
**WORLD FEDERATION OF
ORTHODONTISTS**
*FINANCIAL STATEMENTS
DECEMBER 31, 2014*

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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, 2014 and 2013, 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

May 18, 2015

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2014	2013
Cash and cash equivalents (Note 1)	\$ 161,704	\$ 101,046
Accounts receivable, net of allowance for uncollectible accounts of \$900 in 2014 and \$2,477 in 2013 (Notes 1 and 3)	10,251	8,704
Prepaid expenses	5,545	3,452
Investments (Note 4)	2,147,989	2,195,415
Inventory	365	1,330
Loans to affiliated organizations (Note 3)	200,000	200,000
Intangible assets, net of accumulated amortization of \$43,643 in 2014 and \$25,134 in 2013	16,642	35,151
Total Assets	\$ 2,542,496	\$ 2,545,098

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 27,587	\$ 29,924
Due to affiliated entity (Note 3)	19,029	16,388
Deferred dues and fees	624,217	560,126
Total Liabilities	670,833	606,438

Net Assets

Unrestricted	1,853,140	1,920,137
Temporarily restricted (Note 1)	18,523	18,523
Total Net Assets	1,871,663	1,938,660
Total Liabilities And Net Assets	\$ 2,542,496	\$ 2,545,098

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF ACTIVITIES

	For The Years	
	Ended December 31,	
	2014	2013
Changes In Unrestricted Net Assets:		
Revenues		
Membership dues and fees	\$ 263,923	\$ 300,852
Affiliation fees	10,784	9,806
Advertising revenue	8,170	6,970
Sales - promotional items (net of expenses of \$1,061 in 2014 and \$1,776 in 2013)	1,714	1,799
Investment income, net of fees of \$6,183 in 2014 and \$3,248 in 2013 (Note 4)	84,013	28,633
Other income	180	—
Total Revenues	368,784	348,060
Expenses (Notes 3 And 5)		
Salaries and personnel expenses	150,977	127,995
Amortization	18,509	14,313
Annual session meetings	1,788	1,720
Bad debt (recoveries)	(1,577)	(2,494)
Bank and credit card fees	10,900	8,722
Conferences and expositions	—	731
Executive committee	7,736	7,196
Graphic design	377	401
Insurance	4,327	3,935
Membership	611	565
Miscellaneous	—	473
Office expenses	19,250	19,530
Postage	12,855	11,595
Printing	2,076	4,949
Professional fees	7,891	6,545
Telephone	1,812	1,990
Website	2,502	3,125
Travel/meetings	16,898	8,058
WFO Gazette	47,631	45,865
WFO Journal	131,218	128,359
Total Expenses	435,781	393,573
Decrease In Unrestricted Net Assets	(66,997)	(45,513)
Changes In Temporarily Restricted Net Assets		
Contributions	—	300
Decrease In Net Assets	(66,997)	(45,213)
Net Assets - Beginning Of Year	1,938,660	1,983,873
Net Assets - End Of Year	\$ 1,871,663	\$ 1,938,660

WORLD FEDERATION OF ORTHODONTISTS
STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2014	2013
Cash Flows From Operating Activities		
Decrease in net assets	\$ (66,997)	\$ (45,213)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization	18,509	14,313
Unrealized (gain) loss on investments	(12,415)	32,345
Realized gain on sale of investments	(3,586)	(1,212)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,547)	3,640
Decrease in interest receivable	—	7,367
Increase in prepaid expenses	(2,093)	(343)
Decrease in inventory	965	1,651
Decrease in accounts payable and accrued expenses	(2,337)	(21,029)
Increase (decrease) in deferred dues and fees	64,091	(74,383)
Net Cash Used In Operating Activities	(5,410)	(82,864)
Cash Flows From Investing Activities		
Loan to affiliated organization	—	(100,000)
Purchases of intangible assets	—	(18,880)
Proceeds from sale of investments	130,180	422,411
Purchases of investments	(66,753)	(2,196,470)
Net Cash Provided By (Used In) Investing Activities	63,427	(1,892,939)
Cash Flows Provided By Financing Activities		
Net borrowings from affiliated entity	2,641	7,442
Net Increase (Decrease) In Cash And Cash Equivalents	60,658	(1,968,361)
Cash And Cash Equivalents - Beginning Of Year	101,046	2,069,407
Cash And Cash Equivalents - End Of Year	\$ 161,704	\$ 101,046

WORLD FEDERATION OF ORTHODONTISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 And 2013

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, 2014 and 2013, net assets of \$18,523 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 all highly liquid short-term investments, which are available for the Federation's operational needs, to be cash equivalents.

Cash and cash equivalents consist of the following:

	<u>2014</u>	<u>2013</u>
Cash	\$ 115,572	\$ 56,351
Money market funds	46,132	44,695
	<u>\$ 161,704</u>	<u>\$ 101,046</u>

WORLD FEDERATION OF ORTHODONTISTS

Notes To Financial Statements *(Continued)*

Accounts Receivable And Loans To Affiliated Organizations

Accounts receivable and the loans to affiliated organizations 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. At December 31, 2014 and 2013, no allowance against the loans to affiliated organizations was deemed necessary; however, management has established an allowance of \$900 and \$2,477, respectively, against accounts receivable.

Investments

Investments in bond and equity mutual funds are carried at fair value as quoted on major securities exchanges (Level 1). Gains and losses on sales of investments are generally determined on a specific cost identification method. Unrealized gains and losses are determined based on fluctuations in the market price.

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.

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.

WORLD FEDERATION OF ORTHODONTISTS

Notes To Financial Statements *(Continued)*

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 2011 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through May 18, 2015, the date which the financial statements were available for issue.

2. Operations

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

WORLD FEDERATION OF ORTHODONTISTS

Notes To Financial Statements (Continued)

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 \$19,129 and \$19,695 in 2014 and 2013, respectively. At December 31, 2014 and 2013, the Federation had balances due to this related party amounting to \$19,029 and \$16,388, 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.

During 2013, the Federation advanced \$100,000 to another affiliated organization from which it also receives fees. The loan was provided interest-free to the affiliated organization which is coordinating the 2020 international meeting. Repayment of the loan is to be received as proceeds from the meeting are collected in 2020.

The American Association of Orthodontists also collects on-line member dues payments on behalf of the Federation. At December 31, 2014 and 2013, the Federation had balances due from this related party amounting to \$5,224 and \$4,680, respectively, which are included in accounts receivable on the statement of financial position.

4. Investments

Investments consist of the following:

	December 31, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Mutual funds - bond funds	\$ 1,057,191	\$ 1,026,103	\$ 1,063,867	\$ 1,039,046
Mutual funds - equity funds	1,079,438	1,121,886	1,132,603	1,156,369
	<u>\$ 2,136,629</u>	<u>\$ 2,147,989</u>	<u>\$ 2,196,470</u>	<u>\$ 2,195,415</u>

WORLD FEDERATION OF ORTHODONTISTS

Notes To Financial Statements (Continued)

Investment income for 2014 is composed of dividend and interest income of \$68,012 (net of \$6,183 of investment fees), \$12,415 of unrealized gains and \$3,586 of realized gains. Investment income for 2013, including income from certificates of deposits held during 2013, is composed of dividend and interest income of \$68,250 (net of \$3,248 of investment fees) and \$45,593 of unrealized losses and \$5,976 of realized gains.

5. Functional Expenses

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

	<u>2014</u>	<u>2013</u>
Program expenses	\$ 349,299	\$ 328,235
Management and general	86,482	65,338
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Total expenses	\$ 435,781	\$ 393,573
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