

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combined Financial Statements and
Supplementary Information

December 31, 2019 and 2018

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

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Independent Auditors' Report

To the Board of Directors of
AO North America Trade Association, Inc.
and AO North America Charitable Foundation

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of AO North America Trade Association, Inc. and AO North America Charitable Foundation, collectively, AONA, which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of AO North America Trade Association, Inc. and AO North America Charitable Foundation as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules of financial position, activities and changes in net assets, functional expenses, and cash flows are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
June 25, 2020

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combined Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 13,084,443	\$ 10,795,568
Accounts receivable	287,110	282,828
Prepaid expenses	799,296	632,885
Forward currency contracts	-	1,893,583
Investments	11,321,842	10,336,017
Property and equipment, net of accumulated depreciation \$2,161,904 and \$1,787,369, respectively	339,344	719,218
Total assets	<u>\$ 25,832,035</u>	<u>\$ 24,660,099</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,792,726	\$ 3,035,031
Accrued compensation and related items	696,751	772,666
Deferred revenue, grants	41,683	41,683
Deferred revenue, tuition	1,078,365	735,875
Forward currency contracts	200,952	-
Capital lease payable	6,412	13,897
Total liabilities	<u>4,816,889</u>	<u>4,599,152</u>
Net Assets		
Without donor restrictions	<u>21,015,146</u>	<u>20,060,947</u>
Total net assets	<u>21,015,146</u>	<u>20,060,947</u>
Total liabilities and net assets	<u>\$ 25,832,035</u>	<u>\$ 24,660,099</u>

See notes to combined financial statements

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combined Statements of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restriction		
Operating Revenue, Gains and Other Support		
Contributions and grants	\$ 22,978,983	\$ 22,154,950
Tuition	2,294,857	2,058,744
Other income	51,790	193,511
Investment income:		
Net gains (losses) on investments	749,254	(328,591)
Dividends and other investment income, net \$10,977 and \$16,380, advisory fees, respectively	360,277	228,788
	<u>26,435,161</u>	<u>24,307,402</u>
Operating Expenses		
Program services:		
Education	14,316,688	13,988,749
Research	2,127,375	2,147,760
Community development	520,273	465,486
Fellowship	4,381,997	4,561,446
Boards and committees	716,566	703,463
	<u>22,062,899</u>	<u>21,866,904</u>
Supporting services:		
General and administrative	<u>1,323,528</u>	<u>1,436,962</u>
	<u>23,386,427</u>	<u>23,303,866</u>
Total operating expenses	<u>23,386,427</u>	<u>23,303,866</u>
Change in operating net assets	3,048,734	1,003,536
Nonoperating Revenue		
Investment (losses) gains on foreign currency contracts	<u>(2,094,535)</u>	<u>1,853,170</u>
Change in net assets	954,199	2,856,706
Net Assets Without Donor Restrictions, Beginning	<u>20,060,947</u>	<u>17,204,241</u>
Net Assets Without Donor Restrictions, Ending	<u>\$ 21,015,146</u>	<u>\$ 20,060,947</u>

See notes to combined financial statements

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combined Statement of Functional Expenses

Year Ended December 31, 2019

	2019							
	Total	Eliminations	Education	Research	Community Development	Fellowship	Boards and Committees	General and Administrative
Clinical research expenses	\$ 1,898,964	\$ -	\$ -	\$ 1,898,964	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(5,500,000)	-	1,700,000	-	3,800,000	-	-
Awarded grants	3,334,025	-	-	13	-	3,334,012	-	-
Honoraria	1,733,766	-	1,573,934	-	21	26,905	132,846	60
Hotel	3,864,491	-	3,430,670	-	109,727	215,112	108,982	-
Lab supplies	1,923,669	-	1,923,669	-	-	-	-	-
Marketing/promotional	406,258	-	285,501	94	27,362	9,251	1,917	82,133
Occupancy	260,752	-	168,453	7,253	12,951	19,881	15,286	36,928
Travel	1,136,577	-	799,200	3	884	271,464	65,012	14
Freight	471,255	-	452,422	856	5,540	5,802	2,275	4,360
Outside services	648,821	-	582,956	1,355	2,420	3,715	2,992	55,383
Other operational	194,100	-	81,323	44,626	34,147	9,336	7,412	17,256
Technology	1,486,836	-	1,119,800	27,287	53,492	81,276	66,061	138,920
Professional fees	346,399	-	163,623	-	8,400	2,529	-	171,847
Staff travel	517,291	-	398,016	3,981	7,108	10,912	8,389	88,885
Salaries/benefits	5,163,223	(512,057)	3,337,121	252,329	258,221	691,624	305,394	830,591
Eliminations	-	6,012,057	-	(1,809,386)	-	(4,099,822)	-	(102,849)
Total expenses	\$ 23,386,427	\$ -	\$ 14,316,688	\$ 2,127,375	\$ 520,273	\$ 4,381,997	\$ 716,566	\$ 1,323,528

