management and General	Fundraising	
Expenses						
Salaries and wages	\$ 531,290	\$ 167,520	\$ 698,810	\$ -	\$ -	\$ 698,810
Retirement	22,188	-	22,188	-	-	22,188
Other employee benefits	74,391	-	74,391	-	-	74,391
Payroll taxes	50,183	-	50,183	-	-	50,183
Legal	6,869	-	6,869	-	-	6,869
Accounting	14,405	-	14,405	-	-	14,405
Advocacy	32,970	-	32,970	-	-	32,970
Other professional fees	31,660	-	31,660	-	-	31,660
Advertising	71,338	17,389	88,727	-	-	88,727
Office	89,708	4,260	93,968	-	-	93,968
Information technology	80,163	116,328	196,491	-	-	196,491
Occupancy	55,138	-	55,138	-	-	55,138
Travel and transportation	12,011	14,221	26,232	-	-	26,232
Conferences	62,079	572,686	634,765	-	-	634,765
Depreciation	7,271	-	7,271	-	-	7,271
Insurance	10,524	6,941	17,465	-	-	17,465
Outside sales contract	89,703	140,549	230,252	-	-	230,252
Total Expenses	<u>\$ 1,241,891</u>	<u>\$ 1,039,894</u>	<u>\$ 2,281,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,281,785</u>

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

## Combining Schedules of Functional Expenses (continued) For the Years Ended December 31, 2023 and 2022

	<b>Association</b>			<b>2023 Totals</b>
	<b>Education</b>	<b>Management and General</b>	<b>Fundraising</b>	
Expenses				
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>

	<b>Association</b>			<b>2022 Totals</b>
	<b>Education</b>	<b>Management and General</b>	<b>Fundraising</b>	
Expenses				
Salaries and wages	\$ 15,636	\$ -	\$ -	\$ 15,636
Retirement	-	-	-	-
Other employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
Legal	-	2,250	-	2,250
Accounting	1,100	2,788	-	3,888
Advocacy	-	-	-	-
Other professional fees	-	16,750	-	16,750
Advertising	-	-	-	-
Office	-	1,299	-	1,299
Information technology	27,309	2,000	-	29,309
Occupancy	-	-	-	-
Travel and transportation	-	-	-	-
Conferences	-	-	-	-
Depreciation	-	3,560	-	3,560
Insurance	-	-	-	-
Outside sales contract	-	-	-	-
Total Expenses	<u>\$ 44,045</u>	<u>\$ 28,647</u>	<u>\$ -</u>	<u>\$ 72,692</u>

# American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives

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## Schedule of Lead Auditor For the Years Ended December 31, 2023 and 2022

Auditor Information: Donovan CPAs  
9292 N. Meridian Street, Suite 150  
Indianapolis, IN 46260

Phone Number: (317) 844-8300

Fax Number: (317) 745-6545

Auditor Contact: David W. Lemler, CPA

Auditor Contact Title: Partner

Auditor Contact Email: [dlemler@cpadonovan.com](mailto:dlemler@cpadonovan.com)