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***WORLD FEDERATION OF  
ORTHODONTISTS***  
*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2010*

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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, 2010 and 2009, 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 11, 2011

# WORLD FEDERATION OF ORTHODONTISTS

## STATEMENT OF FINANCIAL POSITION

### Assets

	December 31,	
	2010	2009
Cash and cash equivalents (Note 1)	\$ 2,046,796	\$ 1,566,229
Accounts receivable	9,416	12,970
Interest receivable	15,514	13,971
Prepaid expenses	2,697	4,233
Investments (Note 4)	398,888	—
Inventory	1,251	2,370
Loan to affiliated organization (Note 3)	100,000	100,000
Intangible assets, net of accumulated amortization of \$1,091 in 2010	7,239	—
<b>Total Assets</b>	<b>\$ 2,581,801</b>	<b>\$ 1,699,773</b>

### Liabilities And Net Assets

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 13,100	\$ 11,448
Due to affiliated entity (Note 3)	8,026	17,935
Deferred dues and fees	695,907	656,644
<b>Total Liabilities</b>	<b>717,033</b>	<b>686,027</b>
<b>Net Assets</b>		
Unrestricted	1,851,845	1,006,596
Temporarily restricted (Note 1)	12,923	7,150
<b>Total Net Assets</b>	<b>1,864,768</b>	<b>1,013,746</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 2,581,801</b>	<b>\$ 1,699,773</b>

# WORLD FEDERATION OF ORTHODONTISTS

## STATEMENT OF ACTIVITIES

	For The Years Ended December 31,	
	2010	2009
<b>Changes In Unrestricted Net Assets:</b>		
<b>Revenues</b>		
Membership dues and fees	\$ 288,386	\$ 284,851
Affiliation fees	10,329	10,816
Advertising revenue	5,000	2,000
Sales - promotional items (net of expenses of \$1,231 in 2010 and \$1,494 in 2009)	2,569	3,106
Investment income (Note 4)	30,603	50,171
In-kind rent/insurance (Note 3)	4,865	4,865
International Ortho Congress share revenue	782,714	—
World Journal of Orthodontics Royalty	6,120	8,705
Other income	223	128
<b>Total Revenues</b>	<b>1,130,809</b>	<b>364,642</b>
<b>Expenses (Notes 3 And 5)</b>		
Salaries and personnel expenses	98,134	102,693
Bank and credit card fees	9,409	11,840
Annual session meetings	4,017	4,867
Amortization	1,091	518
Conferences and expositions	19,015	—
Insurance	3,407	3,320
Interpreters	5,721	4,974
Miscellaneous	852	647
Office expenses	20,210	19,074
Postage	17,238	20,417
Printing	24,555	6,493
Professional fees	6,514	5,450
Telephone	2,664	2,623
Travel/meetings	21,700	13,274
WFO Gazette	46,186	34,942
WFO Journal	4,847	2,887
<b>Total Expenses</b>	<b>285,560</b>	<b>234,019</b>
<b>Increase In Unrestricted Net Assets</b>	<b>845,249</b>	<b>130,623</b>
<b>Changes In Temporarily Restricted Net Assets</b>		
Contributions	5,773	500
<b>Increase In Net Assets</b>	<b>851,022</b>	<b>131,123</b>
<b>Net Assets - Beginning Of Year</b>	<b>1,013,746</b>	<b>882,623</b>
<b>Net Assets - End Of Year</b>	<b>\$ 1,864,768</b>	<b>\$ 1,013,746</b>

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

	For The Years Ended December 31,	
	2010	2009
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 851,022	\$ 131,123
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	1,091	518
Unrealized loss on investments	22,311	—
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,554	(1,998)
Increase in interest receivable	(1,543)	(928)
(Increase) decrease in prepaid expenses	1,536	(1,658)
Decrease in inventory	1,119	1,360
Increase in accounts payable and accrued expenses	1,652	2,085
Increase in deferred dues and fees	39,263	145,784
<b>Net Cash Provided By Operating Activities</b>	<b>920,005</b>	<b>276,286</b>
<b>Cash Flows From Investing Activities</b>		
Collections on loan to affiliated organization	—	100,000
Purchases of investments	(421,199)	—
Purchases of intangible assets	(8,330)	—
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(429,529)</b>	<b>100,000</b>
<b>Cash Flows Provided By (Used In) Financing Activities</b>		
Net advances from (repayments to) affiliated entity	(9,909)	246
<b>Net Increase In Cash And Cash Equivalents</b>	<b>480,567</b>	<b>376,532</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>1,566,229</b>	<b>1,189,697</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 2,046,796</b>	<b>\$ 1,566,229</b>

# WORLD FEDERATION OF ORTHODONTISTS

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2010 And 2009

### 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 recommendations 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, 2010 and 2009, net assets of \$12,923 and \$7,150, 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 \$1,752,337 and \$1,275,712 at December 31, 2010 and 2009, respectively.

Cash is maintained in a deposit account at a financial institution that is federally insured during 2010 up to \$250,000. The certificates of deposit are SPIC insured up to \$500,000. The balances, at times, may exceed the federally insured limits.

**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, 2010 or 2009, 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**

The intangible assets balance is composed of new computer software, which is carried at cost, less accumulated amortization computed using the straight-line method over 7 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 under Section 501(c)(6) of the Internal Revenue Code and is, therefore, exempt from federal income taxes. The Federation's tax returns for tax years 2007 and later remain subject to examination by taxing authorities.

**Subsequent Events**

Management has evaluated subsequent events through April 11, 2011, 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

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## 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 \$22,165 and \$22,236 in 2010 and 2009, respectively. The amounts for 2010 and 2009 include in-kind rent and insurance totaling \$4,865, respectively. At December 31, 2010 and 2009, the Federation had balances due to this related party amounting to \$8,026 and \$17,935, respectively, which are reflected on the Statement of Financial Position as due to affiliated entity.

During 2008, the Federation funded advanced meeting expenses of \$100,000 to an affiliated organization from which it also receives fees. The Federation has advanced \$100,000 to various organizations in prior years. The loans are provided interest-free to the affiliated organizations which are coordinating international meetings. During 2009, the Federation was repaid \$100,000 by one of the affiliated organizations. Repayment of the remaining loan is to be received as proceeds from the meeting are collected in 2015.

### 4. Investments

In 2010, the Federation purchased government securities, the value of which is \$398,888 at December 31, 2010. There were no investments at December 31, 2009. Investment income for 2010 and 2009 includes interest and dividends of \$52,914 and \$50,171, respectively. There was an unrealized loss on investments of \$22,311 for the year ended December 31, 2010.

### 5. Functional Expenses

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

	<u>2010</u>	<u>2009</u>
Program expenses	\$ 211,946	\$ 180,035
Management and general	73,614	53,984
<u>Total expenses</u>	<u>\$ 285,560</u>	<u>\$ 234,019</u>