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***WORLD FEDERATION OF  
ORTHODONTISTS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012***

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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, 2013 and 2012, 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 19, 2014

# WORLD FEDERATION OF ORTHODONTISTS

## STATEMENT OF FINANCIAL POSITION

### Assets

	December 31,	
	2013	2012
Cash and cash equivalents (Note 1)	\$ 101,046	\$ 2,069,407
Accounts receivable, net of allowance for uncollectible accounts of \$2,477 in 2013 and \$4,971 in 2012 (Notes 1 and 3)	8,704	12,344
Interest receivable	—	7,367
Prepaid expenses	3,452	3,109
Investments (Note 4)	2,195,415	452,489
Inventory	1,330	2,981
Loans to affiliated organizations (Note 3)	200,000	100,000
Intangible assets, net of accumulated amortization of \$25,134 in 2013 and \$10,821 in 2012	35,151	30,584
<b>Total Assets</b>	<b>\$ 2,545,098</b>	<b>\$ 2,678,281</b>

### Liabilities And Net Assets

#### Liabilities

Accounts payable and accrued expenses	\$ 29,924	\$ 50,953
Due to affiliated entity (Note 3)	16,388	8,946
Deferred dues and fees	560,126	634,509
<b>Total Liabilities</b>	<b>606,438</b>	<b>694,408</b>

#### Net Assets

Unrestricted	1,920,137	1,965,650
Temporarily restricted (Note 1)	18,523	18,223
<b>Total Net Assets</b>	<b>1,938,660</b>	<b>1,983,873</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 2,545,098</b>	<b>\$ 2,678,281</b>

# WORLD FEDERATION OF ORTHODONTISTS

## STATEMENT OF ACTIVITIES

	For The Years	
	Ended December 31,	
	2013	2012
<b>Changes In Unrestricted Net Assets:</b>		
<b>Revenues</b>		
Membership dues and fees	\$ 300,852	\$ 293,439
Affiliation fees	9,806	12,056
Advertising revenue	6,970	2,800
Sales - promotional items (net of expenses of \$1,776 in 2013 and \$1,647 in 2012)	1,799	2,728
Investment income, net of fees of \$3,248 in 2013 and \$150 in 2012 (Note 4)	28,633	39,573
Other income	—	185
<b>Total Revenues</b>	<b>348,060</b>	<b>350,781</b>
<b>Expenses (Notes 3 And 5)</b>		
Salaries and personnel expenses	127,995	120,628
Amortization	14,313	8,540
Annual session meetings	1,720	1,720
Bad debt (recoveries)	(2,494)	4,971
Bank and credit card fees	8,722	8,919
Conferences and expositions	731	—
Executive committee	7,196	15,392
Insurance	3,935	3,652
Membership	565	709
Miscellaneous	3,999	4,435
Office expenses	19,530	18,185
Postage	11,595	14,541
Printing	4,949	14,324
Professional fees	6,545	7,445
Telephone	1,990	2,943
Travel/meetings	8,058	13,405
WFO Gazette	45,865	35,040
WFO Journal	128,359	122,749
<b>Total Expenses</b>	<b>393,573</b>	<b>397,598</b>
<b>Decrease In Unrestricted Net Assets</b>	<b>(45,513)</b>	<b>(46,817)</b>
<b>Changes In Temporarily Restricted Net Assets</b>		
Contributions	300	—
<b>Decrease In Net Assets</b>	<b>(45,213)</b>	<b>(46,817)</b>
<b>Net Assets - Beginning Of Year</b>	<b>1,983,873</b>	<b>2,030,690</b>
<b>Net Assets - End Of Year</b>	<b>\$ 1,938,660</b>	<b>\$ 1,983,873</b>

