
**WORLD FEDERATION OF
ORTHODONTISTS**
*FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011*

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Independent Accountants' Review Report

Executive Committee
World Federation of Orthodontists
St. Louis, Missouri

We have reviewed the accompanying statement of financial position of the World Federation of Orthodontists (the Federation), a not-for-profit organization, as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Federation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

RubinBrown LLP

April 29, 2013

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2012	2011
Cash and cash equivalents (Note 1)	\$ 2,069,407	\$ 2,148,612
Accounts receivable (net of allowance for uncollectible accounts of \$4,971 in 2012) (Note 1)	12,344	7,681
Interest receivable	7,367	10,701
Prepaid expenses	3,109	5,975
Investments (Note 4)	452,489	441,047
Inventory	2,981	4,477
Loan to affiliated organization (Note 3)	100,000	100,000
Intangible assets, net of accumulated amortization of \$10,821 in 2012 and \$2,281 in 2011	30,584	17,694
Total Assets	\$ 2,678,281	\$ 2,736,187

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 50,953	\$ 22,990
Due to affiliated entity (Note 3)	8,946	12,123
Deferred dues and fees	634,509	670,384
Total Liabilities	694,408	705,497

Net Assets

Unrestricted	1,965,650	2,012,467
Temporarily restricted (Note 1)	18,223	18,223
Total Net Assets	1,983,873	2,030,690
Total Liabilities And Net Assets	\$ 2,678,281	\$ 2,736,187

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF ACTIVITIES

	For The Years Ended December 31,	
	2012	2011
Changes In Unrestricted Net Assets:		
Revenues		
Membership dues and fees	\$ 293,439	\$ 294,531
Affiliation fees	12,056	10,754
Advertising revenue	2,800	6,800
Sales - promotional items (net of expenses of \$1,647 in 2012 and \$1,231 in 2011)	2,728	2,569
Investment income, net of fees of \$150 in 2012 and 2011 (Note 4)	39,573	82,505
In-kind rent/insurance (Note 3)	—	2,027
International Ortho Congress share revenue	—	12,507
Other income	185	80
Total Revenues	350,781	411,773
Expenses (Notes 3 And 5)		
Salaries and personnel expenses	120,628	109,752
Bank and credit card fees	8,919	9,328
Annual session meetings	1,720	—
Amortization	8,540	1,190
Bad debt	4,971	—
Conferences and expositions	—	9,542
Executive committee	15,392	11,235
Insurance	3,652	3,493
Interpreters	—	4,305
Membership	709	590
Miscellaneous	4,435	1,638
Office expenses	18,185	19,834
Postage	14,541	14,671
Printing	14,324	2,641
Professional fees	7,445	5,874
Telephone	2,943	2,742
Travel/meetings	13,405	4,953
WFO Gazette	35,040	43,485
WFO Journal	122,749	5,878
Total Expenses	397,598	251,151
Increase (Decrease) In Unrestricted Net Assets	(46,817)	160,622
Changes In Temporarily Restricted Net Assets		
Contributions	—	5,300
Increase (Decrease) In Net Assets	(46,817)	165,922
Net Assets - Beginning Of Year	2,030,690	1,864,768
Net Assets - End Of Year	\$ 1,983,873	\$ 2,030,690

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2012	2011
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (46,817)	\$ 165,922
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Amortization	8,540	1,190
Unrealized gain on investments	(11,442)	(42,159)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,663)	1,735
Decrease in interest receivable	3,334	4,813
(Increase) decrease in prepaid expenses	2,866	(3,278)
(Increase) decrease in inventory	1,496	(3,226)
Increase in accounts payable and accrued expenses	27,963	9,890
Decrease in deferred dues and fees	(35,875)	(25,523)
Net Cash Provided By (Used In) Operating Activities	(54,598)	109,364
Cash Flows Used In Investing Activities		
Purchases of intangible assets	(21,430)	(11,645)
Cash Flows Provided By (Used In) Financing Activities		
Net advances from (repayments to) affiliated entity	(3,177)	4,097
Net Increase (Decrease) In Cash And Cash Equivalents	(79,205)	101,816
Cash And Cash Equivalents - Beginning Of Year	2,148,612	2,046,796
Cash And Cash Equivalents - End Of Year	\$ 2,069,407	\$ 2,148,612

WORLD FEDERATION OF ORTHODONTISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 And 2011

1. Summary Of Significant Accounting Policies

Accounting Basis

The financial statements of the World Federation of Orthodontists (the Federation) have been prepared using the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board and reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At December 31, 2012 and 2011, net assets of \$18,223 are temporarily restricted for the T.M. Graber Memorial Fund. The remaining net assets are unrestricted.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Federation considers certificates of deposit and all highly liquid short-term investments, which are available for the Federation's operational needs, to be cash equivalents. Cash equivalents include certificates of deposit, recorded at cost adjusted for any unrealized gains or losses.