See notes to combined financial statements

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combined Statement of Functional Expenses

Year Ended December 31, 2018

	2018							
	Total	Eliminations	Education	Research	Community Development	Fellowship	Boards and Committees	General and Administrative
Clinical research expenses	\$ 1,915,025	\$ -	\$ -	\$ 1,915,025	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(5,500,000)	-	1,700,000	-	3,800,000	-	-
Awarded grants	3,622,811	-	-	-	3,102	3,619,709	-	-
Honoraria	1,880,943	-	1,722,315	-	500	14,500	143,628	-
Hotel	3,706,160	-	3,264,580	-	88,351	251,201	102,028	-
Lab supplies	1,494,889	-	1,494,889	-	-	-	-	-
Marketing/promotional	436,860	-	303,469	102	25,172	1,950	8,861	97,306
Occupancy	265,463	-	173,883	7,413	11,876	20,106	14,831	37,354
Travel	942,868	-	732,693	-	-	154,014	56,161	-
Freight	499,818	-	488,738	881	1,411	2,389	1,961	4,438
Outside services	842,438	-	744,987	3,106	4,976	8,424	6,214	74,731
Other operational	183,994	-	71,944	43,858	45,914	7,271	5,795	9,212
Technology	1,422,735	-	1,054,424	29,012	46,481	79,473	67,150	146,195
Professional fees	404,883	-	148,325	-	-	-	-	256,558
Staff travel	532,405	-	413,475	4,484	7,184	12,162	8,971	86,129
Salaries/benefits	5,152,574	(515,396)	3,375,027	255,009	230,519	691,664	287,863	827,888
Eliminations	-	6,015,396	-	(1,811,130)	-	(4,101,417)	-	(102,849)
Total expenses	\$ 23,303,866	\$ -	\$ 13,988,749	\$ 2,147,760	\$ 465,486	\$ 4,561,446	\$ 703,463	\$ 1,436,962

See notes to combined financial statements

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combined Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 954,199	\$ 2,856,706
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	407,968	500,266
Realized losses on investments	35,556	33,043
Unrealized (gains) losses on investments	(784,810)	295,548
Forward currency contracts	2,094,535	(1,853,170)
(Increase) decrease in assets:		
Accounts receivable	(4,282)	192,195
Prepaid expenses	(166,411)	(115,388)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(242,305)	(314,321)
Accrued compensation and related items	(75,915)	21,784
Deferred revenue, grants	-	(15,293)
Deferred revenue, tuition	342,490	281,320
	<u>2,561,025</u>	<u>1,882,690</u>
Cash Flows From Investing Activities		
Purchase of investments	(8,122,746)	(18,718,712)
Purchase of property and equipment	(28,094)	(282,246)
Proceeds from sales and maturities of investments	<u>7,886,175</u>	<u>8,547,720</u>
	<u>(264,665)</u>	<u>(10,453,238)</u>
Cash Flows From Financing Activities		
Principal payments on capital lease obligations	<u>(7,485)</u>	<u>(12,470)</u>
	<u>(7,485)</u>	<u>(12,470)</u>
Net increase (decrease) in cash and cash equivalents	2,288,875	(8,583,018)
Cash and Cash Equivalents, Beginning	<u>10,795,568</u>	<u>19,378,586</u>
Cash and Cash Equivalents, Ending	<u>\$ 13,084,443</u>	<u>\$ 10,795,568</u>
Supplemental Disclosure of Noncash Activities		
Equipment acquired under a capital lease	<u>\$ -</u>	<u>\$ 15,123</u>

