

AMERICAN SOCIETY OF HAND THERAPISTS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

AMERICAN SOCIETY OF HAND THERAPISTS

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
American Society of Hand Therapists
Mt. Laurel, New Jersey**

We have audited the accompanying statement of financial position of the American Society of Hand Therapists (a nonprofit organization) as of December 31, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the American Society of Hand Therapists' 2009 financial statements which were audited by other auditors whose report dated May 20, 2010 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Society of Hand Therapists at December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

BBD, LLP.

**Philadelphia, Pennsylvania
May 24, 2011**

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF FINANCIAL POSITION

December 31, 2010 with comparative totals for 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 250,057	\$ 268,851
Accounts receivable	14,595	10,150
Note receivable	-	50,000
Inventory	3,064	28,464
Prepaid expenses	66,060	75,906
Investments	516,139	516,365
Website development costs, net	<u>-</u>	<u>2,687</u>
Total assets	<u>\$ 849,915</u>	<u>\$ 952,423</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 48,903	\$ 64,786
Deferred revenue	<u>305,115</u>	<u>313,205</u>
Total liabilities	<u>354,018</u>	<u>377,991</u>
NET ASSETS		
Unrestricted	448,518	529,881
Temporarily restricted	<u>47,379</u>	<u>44,551</u>
Total net assets	<u>495,897</u>	<u>574,432</u>
Total liabilities and net assets	<u>\$ 849,915</u>	<u>\$ 952,423</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF ACTIVITIES

Year ended December 31, 2010 with comparative totals for 2009

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
REVENUE				
Membership dues	\$ 598,238	\$ -	\$ 598,238	\$ 660,070
Annual meeting	51,090	-	51,090	654,911
International meeting	316,083	-	316,083	-
Education	78,050	-	78,050	154,055
Communications and awareness	72,188	-	72,188	70,914
Contributions	30	2,828	2,858	4,350
Investment income (loss)	(914)	-	(914)	2,708
Other revenue	<u>14,720</u>	<u>-</u>	<u>14,720</u>	<u>9,323</u>
Total revenue	<u>1,129,485</u>	<u>2,828</u>	<u>1,132,313</u>	<u>1,556,331</u>
EXPENSES				
Program services				
Annual meeting	76,198	-	76,198	743,366
International meeting	295,936	-	295,936	-
Education	196,547	-	196,547	149,881
Communications and awareness	301,571	-	301,571	159,862
Supporting services				
Management and general	201,839	-	201,839	365,061
Membership development	<u>64,862</u>	<u>-</u>	<u>64,862</u>	<u>129,576</u>
Total expenses	<u>1,136,953</u>	<u>-</u>	<u>1,136,953</u>	<u>1,547,746</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(7,468)	2,828	(4,640)	8,585
OTHER CHANGES				
Write-off of note receivable and obsolete inventory	<u>(73,895)</u>	<u>-</u>	<u>(73,895)</u>	<u>-</u>
CHANGE IN NET ASSETS	(81,363)	2,828	(78,535)	8,585
NET ASSETS				
Beginning of year	<u>529,881</u>	<u>44,551</u>	<u>574,432</u>	<u>565,847</u>
End of year	<u>\$ 448,518</u>	<u>\$ 47,379</u>	<u>\$ 495,897</u>	<u>\$ 574,432</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF CASH FLOWS

Year ended December 31, 2010 with comparative totals for 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (78,535)	\$ 8,585
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Net realized and unrealized loss on investments	1,188	1,689
Depreciation	2,687	14,127
Write-off of note receivable and obsolete inventory	73,895	-
(Increase) decrease in		
Accounts receivable	(4,445)	45,226
Inventory	1,505	4,058
Prepaid expenses	9,846	155,432
Increase (decrease) in		
Accounts payable and accrued expenses	(15,883)	(128,322)
Deferred revenue	(8,090)	(102,425)
Net cash used for operating activities	<u>(17,832)</u>	<u>(1,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(594,826)	(518,054)
Proceeds from sale of investments	<u>593,864</u>	<u>300,000</u>
Net cash used for investing activities	<u>(962)</u>	<u>(218,054)</u>
Net decrease in cash	(18,794)	(219,684)
CASH		
Beginning of year	<u>268,851</u>	<u>488,535</u>
End of year	<u>\$ 250,057</u>	<u>\$ 268,851</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(1) NATURE OF OPERATIONS

