

American Society of Hand Therapists

Financial Statements
Year Ended December 31, 2017



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AMERICAN SOCIETY OF HAND THERAPISTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the American Society of Hand Therapists (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the American Society of Hand Therapists' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
April 17, 2018**

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF FINANCIAL POSITION

December 31, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 580,961	\$ 568,847
Accounts receivable	22,385	18,768
Prepaid expenses and other assets	75,707	68,779
Investments	990,381	832,963
Website development costs, net of accumulated depreciation of \$43,007 in 2017 and \$15,845 in 2016	<u>92,807</u>	<u>119,969</u>
Total assets	<u>\$ 1,762,241</u>	<u>\$ 1,609,326</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 39,093	\$ 37,171
Deferred revenue	<u>442,198</u>	<u>482,706</u>
Total liabilities	<u>481,291</u>	<u>519,877</u>
NET ASSETS		
Unrestricted	1,228,486	1,032,062
Temporarily restricted	<u>52,464</u>	<u>57,387</u>
Total net assets	<u>1,280,950</u>	<u>1,089,449</u>
Total liabilities and net assets	<u>\$ 1,762,241</u>	<u>\$ 1,609,326</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF ACTIVITIES

Year ended December 31, 2017 with comparative totals for 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT				
Membership dues and subscriptions	\$ 772,609	\$ -	\$ 772,609	\$ 708,226
Annual meeting	635,737	-	635,737	596,240
Education	261,621	-	261,621	252,366
Contributions	-	7,541	7,541	18,126
Research	10,015	-	10,015	10,045
Other revenue	92,439	-	92,439	96,693
Investment income	74,353	-	74,353	30,298
Net assets released from restrictions	<u>12,464</u>	<u>(12,464)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,859,238</u>	<u>(4,923)</u>	<u>1,854,315</u>	<u>1,711,994</u>
EXPENSES				
Program services				
Annual meeting	715,778	-	715,778	658,978
Education	202,831	-	202,831	185,307
Other	110,128	-	110,128	108,598
Supporting services				
Management and general	419,524	-	419,524	423,080
Membership development	<u>214,553</u>	<u>-</u>	<u>214,553</u>	<u>196,868</u>
Total expenses	<u>1,662,814</u>	<u>-</u>	<u>1,662,814</u>	<u>1,572,831</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	<u>196,424</u>	<u>(4,923)</u>	<u>191,501</u>	<u>139,163</u>
OTHER CHANGES				
Loss on disposal of website development costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,035)</u>
CHANGE IN NET ASSETS	<u>196,424</u>	<u>(4,923)</u>	<u>191,501</u>	<u>111,128</u>
NET ASSETS				
Beginning of year	<u>1,032,062</u>	<u>57,387</u>	<u>1,089,449</u>	<u>978,321</u>
End of year	<u>\$ 1,228,486</u>	<u>\$ 52,464</u>	<u>\$ 1,280,950</u>	<u>\$ 1,089,449</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF CASH FLOWS

Year ended December 31, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 191,501	\$ 111,128
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gain on investments	(60,885)	(18,207)
Loss on disposal of website development costs	-	28,035
Depreciation	27,162	27,151
(Increase) decrease in		
Accounts receivable	(3,617)	35,242
Prepaid expenses and other assets	(6,928)	5,274
Increase (decrease) in		
Accounts payable and accrued expenses	1,922	(32,346)
Deferred revenue	(40,508)	56,786
Net cash provided by operating activities	<u>108,647</u>	<u>213,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(198,452)	(216,475)
Proceeds from sale of investments	101,919	125,664
Purchase of website development costs	-	(135,814)
Net cash used for investing activities	<u>(96,533)</u>	<u>(226,625)</u>
Increase (decrease) in cash	12,114	(13,562)
CASH		
Beginning of year	<u>568,847</u>	<u>582,409</u>
End of year	<u>\$ 580,961</u>	<u>\$ 568,847</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(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.

There were no permanently restricted net assets at December 31, 2017 and 2016.

Estimates

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.

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 ("**GAAP**"). Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Fair Value Measurements of Assets and Liabilities

GAAP defines 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:

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

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.

Investments and Investment Income

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. Interest income is recorded as earned.

The Society invests in a professionally-managed portfolio that contains various types of securities (**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.

Website Development Costs

Website development costs are carried at cost if purchased and at fair value at the date of donation if contributed. Depreciation is computed using the straight-line method over the estimated lives of the assets.

Revenue and Support

Annual meeting and education income is recognized as revenue in the year of the meeting or event. Membership dues and subscriptions 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.

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, 2017

Functional Allocation of Expenses

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

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP 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 there are no uncertain tax positions as defined in GAAP and, as a result, there is no impact on the financial statements.

