ASSOCIATION FOR RESEARCH IN OTOLARYNGOLOGY
Financial Statements
December 31, 2023 and 2022
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Association for Research in Otolaryngology
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December 31, 2023 and 2022

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Council of
Association for Research in Otolaryngology:

Opinion

We have audited the financial statements of the Association for Research in Otolaryngology (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 accompanying 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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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.

Other Matter

The financial statements of the Association for Research in Otolaryngology as of and for the year ended December 31, 2022, were audited by BBD, LLP, who joined with WithumSmith+Brown, PC on April 1, 2024 and expressed an unmodified opinion on those statements dated October 20, 2023.

Responsibilities of Management for the Financial Statements

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 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 GAAS 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 GAAS, 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.

Wilkum Smith + Brown, PC

March 27, 2025

Association for Research in Otolaryngology
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash	$ 796,970	$ 1,198,402
Account receivable	17,243	25,281
Investments	1,216,199	1,053,107
Total assets	$ 2,030,412	$ 2,276,790
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,895	$ 860
Deferred revenue	593,945	468,963
Total liabilities	595,840	469,823
Net assets		
Without donor restrictions	1,417,417	1,789,112
With donor restrictions	17,155	17,855
Total net assets	1,434,572	1,806,967
Total liabilities and net assets	$ 2,030,412	$ 2,276,790

The Notes to Financial Statements are an integral part of these statements.

Association for Research in Otolaryngology
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Annual midwinter meeting	$ 537,712	$ -	$ 537,712	$ 460,299	$ -	$ 460,299
Membership dues	187,560	-	187,560	194,950	-	194,950
Publications	27,243	-	27,243	42,576	-	42,576
Grants and contributions	80	3,300	3,380	60,500	3,750	64,250
Net assets released from restrictions	4,000	(4,000)	-	2,000	(2,000)	-
Total revenue and support	756,595	(700)	755,895	760,325	1,750	762,075
Expenses						
Program services	1,113,304	-	1,113,304	269,895	-	269,895
Supporting service						
Management and general	178,078	-	178,078	181,039	-	181,039
Total expenses	1,291,382	-	1,291,382	450,934	-	450,934
Change in net assets before other changes	(534,787)	(700)	(535,487)	309,391	1,750	311,141
Other changes						
Investment income (loss), net	163,092	-	163,092	(200,548)	-	(200,548)
Change in net assets	(371,695)	(700)	(372,395)	108,843	1,750	110,593
Net assets						
Beginning of year	1,789,112	17,855	1,806,967	1,680,269	16,105	1,696,374
End of year	$ 1,417,417	$ 17,155	$ 1,434,572	$ 1,789,112	$ 17,855	$ 1,806,967

The Notes to Financial Statements are an integral part of these statements.

Association for Research in Otolaryngology
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

	2023			2022		
	Program Services	Supporting Service: Management and General	Total	Program Services	Supporting Service: Management and General	Total
Audiovisual	$ 236,875	$ -	$ 236,875	$ 44,600	$ 175	$ 44,775
Awards	57,000	-	57,000	14,000	-	14,000
Bank and credit card fees	18,706	6,336	25,042	9,091	14,546	23,637
Honoraria	48,896	-	48,896	20,100	-	20,100
Hotel, food and beverage	507,875	-	507,875	-	-	-
Insurance	1,559	2,415	3,974	-	2,415	2,415
Management fees	150,921	150,921	301,842	144,670	149,810	294,480
Professional fees	200	9,270	9,470	-	9,209	9,209
Registration and meeting expenses	42,384	1,525	43,909	9,626	-	9,626
Travel	21,146	-	21,146	1,862	-	1,862
Website and Technology	19,762	523	20,285	23,377	480	23,857
Miscellaneous	7,980	7,088	15,068	2,569	4,404	6,973
Total expenses	$ 1,113,304	$ 178,078	$ 1,291,382	$ 269,895	$ 181,039	$ 450,934

The Notes to Financial Statements are an integral part of these statements.