See notes to combined financial statements

AO North America Trade Association, Inc. and AO North America Charitable Foundation

Notes to Combined Financial Statements
December 31, 2019 and 2018

1. Nature of Organization

AO North America Trade Association, Inc. (Organization) and AO North America Charitable Foundation (Foundation), together AONA, are nonprofit organizations incorporated under the laws of the Commonwealth of Pennsylvania. AO North America, Inc. changed its name to AO North America Trade Association, Inc. on May 8, 2018

AONA's vision is to make a significant impact on patient care. Its mission is to promote excellence in patient care and outcomes in trauma and musculoskeletal disorders by: improving performance through education; optimizing clinical treatment pathways and guidelines; and promoting innovation through research and development. To achieve its mission, AONA focuses on: education, mentorship, knowledge translation, sustainability, and its network.

AONA is committed to advancing the highest quality of care and research, maintaining the highest standards of orthopedic training and techniques, and educating the future generations of surgeons across the fields of orthopedic trauma, craniomaxillofacial, spine neurosurgery, and veterinary orthopedic surgery.

Historically, AONA's major sources of grant revenues were DePuy Synthes (DPS) and AO Foundation (AOF). DPS, based in the U.S., is one of the world's most comprehensive suppliers of orthopedic and neuro products and services. AOF, an independent charitable, not-for-profit organization, based in Switzerland, is led by an international group of surgeons specialized in the treatment of trauma and disorders of the musculoskeletal system, whose mission is to foster and expand the network of health care professionals in education, research, development and clinical investigation to achieve more effective patient care worldwide.

Substantially all of AONA's activities are conducted within the United States and Canada. AONA's administrative offices are located in Wayne, Pennsylvania.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of AONA are presented on a combined basis due to the operational interdependence of these organizations and because their governing boards and management are substantially the same, however are not required to be the same. These combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All material intercompany balances and transactions have been eliminated.

The financial statements of AONA have been prepared on the accrual basis of accounting.

AO North America Trade Association, Inc. and AO North America Charitable Foundation

Notes to Combined Financial Statements
December 31, 2019 and 2018

These financial statements present financial information showing the financial position, the activities and the functional expenses, and the cash flows of AONA reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Net Assets With Donor Restrictions - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time or net assets which are subject to donor-imposed restrictions in perpetuity. The expiration of net assets with donor restrictions are reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are not met in the same period as received or earned are reported as increases in donor restricted net assets. Donor restricted net assets in perpetuity generally permit AONA to use all or part of income earned on related investments for general or specific purposes.

Net Assets Without Donor Restriction - Net assets not subject to donor-imposed restrictions.

AONA currently does not have any net assets with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of 90 days or less. The fair value of cash equivalents approximates cost.

Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. AONA provides for losses on accounts receivable using the allowance method.

Prepaid Expenses

Prepaid expenses as of December 31, 2019 and 2018 are comprised primarily of deposits for courses which have not yet occurred and will be expensed when the course has been presented.

Investments

Investments consist of stocks and mutual funds which are valued at fair value based on quoted market prices. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the combined statements of activities and changes in net assets. All realized and unrealized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in net assets without donor restriction unless their use is donor restricted by explicit donor imposed stipulations.

The fair values reported in the combined statements of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

AO North America Trade Association, Inc. and AO North America Charitable Foundation

Notes to Combined Financial Statements
December 31, 2019 and 2018

Property and Equipment

Property and equipment are stated at cost. All purchases of property and equipment in excess of \$900 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of three to seven years.

Contributions

In accordance with authoritative guidance, AONA records certain promises to give as revenue when the promise is made. In addition, the authoritative guidance requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires AONA to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as without donor restricted revenue when the restriction is satisfied within the same year that the contribution is received.