The American Society of Hand Therapists (the "**Society**") is a nonprofit organization formed for the purpose of advancing the science of hand therapy through communication, education, advocacy, research and clinical standards.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Society reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Society and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "***net assets released from restrictions.***"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of the Society.

Fair Value Measurements of Assets and Liabilities

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Society. Unobservable inputs reflect the Society's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Society's own assumptions.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Accounting Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Society to concentrations of credit risk are cash and accounts receivable. The Society maintains cash deposits at various high-quality banks and financial institutions. At times, such deposits may exceed federally-insured limits. Accounts receivable consist primarily of royalties from the publisher of the journal provided to the Society's members. No collateral is required.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. 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 accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Society does not charge interest on outstanding balances.

Inventory

Inventory items are stated at cost, determined using the first-in, first-out method.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned.

The Society invests in a professionally-managed portfolio that contains various types of investments (**See Note 3**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that the amounts reported in the financial statements could change materially in the near term.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as **"unrestricted."**

Unconditional contributions are recognized when the related promise to give is received. Conditional contributions are recognized when the conditions are satisfied.

AMERICAN SOCIETY OF HAND THERAPISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Revenue

Meeting registration fees are recognized as revenue in the year of the meeting. Membership dues are recognized as revenue in the year to which they relate. Accordingly, revenue from these sources received in advance of the applicable year is included in deferred revenue in the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income.

Effective January 1, 2009, the Society adopted a new accounting standard regarding uncertain tax positions. The new standard prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Society believes that it had no uncertain tax positions as defined in the standard and, as a result, the adoption of the new standard had no impact on the Society's financial statements.

Reclassifications

Certain items in the 2009 comparative totals have been reclassified in order to conform to the 2010 presentation.

(3) INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 117,327	\$ 44,552
Certificates of deposit	<u>398,812</u>	<u>471,813</u>
	<u>\$516,139</u>	<u>\$516,365</u>

Investment income (loss) for the year ended December 31, was comprised of the following:

	<u>2010</u>	<u>2009</u>
Interest income	\$ 274	\$ 4,397
Net realized and unrealized loss on investments	<u>(1,188)</u>	<u>(1,689)</u>
	<u>\$ (914)</u>	<u>\$ 2,708</u>

Investments are measured at fair value using Level 1 (quoted prices in active markets for identical assets) valuation inputs.

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(4) TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2010, temporarily restricted net assets were available for the following purposes:

	<u>Balance</u> <u>December 31, 2009</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2010</u>
Awards and scholarships fund	\$13,625	\$ -	\$ -	\$13,625
Annual meeting sessions	9,839	-	-	9,839
Public affairs and advocacy	<u>21,087</u>	<u>2,828</u>	<u>-</u>	<u>23,915</u>
	<u>\$44,551</u>	<u>\$2,828</u>	<u>\$ -</u>	<u>\$47,379</u>

(5) MANAGEMENT AGREEMENT

The Society receives meeting and various administrative services from an association management company pursuant to a management agreement that is scheduled to expire December 31, 2012 but may be terminated by either the Society or the association management company with proper notification. The management fees incurred by the Society were \$600,549 for 2010 and \$696,922 for 2009.

(6) JOURNAL SUBSCRIPTION AGREEMENT

The Society entered into an agreement with a publisher to publish the Society's journal, which expires December 31, 2014. The publisher invoices the Society based on the number of copies mailed and pays the Society an honorarium and royalty each year. Journal subscription expense was \$47,057 and \$71,403 for the years ended December 31, 2010 and 2009, respectively.

(7) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2011, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2010 that require recognition or disclosure in the financial statements.