Association for Research in Otolaryngology
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating activities		
Change in net assets	$ (372,395)	$ 110,593
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized (gain) loss on investments	(115,804)	222,140
Change in operating assets and liabilities		
Accounts receivable	8,038	142,404
Prepaid expenses	-	22,192
Accounts payable and accrued expenses	1,035	(103)
Deferred revenue	124,982	43,723
Net cash (used in) provided by operating activities	(354,144)	540,949
Investing activities		
Purchases of investments	(47,288)	(21,592)
Net cash used in investing activities	(47,288)	(21,592)
Net change in cash	(401,432)	519,357
Cash		
Beginning of year	1,198,402	679,045
End of year	$ 796,970	$ 1,198,402

The Notes to Financial Statements are an integral part of these statements.

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 in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As a result, 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 available for use in general operations and 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 statements 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, 2023 and 2022.

Accounting Estimates

The preparation of financial statements requires management to make 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. Significant estimates include the net realizable value of accounts receivable, the fair value of investments and the allocation of functional expenses.

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.

Accounts Receivable
Accounts receivable represent unsecured noninterest bearing obligations and are carried at original invoice amounts less an estimate made for credit losses based on a review of all outstanding amounts on a monthly basis. Receivables consist mainly of amounts from the publisher of the Association's journal. Management determines the allowance for credit losses by identifying troubled accounts and performing a historical and future looking analysis. Receivables are written off when deemed uncollectible. Any uncollectible amounts would not be material to the financial statements. Accounts receivable is current as of December 31, 2023 and 2022. Accounts receivable totaled $25,281 and $167,685 as of January 1, 2023 and 2022, respectively.

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 statements 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 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.

Measure of Operations
The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. The Association includes in its measure of operations all revenues and expenses that are integral to its program services and supporting services. The measure of operations excludes non-operating activities, which are limited to returns from investments and other activities considered to be of a non-operating nature.

Contributions and Grants
Contributions and grants 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 and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants, that is, those with a measurable performance or other measurable barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met.

Revenue From Contracts with Customers

The Association accounts for revenue from contracts with customers as exchange transactions in the statements of activities as revenue without donor restrictions.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Association performs the following steps in accordance with Topic 606: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Association satisfies each performance obligation.

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 fees are recognized at the point in time when the meeting is conducted.

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

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

Deferred revenue at December 31, 2023 is expected to be recognized as revenue during 2024. Deferred revenue at December 31, 2022 was recognized as revenue during 2023. Deferred revenue of $425,240 at December 31, 2021 was recognized as revenue during 2022.

Functional Allocation of Expenses

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

The Association has significant cash balances at financial institutions which throughout the year regularly exceed the amounts insured by either the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation for up to $250,000. Any loss incurred or lack of access to such funds could have a significant adverse impact on the Association's financial condition, change in net assets, and cash flows.

3. INVESTMENTS

Investments consisted of the following at December 31, 2023 and 2022:

	2023	2022
Mutual funds		
Equity	$ 655,510	$ 578,345
Fixed income	560,689	474,762
	$ 1,216,199	$ 1,053,107

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

Investment income (loss), net was comprised of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	$ 47,288	$ 21,592
Net realized and unrealized gain (loss)	115,804	(222,140)
	$ 163,092	$ (200,548)

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the Henderson travel award at December 31, 2023 and 2022.

5. MANAGEMENT AGREEMENT

The Association receives various management services from Parthenon Management Group pursuant to a management agreement that continues through December 31, 2024. 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 $301,842 and $294,480, respectively, for the years ended December 31, 2023 and 2022.

6. COMMITMENTS

The Association has entered into agreements with hotel providing room accommodations for its annual meetings through 2026. This agreement includes a guarantee by the Association that a minimum number of rooms will be rented by meeting attendees.

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association 's financial assets as of the statements of financial position date, which have been reduced by financial assets not available for general expenditures within one year.

	2023	2022
Cash	$ 796,970	$ 1,198,402
Accounts receivable	17,243	25,281
Investments	1,216,199	1,053,107
Total financial assets	2,030,412	2,276,790
Less: Financial assets not available for general expenditures within one year		
Restricted by donors for specified purposes	(17,155)	(17,855)
Total financial assets available within one year	$ 2,013,257	$ 2,258,935

Liquidity Management

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

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2025, the date on which the financial statements were available to be issued. No subsequent events have occurred that require recognition or disclosure in the financial statements.