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 a high-quality bank. At times, such deposits may exceed federally-insured limits. Accounts receivable consist primarily of job target postings and royalties from the publisher of the Society's journal. No collateral is required.

(3) INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$235,208	\$232,578
Certificates of deposit	36,950	37,911
Exchange traded funds		
Equity	151,868	110,026
Fixed income	212,734	20,198
Mutual funds		
Equity	183,498	173,449
Fixed income	<u>170,123</u>	<u>258,801</u>
	<u>\$990,381</u>	<u>\$832,963</u>

Investments were measured at fair value using Level 1 valuation inputs except for certificates of deposit which were measured at fair value using Level 2 valuation inputs.

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

	<u>2017</u>	<u>2016</u>
Interest income	\$ 19,446	\$ 16,339
Net realized and unrealized gain on investments	60,885	18,207
Investment management fees	<u>(5,978)</u>	<u>(4,248)</u>
	<u>\$ 74,353</u>	<u>\$ 30,298</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(4) TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, temporarily restricted net assets were available for the following purposes:

	<u>Balance</u> <u>December 31, 2016</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2017</u>
Awards and scholarships	\$14,516	\$ 708	\$ (522)	\$14,702
Annual meeting sessions	8,228	667	(5,865)	3,030
Jan Albrecht memorial fund	100	249	(324)	25
Public affairs and advocacy	<u>34,543</u>	<u>5,917</u>	<u>(5,753)</u>	<u>34,707</u>
	<u>\$57,387</u>	<u>\$ 7,541</u>	<u>\$(12,464)</u>	<u>\$52,464</u>

(5) MANAGEMENT AGREEMENT

The Society receives meeting and various administrative services from an association management company pursuant to a management agreement that expires December 31, 2020. Terms of the agreement include an annual fee to be paid to the management company as well as an incentive amount that is agreed upon annually. Either party can terminate the agreement with 120 days written notice. Management fees incurred by the Society were \$715,400 for 2017 and \$680,000 for 2016.

(6) JOURNAL SUBSCRIPTION AGREEMENT

The Society entered into an agreement with a publisher to publish the Society's journal, which expires December 31, 2019. 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 \$91,936 and \$93,222 for the years ended December 31, 2017 and 2016, respectively.

(7) HOTEL COMMITMENTS

The Society has entered into agreements with hotels providing room accommodations for its annual meeting through 2019. These agreements include a guarantee by the Society that a minimum number of rooms will be rented by attendees. The Society intends to hold the annual meeting at the scheduled hotels.

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 17, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

AMERICAN SOCIETY OF HAND THERAPISTS

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2017 with comparative totals for 2016

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Totals</u>	
	<u>Annual</u>	<u>Education</u>	<u>Other</u>	<u>Management and General</u>	<u>Membership Development</u>	<u>2017</u>	<u>2016</u>
	<u>Meeting</u>						
Advertising and marketing	\$ 7,732	\$ -	\$ -	\$ -	\$ 33,829	\$ 41,561	\$ 35,623
Audiovisual expense	80,663	-	-	-	-	80,663	84,641
Awards	324	522	5,000	507	-	6,353	22,470
Bank and credit card fees	14,551	5,964	-	2,107	17,611	40,233	35,936
Board and committee expenses	5,449	-	-	22,276	-	27,725	47,736
Depreciation	9,782	4,009	116	1,415	11,840	27,162	27,151
Education	4,936	68,835	1,674	1,100	-	76,545	59,036
Honoraria	2,000	1,251	-	30,000	-	33,251	33,750
Hotel, food and beverage	214,351	-	-	-	-	214,351	177,380
Insurance	2,192	-	-	5,971	-	8,163	6,851
Journal subscription expense	-	-	91,936	-	-	91,936	93,222
Management fees	233,467	116,733	-	219,283	145,917	715,400	680,000
Postage	2,647	-	-	10,444	-	13,091	10,623
Printing, design and copies	49,693	5,517	-	30,709	-	85,919	82,811
Professional fees	49,752	-	11,402	10,030	-	71,184	61,493
Registration and dues	6,740	-	-	-	3,391	10,131	3,668
Supplies	3,428	-	-	9,707	-	13,135	13,497
Telecommunications	-	-	-	37,036	1,965	39,001	37,117
Travel	16,553	-	-	17,365	-	33,918	29,531
Website	4,700	-	-	3,646	-	8,346	8,961
Miscellaneous	6,818	-	-	17,928	-	24,746	21,334
Total expenses	\$ 715,778	\$ 202,831	\$ 110,128	\$ 419,524	\$ 214,553	\$ 1,662,814	\$ 1,572,831