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

During the years ended December 31, 2019 and 2018, approximately 98 percent, or \$22,607,856 and \$21,762,451, respectively, of AONA's contributions and grant revenue came from one organization, AOF (see Note 1).

Grants

Grant revenue is reported at the estimated net realizable amounts due from sponsoring organizations. These grants specify the purpose for which the funds are to be used. Revenues from sponsored grants are recognized when allowable expenditures are incurred under such agreements. These revenues are recorded as without donor restricted support. Amounts received but not yet spent for the allowable expenditures are recorded as deferred revenue, grants in the combined statements of financial position.

Tuition and Deferred Revenue, Tuition

Tuition revenue is recognized in fiscal year in which the academic programs are delivered. Deferred revenue, AONA tuition represents payments prior to the start of the academic program. The following table depicts activities for deferred revenue related to tuition.

Balance at December 31, 2018	Refunds Issued	Revenue Recognized Included in December 31, 2018 Balance	Cash Received in Advance of Performance	Balance at December 31, 2019
\$ 735,875	\$ -	\$ 735,875	\$ 1,078,365	\$ 1,078,365

The balance of deferred tuition revenue at December 31, 2019, less any refunds issued, will be recognized as revenue in 2020.

AO North America Trade Association, Inc. and AO North America Charitable Foundation

Notes to Combined Financial Statements
December 31, 2019 and 2018

Derivative Financial Instruments

AONA has entered into forward foreign currency contracts, which are considered derivative financial instruments, to manage foreign exchange risk on the contributions received from a major donor that operates in a currency other than the U.S. dollar. The forward foreign currency contracts are not designated as a hedge, however, the foreign currency contract economically serves as a hedge to manage foreign exchange risk on the contributions. AONA accounts for the change in forward currency contracts as an operating activity for purposes of reporting in the combined statements of cash flows to be consistent with the reporting of contribution and grants, the underlying hedge item. AONA does not utilize foreign currency contracts or other similar instruments for trading or other speculative purposes.

Income Taxes

AONA Trade Association, Inc. is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC), except on net income derived from unrelated business activities. AONA does not have net unrelated business income subject to tax.

AO North America Charitable Foundation is exempt from federal taxes and classified as a private foundation under Section 501(c)(3) of the IRC. It is subject to a 2 percent (1 percent if certain criteria are met) federal excise tax on net investment income, including net realized gains, as defined by the IRC. In addition, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to federal tax as unrelated business income. The Foundation does not have net unrelated business income subject to tax.

AONA accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at December 31, 2019 and 2018.

AONA's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

AONA's federal Return of Organization Exempt from Income Tax (Form 990) and the Foundation's federal Return of Private Foundation (Form 990PF) for 2018, 2017, and 2016 are subject to examination by the Internal Revenue Service, generally for three years after the date the returns were filed.

Nonoperating Activities

AONA considers changes in the fair value of forward foreign exchange contracts and nonrecurring transactions to be nonoperating activities.

Risks and Uncertainties

AONA's future results of operations involve a number of risks and uncertainties. Factors that could affect AONA's future operating results and cause actual results to vary materially from expectations include, but are not limited to, dependence on key personnel, general economic conditions, and reliance on contributions and grant revenue from AOF (see Note 1).

AO North America Trade Association, Inc. and AO North America Charitable Foundation

Notes to Combined Financial Statements
December 31, 2019 and 2018

Concentrations of Credit Risk

AONA's principal financial instruments subject to credit risk are its cash, cash equivalents, and receivables. Historically, AONA has not experienced any significant credit related losses.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. AONA adopted this guidance during the year ended December 31, 2019 utilizing the modified retrospective method, and the adoption of this guidance did not have a material impact on AONA's business practices, financial condition, or changes in net assets during the fiscal year ended December 31, 2019. The primary impact of adopting the new standard has been expanded disclosures pertaining to revenue recognition with Note 1.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. AONA adopted the new standard effective January 1, 2019. The adoption did not have any impact on AONA's financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2021. Early application is permitted for all entities. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. AONA is assessing the impact this standard will have on their financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The AONA evaluated subsequent events for recognition or disclosure through June 25, 2020, which is the date the financial statements were available to be issued.

