Association for Research in Otolaryngology

Financial Statements
Year Ended December 31, 2021

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ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

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INDEPENDENT AUDITOR'S REPORT

Council
Association for Research in Otolaryngology
Brentwood, Tennessee

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association for Research in Otolaryngology and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustment to Prior Period Summarized Comparative Information

The financial statements of the Association for Research in Otolaryngology as of and for the year ended December 31, 2020, were audited by other auditors, whose report dated October 19, 2021, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived. As discussed in Note 3, the Association for Research in Otolaryngology has restated its 2020 financial statements during the current year to reduce certain expenses in 2020 that had been overstated. The other auditors reported on the 2020 financial statements before the restatement.

As part of our audit of the 2021 financial statements, we also audited the adjustment described in Note 3 that was applied to restate the 2020 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the 2020 financial statements of the Association of Research in Otolaryngology other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association for Research in Otolaryngology's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association for Research in Otolaryngology's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association for Research in Otolaryngology's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BBD, LLP.

Philadelphia, Pennsylvania
September 12, 2022

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENT OF FINANCIAL POSITION

December 31, 2021 with comparative totals for 2020

	2021	2020 (As Restated)
ASSETS		
Cash	$ 679,045	$ 324,632
Accounts receivable	167,685	62,053
Prepaid expenses	22,192	45,928
Investments	1,253,655	1,138,881
Total assets	$ 2,122,577	$ 1,571,494
LIABILITIES		
Accounts payable and accrued expenses	$ 963	$ 13,177
Deferred revenue		
Annual midwinter meeting	337,800	119,510
Membership dues	87,440	74,470
Total liabilities	426,203	207,157
NET ASSETS		
Without donor restrictions	1,680,269	1,352,132
With donor restrictions	16,105	12,205
Total net assets	1,696,374	1,364,337
Total liabilities and net assets	$ 2,122,577	$ 1,571,494

See accompanying notes

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENT OF ACTIVITIES

Year ended December 31, 2021 with comparative totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020 (As Restated)
REVENUE AND SUPPORT				
Annual midwinter meeting	$ 235,702	$ -	$ 235,702	$ 591,820
Membership dues	179,680	-	179,680	166,760
Publications	64,493	-	64,493	61,484
Grants and contributions	123,188	5,400	128,588	23,725
Other revenue	33,142	-	33,142	1,175
Net assets released from restrictions	1,500	(1,500)	-	-
Total revenue and support	637,705	3,900	641,605	844,964
EXPENSES				
Program services	219,028	-	219,028	879,233
Supporting service				
Management and general	205,314	-	205,314	237,542
Total expenses	424,342	-	424,342	1,116,775
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	213,363	3,900	217,263	(271,811)
OTHER CHANGES				
Investment income	114,774	-	114,774	136,784
CHANGE IN NET ASSETS	328,137	3,900	332,037	(135,027)
NET ASSETS				
Beginning of year	1,352,132	12,205	1,364,337	1,499,364
End of year	$ 1,680,269	$ 16,105	$ 1,696,374	$ 1,364,337

See accompanying notes

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021 with comparative totals for 2020

	Program Services	Management and General	Totals 2021	Totals 2020 (As Restated)
Audiovisual	$ 33,498	$ 290	$ 33,788	$ 112,830
Awards	4,333	250	4,583	55,500
Bank and credit card fees	7,782	7,335	15,117	18,716
Honoraria	10,636	20,000	30,636	50,612
Hotel, food and beverage	529	-	529	378,571
Insurance	855	2,415	3,270	5,220
Management fees	144,000	144,000	288,000	301,000
Professional fees	-	18,113	18,113	32,283
Registration and meeting expenses	4,545	-	4,545	97,909
Travel	-	-	-	16,057
Website and technology	11,839	7,679	19,518	24,677
Miscellaneous	1,011	5,232	6,243	23,400
Total expenses	$ 219,028	$ 205,314	$ 424,342	$ 1,116,775

See accompanying notes

ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY

STATEMENT OF CASH FLOWS

Year ended December 31, 2021 with comparative totals for 2020

	2021	2020 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 332,037	$ (135,027)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Net realized and unrealized gain on investments	(67,957)	(98,053)
(Increase) decrease in		
Accounts receivable	(105,632)	(61,308)
Prepaid expenses	23,736	85,028
Increase (decrease) in		
Accounts payable and accrued expenses	(12,214)	6,714
Deferred revenue	231,260	(380,773)
Net cash provided by (used for) operating activities	401,230	(583,419)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(46,817)	(38,238)
Net change in cash	354,413	(621,657)
CASH		
Beginning of year	324,632	946,289
End of year	$ 679,045	$ 324,632

See accompanying notes

(1) ORGANIZATION

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.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

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

Without donor restrictions

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

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Association and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Association to expend the income generated in accordance with the provisions of the contribution. The Association had no net assets to be maintained indefinitely at December 31, 2021.