**WORLD FEDERATION OF ORTHODONTISTS**  
**STATEMENT OF CASH FLOWS**

	For The Years Ended December 31,	
	2013	2012
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (45,213)	\$ (46,817)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization	14,313	8,540
Unrealized (gain) loss on investments	32,345	(11,442)
Realized gain on sale of investments	(1,212)	—
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,640	(4,663)
Decrease in interest receivable	7,367	3,334
(Increase) decrease in prepaid expenses	(343)	2,866
Decrease in inventory	1,651	1,496
Increase (decrease) in accounts payable and accrued expenses	(21,029)	27,963
Decrease in deferred dues and fees	(74,383)	(35,875)
<b>Net Cash Used In Operating Activities</b>	<b>(82,864)</b>	<b>(54,598)</b>
<b>Cash Flows From Investing Activities</b>		
Loan to affiliated organization	(100,000)	—
Purchases of intangible assets	(18,880)	(21,430)
Proceeds from sale of investments	422,411	—
Purchases of investments	(2,196,470)	—
<b>Net Cash Used In Investing Activities</b>	<b>(1,892,939)</b>	<b>(21,430)</b>
<b>Cash Flows From Financing Activities</b>		
Net borrowings from (repayments to) affiliated entity	7,442	(3,177)
<b>Net Decrease In Cash And Cash Equivalents</b>	<b>(1,968,361)</b>	<b>(79,205)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>2,069,407</b>	<b>2,148,612</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 101,046</b>	<b>\$ 2,069,407</b>

# WORLD FEDERATION OF ORTHODONTISTS

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 And 2012

### 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, 2013 and 2012, net assets of \$18,523 and \$18,223, respectively, 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 at December 31, 2012 included certificates of deposit, recorded at cost adjusted for any unrealized gains or losses.

Cash and cash equivalents consist of the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ 56,351	\$ 220,724
Certificates of deposit	—	797,248
Money market funds	44,695	1,051,435
	<u>\$ 101,046</u>	<u>\$ 2,069,407</u>

## **WORLD FEDERATION OF ORTHODONTISTS**

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### 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, 2013 and 2012, no allowance against the loans to affiliated organizations was deemed necessary; however, management has established an allowance of \$2,477 and \$4,971, 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). Investments in U.S. government and agency obligations are carried at fair value based on quoted prices of similar assets in markets that are not actively traded (Level 2). 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.



## **WORLD FEDERATION OF ORTHODONTISTS**

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### Notes To Financial Statements (*Continued*)

#### **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 2010 and later remain subject to examination by taxing authorities.

#### **Subsequent Events**

Management has evaluated subsequent events through May 19, 2014, 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 \$19,695 and \$21,242 in 2013 and 2012, respectively. At December 31, 2013 and 2012, the Federation had balances due to this related party amounting to \$16,388 and \$8,946, 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, 2013 and 2012, the Federation had balances due from this related party amounting to \$4,680 and \$199, respectively, which are included in accounts receivable on the statement of financial position.

#### 4. Investments

Investments consist of the following:

	December 31, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Mutual funds - bond funds	\$ 1,063,867	\$ 1,039,046	\$ —	\$ —
Mutual funds - equity funds	1,132,603	1,156,369	—	—
U.S. government and agency obligations	—	—	421,199	452,489
	<u>\$ 2,196,470</u>	<u>\$ 2,195,415</u>	<u>\$ 421,199</u>	<u>\$ 452,489</u>

## **WORLD FEDERATION OF ORTHODONTISTS**

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### Notes To Financial Statements *(Continued)*

Investment income for 2013, including income from certificates of deposit classified as cash equivalents, is composed of dividend and interest income of \$68,250 (net of \$3,248 of investment fees), \$45,593 of unrealized losses and \$5,976 of realized gains. Investment income for 2012, including income from certificates of deposit classified as cash equivalents, is composed of dividend and interest income of \$33,123 (net of \$150 of investment fees) and \$6,450 of unrealized gains.

### **5. Functional Expenses**

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

	<u>2013</u>	<u>2012</u>
Program expenses	\$ 328,235	\$ 314,069
Management and general	65,338	83,529
	<hr/>	<hr/>
Total expenses	\$ 393,573	\$ 397,598
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