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Notes to Combined Financial Statements
December 31, 2019 and 2018

3. Liquidity and Availability

The following table reflects AONA's financial assets as of December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 13,084,443	\$ 10,795,568
Accounts receivable	287,110	282,828
Forward currency contracts	-	1,893,583
Investments	11,321,842	10,336,017
	<u>11,321,842</u>	<u>10,336,017</u>
Total	<u>\$ 24,693,395</u>	<u>\$ 23,307,996</u>

As of December 31, 2019 and 2018, AONA held liquid assets on hand to cover its operating expenses for 385 and 365 days, respectively. AONA's practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Property and equipment	\$ 2,501,248	\$ 2,506,587
Less accumulated depreciation	(2,161,904)	(1,787,369)
	<u>(2,161,904)</u>	<u>(1,787,369)</u>
Total	<u>\$ 339,344</u>	<u>\$ 719,218</u>

Included in property and equipment are capitalized software costs for the years ended December 31, 2019 and 2018 of \$595,673, respectively.

Property and equipment includes equipment purchased under capital leases at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cost	\$ 15,123	\$ 15,123
Accumulated depreciation	(8,822)	(1,260)
	<u>(8,822)</u>	<u>(1,260)</u>
Total	<u>\$ 6,301</u>	<u>\$ 13,863</u>

Depreciation expense, under capital leases, for the years ended December 31, 2019 and 2018 was \$7,562 and \$12,311, respectively.

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Notes to Combined Financial Statements
December 31, 2019 and 2018

5. Foreign Currency Contracts

In 2018, AONA entered into several forward foreign currency contracts that are considered derivative financial instruments. The agreements, which are not designated as a hedging instrument, were established to manage foreign exchange risk on contributions received from a major donor that operates in a currency other than the U.S. dollar. AONA does not utilize foreign currency contracts or other similar instruments for trading or other speculative purposes. The counterparty for the foreign currency contract is Citibank, N.A. (Citi). The terms of the contracts are summarized below.

	<u>Maturity Date</u>	<u>Buy United States Dollars (USD)</u>	<u>Sell Swiss Francs (CHF)</u>	<u>Exchange Rate</u>	<u>Fair Value</u>
Contract #1	8/7/2020	\$ 4,496,611	CHF 4,264,136	0.968350	\$ 26,313
Contract #2	5/29/2020	1,269,717	1,234,292	0.968350	(17,808)
Contract #3	1/31/2020	4,280,700	4,198,939	0.968350	(62,994)
Contract #4	4/30/2020	4,309,186	4,198,871	0.968350	(61,977)
Contract #5	7/31/2020	4,332,753	4,198,871	0.968350	(66,151)
Contract #6	9/28/2020	1,211,302	1,169,027	0.968350	(18,335)
		<u>\$ 19,900,269</u>	<u>CHF 19,264,136</u>		<u>\$ (200,952)</u>

At December 31, 2019 and 2018, the fair value of the future foreign exchange contract was \$(200,952) and \$1,893,583, respectively. The change in fair value is recorded with investment gains on foreign currency contracts in the combined statements of activities and changes in net assets.

Fair value is based on currency exchange rates as of the reporting date. These are considered a Level 2 input in the fair value hierarchy.

6. Fair Value of Financial Instruments

AONA uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market participants at the measurement date. However, in some instances, there are no quoted market prices for certain financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments.

Fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

**AO North America Trade Association, Inc. and
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Notes to Combined Financial Statements
December 31, 2019 and 2018

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, net assets without donor restrictions or liabilities.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar securities, or observable inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

A financial asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following valuation techniques were used to measure fair value of financial instruments:

Marketable equity securities - The fair value of marketable equity securities is generally based on quoted market prices for the identical securities.

Mutual and fixed income funds - The fair value of open ended mutual funds is based on net asset value which is generally determined by the quoted market values of the underlying marketable securities owned.

U.S. corporate fixed income - The fair value of corporate fixed income investments is based on current rates offered for similar issues with similar terms and maturities and are considered Level 2 inputs.

Certificates of deposits - The fair value of certificates of deposits are measured at face value plus accrued interest and are considered Level 2 inputs.

