ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Association for Research in Otolaryngology
Brentwood, Tennessee

We have audited the accompanying financial statements of the Association for Research in Otolaryngology (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America. 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 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 Association for Research in Otolaryngology as of and for the year ended December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen, which could potentially impact investments, revenues, and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.

Prior Year Financial Statements

The financial statements of the Association for Research in Otolaryngology as of December 31, 2019, were audited by other auditors whose report dated October 2, 2020, expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
October 19, 2021

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 324,632	$ 946,289
Accounts receivable	24,576	745
Prepaid expenses and deposits	45,928	130,956
Investments	1,138,881	1,002,590
Total Assets	$ 1,534,017	$ 2,080,580
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 13,177	$ 6,463
Deferred revenue	193,980	574,753
Total Liabilities	207,157	581,216
Net Assets:		
Without Donor Restrictions	1,314,655	1,488,884
With Donor Restrictions	12,205	10,480
Total Net Assets	1,326,860	1,499,364
Total Liabilities and Net Assets	$ 1,534,017	$ 2,080,580

The accompanying notes to the financial statements are an integral part of these statements.

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Dues	$ 166,760	$ -	$ 166,760
Journal revenue	61,484	-	61,484
Meeting revenue	591,820	-	591,820
Grant income and sponsorships	18,000	5,725	23,725
Investment income	136,784	-	136,784
Other income	1,175	-	1,175
Net assets released from restrictions	4,000	(4,000)	-
Total Revenue, Gains, and Other Support	980,023	1,725	981,748
Expenses:			
Program Services:			
Annual meeting	896,710	-	896,710
Journal	20,000	-	20,000
Total Program Services	916,710	-	916,710
Supporting Services:			
General and administrative	237,542	-	237,542
Total Expenses	1,154,252	-	1,154,252
Change in net assets	(174,229)	1,725	(172,504)
Net assets, beginning of year	1,488,884	10,480	1,499,364
Net assets, end of year	$ 1,314,655	$ 12,205	$ 1,326,860

The accompanying notes to the financial statements are an integral part of this statement.

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Dues	$ 182,960	$ -	$ 182,960
Journal revenue	65,004	-	65,004
Meeting revenue	617,385	-	617,385
Grant income and sponsorships	89,340	6,130	95,470
Investment income	163,078	-	163,078
Other income	13,695	-	13,695
Net assets released from restrictions	4,650	(4,650)	-
Total Revenue, Gains, and Other Support	1,136,112	1,480	1,137,592
Expenses:			
Program Services:			
Membership	71,133	-	71,133
Annual meeting	586,281	-	586,281
Journal	44,897	-	44,897
Total Program Services	702,311	-	702,311
Supporting Services:			
General and administrative	175,745	-	175,745
Total Expenses	878,056	-	878,056
Change in net assets	258,056	1,480	259,536
Net assets, beginning of year	1,230,828	9,000	1,239,828
Net assets, end of year	$ 1,488,884	$ 10,480	$ 1,499,364

The accompanying notes to the financial statements are an integral part of this statement.

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services				
	Annual Meeting	Journal	Total Program Services	General and Administrative	Total Expenses
Abstracts	$ 18,525	$ -	$ 18,525	$ -	$ 18,525
Audio visual	93,370	-	93,370	-	93,370
Bank and credit card fees	-	-	-	18,716	18,716
Committee expenses	-	-	-	4,138	4,138
Food and beverage	378,571	-	378,571	-	378,571
Honorarium	30,612	20,000	50,612	-	50,612
Insurance	1,063	-	1,063	4,157	5,220
Management fees	150,500	-	150,500	150,500	301,000
Meeting expenses	151,049	-	151,049	-	151,049
Miscellaneous	-	-	-	445	445
Office supplies	371	-	371	-	371
Postage and freight	5,206	-	5,206	15	5,221
Printing and duplication	-	-	-	7	7
Professional services	-	-	-	32,283	32,283
Site visits	564	-	564	-	564
Software and subscriptions	-	-	-	19,959	19,959
Telephone and internet	-	-	-	629	629
Travel	11,379	-	11,379	540	11,919
Travel awards	55,500	-	55,500	-	55,500
Website	-	-	-	6,153	6,153
	$ 896,710	$ 20,000	$ 916,710	$ 237,542	$ 1,154,252

The accompanying notes to the financial statements are an integral part of this statement.