Cash and cash equivalents consist of the following:

	<u>2012</u>	<u>2011</u>
Cash	\$ 220,724	\$ 331,394
Certificates of deposit	797,248	1,247,241
Money market funds	1,051,435	569,977
	<u>\$ 2,069,407</u>	<u>\$ 2,148,612</u>

WORLD FEDERATION OF ORTHODONTISTS

Notes To Financial Statements (*Continued*)

Cash is maintained in a deposit account at a financial institution that is fully insured at December 31, 2012 as the balance held is less than the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per depositor. The certificates of deposit and money market funds are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. At December 31, 2012, funds held in certificates of deposit and money market funds exceed the insurance limits by \$1,348,683.

Accounts Receivable And Loan To Affiliated Organization

Accounts receivable and the loan to affiliated organization are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. No allowance for doubtful accounts was provided for at December 31, 2011, as none was deemed necessary by management. At December 31, 2012, no allowance against the loan to affiliated organization was deemed necessary; however, management has established an allowance of \$4,971 against accounts receivable.

Investments

Investments are comprised of U.S. government securities. Gains and losses on sales of investments are generally determined on a specific cost identification basis. Unrealized gains and losses are determined based on fluctuations in the market price or estimated realizable value. The securities become due at various dates from March 2019 through June 2020. The fair values of these securities were determined through directly observing the quoted prices of similar assets in markets that are not actively traded (Level 2).

The Federation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with 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 changes could materially affect the amounts reported in the statement of financial position.

Inventory

Inventory consists of promotional items available for sale to members and is stated at lower of cost or market determined by the first-in, first-out (FIFO) method.

WORLD FEDERATION OF ORTHODONTISTS

Notes To Financial Statements *(Continued)*

Intangible Assets

Intangible assets consist of computer software and website costs, which are carried at cost, less accumulated amortization computed using the straight-line method over three to seven years.

Membership Dues And Fees

Membership dues and fees are recorded by the Federation as revenue in the applicable membership period or period when such service is provided. Member payments received in advance of the applicable membership period or service period are recorded as deferred dues and fees.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Programs - Lectures And Publications

Includes expenditures incurred to educate members through scientific lecture programs and publications and promote research and high standards in orthodontics throughout the world.

Management And General

Includes the functions necessary to provide coordination and articulation of the Federation's program strategy; secure proper administrative functioning of the Executive Committee; maintain competent legal services for the program administration of the Federation; and manage the financial and budgetary responsibilities of the Federation.

Income Taxes

The Federation was incorporated on June 1, 1995 in the State of Missouri as a tax-exempt organization and has received an Internal Revenue Service determination letter that it is exempt from federal tax on income from its related exempt activities under Section 501(c)(6) of the Internal Revenue Code. The Federation's tax returns for tax years 2009 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through April 29, 2013, the date which the financial statements were available for issue.

WORLD FEDERATION OF ORTHODONTISTS

Notes To Financial Statements (Continued)

2. Operations

The Federation receives membership dues and other income to provide for the advancement of the science and art of orthodontics worldwide.

3. Transactions With Affiliated Entities

The Federation pays the American Association of Orthodontists monthly fees for telephone, office expenses, data processing and accounting services. The total fees charged to expense amounted to \$21,242 and \$21,760 in 2012 and 2011, respectively. The amount for 2011 includes in-kind rent and insurance totaling \$2,027. There was no in-kind rent or insurance amounts included in the total for 2012. At December 31, 2012 and 2011, the Federation had balances due to this related party amounting to \$8,946 and \$12,123, respectively, which are reflected on the statement of financial position as due to affiliated entity.

During 2008, the Federation advanced \$100,000 to an affiliated organization from which it also receives fees. The loan was provided interest-free to the affiliated organization which is coordinating the 2015 international meeting. Repayment of the loan is to be received as proceeds from the meeting are collected in 2015.

4. Investments

Investments consist of government securities, with a value of \$452,489 and \$441,047 at December 31, 2012 and 2011, respectively. Investment income for 2012 and 2011 includes interest before fees of \$28,281 and \$40,496, respectively, as well as unrealized gains of \$11,442 and \$42,159 in 2012 and 2011, respectively.

5. Functional Expenses

The following is a detail of expenses by functional classification for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Program expenses	\$ 314,069	\$ 185,099
Management and general	83,529	66,052
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Total expenses	\$ 397,598	\$ 251,151
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