Forward currency contracts - Fair value is based on currency exchange rates as of the reporting date.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2019 are as follows:

Description	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 18,238	\$ 18,238	\$ -	\$ -
Marketable equity securities	850,924	850,924	-	-
Mutual funds	908,393	908,393	-	-
Mutual funds, fixed income	2,422,138	2,422,138	-	-
U.S. corporate fixed income	3,808,624	-	3,808,624	-
Certificates of deposit	3,313,525	-	3,313,525	-
Total investments	11,321,842	4,199,693	7,122,149	-
Forward currency contracts	(200,952)	-	(200,952)	-
	\$ 11,120,890	\$ 4,199,693	\$ 6,921,197	\$ -

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Notes to Combined Financial Statements
December 31, 2019 and 2018

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2018 are as follows:

Description	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 211,011	\$ 211,011	\$ -	\$ -
Marketable equity securities	707,306	707,306	-	-
Mutual funds	301,680	301,680	-	-
Mutual funds, fixed income	1,583,087	1,583,087	-	-
U.S. corporate fixed income	4,841,279	-	4,841,279	-
Certificates of deposit	2,691,654	-	2,691,654	-
Total investments	10,336,017	2,803,084	7,532,933	-
Forward currency contracts	1,893,583	-	1,893,583	-
	\$ 12,229,600	\$ 2,803,084	\$ 9,426,516	\$ -

7. Capital Leases

During 2018, AONA leased a copier under a capital lease which expires in November 2020. Assets under capital leases are capitalized using interest rates appropriate at time of the lease.

Future minimum annual payments under the capital lease together with the present value of the net minimum lease payments are as follows:

Years ending December 31:	
2020	\$ 6,484
Total minimum lease payments	6,484
Less amount representing interest	(72)
Present value of future minimum lease payments	\$ 6,412

8. Operating Leases

AONA entered into a lease agreement for office space in Wayne, Pennsylvania effective January 2018 with payments beginning April 1, 2018. The lease expires May 31, 2028.

Minimum annual rent commitments under the operating leases are as follows:

Years ending December 31:	
2020	\$ 246,727
2021	252,417
2022	258,237
2023	264,148
2024	270,204
Thereafter	970,188
Total	\$ 2,261,921

Total rent expense for the years ended December 31, 2019 and 2018 was approximately \$260,752 and \$265,463, respectively.

AO North America Trade Association, Inc. and AO North America Charitable Foundation

Notes to Combined Financial Statements
December 31, 2019 and 2018

9. Retirement Plan

AONA sponsors a 401(k) defined contribution retirement plan covering substantially all employees. The plan allows eligible employees to defer compensation on a pre-tax basis. Also AONA makes matching contributions for eligible employees who elect to participate and nonelective contributions for all eligible employees (including those who do not elect to participate but meet eligibility requirements).

Eligible employees of AONA have established individual accounts with a qualified plan custodian and are 100 percent vested in their contributions. AONA makes a discretionary-match of 50 percent of the first 5 percent of employee contributions. AONA also makes a discretionary direct contribution of 3 percent and 5 percent of employee contributions, for the years ended December 31, 2019 and 2018, respectively, of base salary annually to all eligible employees. Employees vest in the discretionary organization match and organization contribution based on years of service. Vesting is 25 percent, 50 percent, and 100 percent after 1, 2, and 3 years, respectively. Employees are eligible to participate in the program after 3 months of service and age of 21. The amount of expenses recognized from employer contributions to the 401(k) accounts for the years ended December 31, 2019 and 2018 were \$114,669 and \$236,319, respectively.

The AONA Board of Directors serves as the AONA Investment Committee. Employees can borrow up to 50 percent of vested balance.