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services					
	Membership	Annual Meeting	Journal	Total Program Services	General and Administrative	Total Expenses
Abstracts	$ -	$ 16,777	$ -	$ 16,777	$ -	$ 16,777
Audio visual	-	76,064	-	76,064	-	76,064
Bank and credit card fees	6,792	11,208	2,377	20,377	13,850	34,227
Committee expenses	-	2,729	-	2,729	1,352	4,081
Food and beverage	-	172,382	-	172,382	3,121	175,503
Honorarium	-	17,541	20,000	37,541	-	37,541
Insurance	-	1,592	-	1,592	2,085	3,677
Management fees	62,548	103,204	21,892	187,644	125,096	312,740
Meeting expenses	-	117,533	-	117,533	-	117,533
Miscellaneous	-	-	-	-	3,329	3,329
Office supplies	1,793	3,150	628	5,571	4,218	9,789
Postage and freight	-	2,652	-	2,652	233	2,885
Printing and duplication	-	130	-	130	-	130
Professional services	-	696	-	696	9,246	9,942
Site visits	-	1,494	-	1,494	-	1,494
Telephone and internet	-	137	-	137	1,050	1,187
Travel	-	4,612	-	4,612	3,335	7,947
Travel awards	-	54,380	-	54,380	-	54,380
Website	-	-	-	-	8,830	8,830
	$ 71,133	$ 586,281	$ 44,897	$ 702,311	$ 175,745	$ 878,056

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (172,504)	$ 259,536
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Unrealized gain on investments	(98,053)	(137,966)
Changes in operating assets and liabilities:		
Accounts receivable	(23,831)	(745)
Prepaid expenses and deposits	85,028	(23,563)
Accounts payable	6,714	5,911
Deferred revenue	(380,773)	47,904
Net cash flows from operating activities	(583,419)	151,077
Cash flows from investing activities:		
Purchase of investments	(38,238)	(24,739)
Net cash flows from investing activities	(38,238)	(24,739)
Change in cash and cash equivalents	(621,657)	126,338
Cash and cash equivalents, beginning of year	946,289	819,951
Cash and cash equivalents, end of year	$ 324,632	$ 946,289

The accompanying notes to the financial statements are an integral part of these statements.

Note 1—Nature of operations and summary of significant accounting policies

Nature of the Entity – The Association for Research in Otolaryngology (the "Association") is a nonprofit organization founded in 1974 to promote education, knowledge, and experience in basic and clinical research among members for the benefit of the profession and public. This is accomplished through meetings, courses, exhibits, and membership. It draws its members from around the world. Otolaryngology is a branch of medicine that deals with ear, nose, and throat. Revenues are derived primarily from membership dues, publication sales, and meeting registration.

Financial Statement Presentation – The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2020 and 2019, none of the Association's net assets with donor restrictions are required by the donors to be held in perpetuity.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements – The Association categorizes its assets and liabilities measured at fair value into a three level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Cash and Cash Equivalents – The Association considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. At times during the year, the Association maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") limits (see Note 4).

Investments – Investments are carried at fair market value. Investments of the Association are valued at the net asset value at year-end. Securities valued using Level 1 inputs include those investments that are traded by dealers or brokers in active over-the-counter markets. The Association has no Level 2 or Level 3 securities.

Accounts Receivable – The Association uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific receivables. When all collection efforts have been exhausted, the accounts are written off. Management has determined that an allowance for doubtful accounts is not required as of December 31, 2020 and 2019.

Meeting Revenue – The registrations for meetings contain a single performance obligation such that the related revenue is recognized over time the event takes place since the benefit is consumed as the service is provided. Accordingly, any amounts received in advance of future conferences, whether in the form of membership dues or annual conference registrations, represent contract liabilities which are classified as deferred revenue in the statements of financial position. Meeting revenues are recognized in the period the event takes place.

Grant Income and Sponsorships – Unconditional grants, sponsorships, and donations that support the meetings are recognized at their present value in the period received. Conditional sponsorships and grants are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. There were no conditional contributions outstanding as of December 31, 2020 and 2019.

Contributions – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at the time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Dues Revenue – Dues are assessed on a calendar year basis and may be purchased annually. Fees are based on member categories and upon payment of dues, the member has immediate access to tools and resources. Dues are recognized ratably over the period of membership. Unearned revenue is reflected as deferred revenue on the statements of financial position.

