
**WORLD FEDERATION OF
ORTHODONTISTS**
*FINANCIAL STATEMENTS
DECEMBER 31, 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 for the World Federation of Orthodontists (the Federation), a not-for-profit organization, as of December 31, 2011 and 2010, 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 9, 2012

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2011	2010
Cash and cash equivalents (Note 1)	\$ 2,148,612	\$ 2,046,796
Accounts receivable	7,681	9,416
Interest receivable	10,701	15,514
Prepaid expenses	5,975	2,697
Investments (Note 4)	441,047	398,888
Inventory	4,477	1,251
Loan to affiliated organization (Note 3)	100,000	100,000
Intangible assets, net of accumulated amortization of \$2,281 in 2011 and \$1,091 in 2010	17,694	7,239
Total Assets	\$ 2,736,187	\$ 2,581,801

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 22,990	\$ 13,100
Due to affiliated entity (Note 3)	12,123	8,026
Deferred dues and fees	670,384	695,907
Total Liabilities	705,497	717,033
Net Assets		
Unrestricted	2,012,467	1,851,845
Temporarily restricted (Note 1)	18,223	12,923
Total Net Assets	2,030,690	1,864,768
Total Liabilities And Net Assets	\$ 2,736,187	\$ 2,581,801

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF ACTIVITIES

	For The Years	
	Ended December 31,	
	2011	2010
Changes In Unrestricted Net Assets:		
Revenues		
Membership dues and fees	\$ 294,531	\$ 288,386
Affiliation fees	10,754	10,329
Advertising revenue	6,800	5,000
Sales - promotional items (net of expenses of \$1,231 in 2011 and 2010)	2,569	2,569
Investment income, net of fees of \$150 in 2011 and 2010 (Note 4)	82,505	30,603
In-kind rent/insurance (Note 3)	2,027	4,865
International Ortho Congress share revenue	12,507	782,714
World Journal of Orthodontics Royalty	—	6,120
Other income	80	223
Total Revenues	411,773	1,130,809
Expenses (Notes 3 And 5)		
Salaries and personnel expenses	109,752	98,134
Bank and credit card fees	9,328	9,409
Annual session meetings	—	4,017
Amortization	1,190	1,091
Conferences and expositions	9,542	19,015
Insurance	3,493	3,407
Interpreters	4,305	5,721
Membership	590	—
Miscellaneous	1,638	852
Office expenses	19,834	20,210
Postage	14,671	17,238
Printing	2,641	24,555
Professional fees	5,874	6,514
Telephone	2,742	2,664
Travel/meetings	16,188	21,700
WFO Gazette	43,485	46,186
WFO Journal	5,878	4,847
Total Expenses	251,151	285,560
Increase In Unrestricted Net Assets	160,622	845,249
Changes In Temporarily Restricted Net Assets		
Contributions	5,300	5,773
Increase In Net Assets	165,922	851,022
Net Assets - Beginning Of Year	1,864,768	1,013,746
Net Assets - End Of Year	\$ 2,030,690	\$ 1,864,768

WORLD FEDERATION OF ORTHODONTISTS

STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2011	2010
Cash Flows From Operating Activities		
Increase in net assets	\$ 165,922	\$ 851,022
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	1,190	1,091
Unrealized (gain) loss on investments	(42,159)	22,311
Changes in assets and liabilities:		
Decrease in accounts receivable	1,735	3,554
(Increase) decrease in interest receivable	4,813	(1,543)
(Increase) decrease in prepaid expenses	(3,278)	1,536
(Increase) decrease in inventory	(3,226)	1,119
Increase in accounts payable and accrued expenses	9,890	1,652
Increase (decrease) in deferred dues and fees	(25,523)	39,263
Net Cash Provided By Operating Activities	109,364	920,005
Cash Flows From Investing Activities		
Purchases of investments	—	(421,199)
Purchases of intangible assets	(11,645)	(8,330)
Net Cash Used In Investing Activities	(11,645)	(429,529)
Cash Flows Provided By (Used In) Financing Activities		
Net advances from (repayments to) affiliated entity	4,097	(9,909)
Net Increase In Cash And Cash Equivalents	101,816	480,567
Cash And Cash Equivalents - Beginning Of Year	2,046,796	1,566,229
Cash And Cash Equivalents - End Of Year	\$ 2,148,612	\$ 2,046,796

WORLD FEDERATION OF ORTHODONTISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 And 2010

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, 2011 and 2010, net assets of \$18,223 and \$12,923, 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 include certificates of deposit, recorded at cost adjusted for any unrealized gains or losses, totaling \$1,247,241 and \$1,752,337 at December 31, 2011 and 2010, respectively.

Cash is maintained in a deposit account at a financial institution that is fully insured. The certificates of deposit and money market funds are SIPC-insured up to \$500,000. At December 31, 2011, funds held in certificates of deposit and money market funds exceed the insurance limits by \$1,317,218.

Accounts Receivable And Loan To Affiliated Organization

Accounts receivable and 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 or 2010, as none was deemed necessary by management.

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.

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 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 2008 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through April 9, 2012, 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 \$21,760 and \$22,165 in 2011 and 2010, respectively. The amounts for 2011 and 2010 include in-kind rent and insurance totaling \$2,027 and \$4,865, respectively. At December 31, 2011 and 2010, the Federation had balances due to this related party amounting to \$12,123 and \$8,026, 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 \$441,047 and \$398,888 at December 31, 2011 and 2010, respectively. Investment income for 2011 and 2010 includes interest and dividends, before fees, of \$40,496 and \$53,064, respectively, as well as unrealized gains (losses) of \$42,159 and \$(22,311) in 2011 and 2010, respectively.

5. Functional Expenses

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

	<u>2011</u>	<u>2010</u>
Program expenses	\$ 185,099	\$ 211,946
Management and general	66,052	73,614
Total expenses	\$ 251,151	\$ 285,560