Accounting Estimates

In preparing financial statements in conformity with generally accepted accounting principles (***"GAAP"***), 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 differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with organizations having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Interest is not charged on outstanding balances.

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 Association. Unobservable inputs reflect the Association's assumptions about the inputs market participants would use in pricing the asset or liability 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 quoted prices in active markets for identical assets or liabilities that the Association 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 Association's own assumptions.

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 Association invests in a professionally-managed portfolio that contains various types of investments ***(See Note 4)***. 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.

Revenue Recognition

Annual midwinter meeting fees are based on published fixed rates and collected either at the time of registration, in advance of the meeting resulting in a deferred revenue balance, or at the time the meeting takes place and immediately recognized as revenue. Annual midwinter meeting revenues are recognized in the period the meeting is conducted.

Membership dues are invoiced based on fixed rate schedules at the beginning of the calendar year, which creates a deferred revenue balance upon collection. Revenue from membership dues is recognized as revenue on a pro rata basis over the calendar year as the benefits are provided.

Publication prices are fixed at the time of purchase based on published fixed rates. Revenue from publications is recognized in the period that the publication is delivered to the customer or over the period of time that a customer may access the resource depending on the type of publication.

Deferred revenue at December 31, 2021 is expected to be recognized as revenue in 2022.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions 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 net assets without donor restrictions.

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

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include management fees, which are allocated based on estimates of time and effort.

Income Taxes

The Association 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 Association's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Association believes that it had no uncertain tax positions as defined in GAAP.

Concentration of Credit Risk

Cash and accounts receivable are financial instruments which potentially subject the Association to a concentration of credit risk. The Association maintains cash deposits at a high-quality bank. At times, such deposits may exceed federally-insured limits. Accounts receivable is expected to be collected in 2022.

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, 2020, from which the summarized information was derived.

Reclassifications

Certain items in the 2020 summarized comparative totals have been reclassified to conform to the 2021 presentation.

(3) PRIOR PERIOD ADJUSTMENT

During 2021, management determined that an adjustment needed to be made to the 2020 financial statements. Management determined that certain meeting expenses were overstated by $37,477 in the 2020 financial statements. As a result, an adjustment was made to the 2020 financial statements reducing expenses and increasing net assets without donor restrictions by $37,477.

(4) INVESTMENTS

Investments consisted of the following at December 31,:

	2021	2020
Mutual funds		
Equity	$ 762,199	$ 694,831
Fixed income	491,456	444,050
	$1,253,655	$1,138,881

The fair value of investments was determined using level 1 valuation inputs.

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

	2021	2020
Interest and dividends	$ 46,817	$ 38,731
Net realized and unrealized gain	67,957	98,053
	$ 114,774	$ 136,784

(5) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 is restricted for the Henderson travel award.

(6) MANAGEMENT AGREEMENT

The Association receives various management services from Parthenon Management Group pursuant to a management agreement that continues through December 31, 2022. The agreement provides for an automatic one-year renewal unless either party notifies the other 90 days prior to the end of the current term. The management fees incurred by the Association were $288,000 for the year ended December 31, 2021.

(7) COMMITMENTS

The Association has entered into agreements with hotels providing room accommodations for its annual meetings from 2023 through 2025. These agreements include a guarantee by the Association that a minimum number of rooms will be rented by meeting attendees. The 2021 and 2022 annual meetings were held virtually.

(8) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	$ 679,045
Accounts receivable	167,685
Investments	1,253,655
Total financial assets	2,100,385
Less: financial assets not available for general operations within one year	
Restricted by donors for specified purposes	(16,105)
Total financial assets available within one year	$2,084,280

Liquidity Management

As part of the Association's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 12, 2022, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred since December 31, 2021 that require recognition or disclosure in the financial statements.