Journal Revenue – Journal revenue includes fees for providing access to newsletters/magazines. The Association recognizes revenue from these services on a ratable basis over the contract term, typically over an anniversary basis.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities but are detailed by their natural classification in the statements of functional expenses. Management fees, bank fees, and office supplies have been allocated among the programs and administrative expenses based on a time study of the management company's time and effort to their related functional areas. All other expenses are directly allocated.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Income Taxes – The Association is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state tax statues. The Association's income tax returns are subject to review and examination by federal and state authorities. The Association is not aware of any activities that would jeopardize its tax-exempt status or any uncertain tax positions in the accompanying financial statements.

Subsequent Events – The Association has evaluated subsequent events and transactions for potential recognition or disclosure through October 19, 2021, the date the financial statements were available to be issued.

Note 2—Liquidity and availability of resources

The Association has a goal to maintain financial assets, which consist of cash and investments on hand to meet normal operating expenses. As part of its liquidity management, the Association assesses its cash needs to potentially invest cash in excess of daily requirements in various mutual fund investments. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	2020	2019
Cash and cash equivalents	$ 324,632	$ 946,289
Accounts receivable	24,576	745
Investments	1,138,881	1,002,590
Less net assets with donor restrictions	(12,205)	(10,480)
Total financial assets	$ 1,475,884	$ 1,939,144

Note 3—Investments

Investments are stated at fair value determined based on active markets (Level 1) and consist of the following as of December 31:

	2020	2019
Stocks	$ 694,831	$ 597,421
Bonds	434,255	387,988
Short-term reserves	5,467	16,880
Other	4,328	301
	$ 1,138,881	$ 1,002,590

Note 4—Concentrations of credit risk

Financial instruments that potentially subject the Association to credit risk consist principally of cash and cash equivalents, and investments. Cash balances are maintained in excess of FDIC insured amounts. The Association has not experienced any losses in such accounts. Uninsured balances at December 31, 2020 and 2019 totaled approximately $42,000 and $696,000, respectively. The Association owns investments in mutual funds, common stocks, and bonds that are subject to market risk.

Note 5—Revenue from contracts with customers

The following table provides information about the significant changes in the Association's deferred revenue for the years ended December 31, 2020 and 2019. The amounts below represent all contracts with customers, including dues and meeting revenues.

	2020	2019
Deferred revenue, beginning of year	$ 574,753	$ 526,849
Contract fees recognized	758,580	871,479
Collections of contract fees	(1,139,353)	(823,575)
Deferred revenue, end of year	$ 193,980	$ 574,753

Note 6—Net assets with donor restrictions

The Association receives specific contributions in the form of corporate support for expenses associated with various committees, meetings, travel, and other awards programs. These donations are classified as net assets with donor restrictions until the restricted purpose has been fulfilled. The following represents a summary of the activity for the years ended December 31:

Purpose	Balance at December 31, 2019	Contributions Received from January 1, 2020 to December 31, 2020	Expended and/or Released by Specific Purpose Being Fulfilled	Balance at December 31, 2020
Henderson travel award	$ 10,480	$ 5,725	$ (4,000)	$ 12,205

Purpose	Balance at December 31, 2018	Contributions Received from January 1, 2019 to December 31, 2019	Expended and/or Released by Specific Purpose Being Fulfilled	Balance at December 31, 2019
Henderson travel award	$ 9,000	$ 6,130	$ (4,650)	$ 10,480

Note 7—Commitments

The Association engages a management company to provide all management and administrative services. Effective April 1, 2020, the Association entered into a new management and administrative services contract which is effective through December 31, 2022 at a rate of $24,000 per month. Management fees expense totaled $301,000 and $312,740 for the years ended December 31, 2020 and 2019, respectively and are included in the respective statements of functional expenses.

The Association has entered into contracts with various hotels to provide accommodations and meeting spaces for conference participants for 2022. The contracts contain cancellation clauses whereby the Association may be required to cover the cost of unused facilities. Currently, the Association has no intention of cancelling the contracts beyond fiscal 2021, but is currently monitoring the effects of the COVID-19 pandemic on upcoming conferences (see Note 8).

Note 8—Uncertainty

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant, negative impact on the operating activities and results of the Association. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions of travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.