10. Services Agreement

AONA Trade Association entered into a services agreement on January 2, 2014 with AONACF. This agreement sets forth the terms and conditions upon which AONA will provide certain services to AONACF pursuant to one or more written proposals, quotes, work orders, or such other written agreements between the parties from time to time. The services may include such services as information technology support, accounting, payroll processing, human resources, course support, management, operations support, facilities and such other similar services. AONACF shall pay AONA such fees and expenses shall be invoiced within thirty (30) days of the end of each quarter for the fees provided in such quarter. The agreement is in effect for twelve (12) months from the effective date and will automatically renew for successive periods of twelve (12) months. Either party can choose to terminate with sixty (60) days written notice prior to the expiration of the current term. During 2019 and 2018, the costs associated with shared personnel, facilities and equipment costs in the amounts of \$512,057 and \$515,396, respectively, were incurred, but not billed or required to be paid. The costs were treated as a noncash expenses in the statements of activities and changes in net assets (see Note 1).

11. Expenses by Clinical Division

Expenses by clinical division include the following for December 31, 2019 and 2018:

	2019					
	Total	Trauma	Cranio-maxillofacial	Veterinary	Spine	Other
Education	\$ 14,316,688	\$ 8,027,685	\$ 2,648,261	\$ 1,554,916	\$ 1,368,277	\$ 717,549
Research	2,127,375	103,478	33,776	20,109	1,959,389	10,623
Community development	520,273	316,690	71,316	55,655	57,636	18,976
Fellowship	4,381,997	2,272,259	92,580	63,868	1,924,172	29,118
Boards and committees	716,566	276,275	94,315	64,685	132,809	148,482
	22,062,899	<u>\$ 10,996,387</u>	<u>\$ 2,940,248</u>	<u>\$ 1,759,233</u>	<u>\$ 5,442,283</u>	<u>\$ 924,748</u>
General and administrative	<u>1,323,528</u>					
	<u>\$ 23,386,427</u>					

**AO North America Trade Association, Inc. and
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Notes to Combined Financial Statements
December 31, 2019 and 2018

	2018					
	Total	Trauma	Cranio- maxillofacial	Veterinary	Spine	Other
Education	\$ 13,988,749	\$ 7,486,928	\$ 2,572,611	\$ 1,588,277	\$ 1,299,424	\$ 1,041,509
Research	2,147,760	100,982	34,080	21,425	1,975,060	16,213
Community development	465,486	263,973	60,071	44,810	58,346	38,286
Fellowship	4,561,446	2,328,952	95,255	61,612	2,031,652	43,975
Boards and committees	703,463	253,724	68,184	64,873	111,557	205,125
	<u>21,866,904</u>	<u>\$ 10,434,559</u>	<u>\$ 2,830,201</u>	<u>\$ 1,780,997</u>	<u>\$ 5,476,039</u>	<u>\$ 1,345,108</u>
General and administrative	<u>1,436,962</u>					
	<u>\$ 23,303,866</u>					

12. Expenses Classified by Function and Nature

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and general and administrative functions based upon management's estimates. The expenses that are allocated include salaries, payroll taxes, and employee benefits which are allocated by department and estimated time and effort, as well as, general and administrative expenses which are allocated based upon approximate square footage and patterns of use.

13. Subsequent Events

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The AONA's evaluation of the effects of these events on the fair value of their investments and operations is ongoing as of the date the accompanying financial statements were available to be issued. The extent of the impact on AONA will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

As of January 1, 2020, AO North America Trade Association, Inc. and AO North America Charitable Foundation, collectively, AONA, ceased operation and were dissolved. Management of AONA formed AO North America Charitable Fund, and AO North America Inc., a public charity and supporting organization, respectively. The new organizations are both eligible to accept tax-deductible contributions. The net assets of AONA have been transferred to the two new organizations and the new organizations will provide similar services as AONA.

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Financial Position

December 31, 2019

	AO North America Trade Association, Inc	AO North America Charitable Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 7,225,932	\$ 5,858,511	\$ -	\$ 13,084,443
Accounts receivable	48,206	238,904	-	287,110
Prepaid expenses	798,971	325	-	799,296
Due from affiliate, net	-	12,474,737	(12,474,737)	-
Investments	11,321,842	-	-	11,321,842
Property and equipment, net of accumulated depreciation of \$2,161,904	339,344	-	-	339,344
Total assets	\$ 19,734,295	\$ 18,572,477	\$ (12,474,737)	\$ 25,832,035
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 655,381	\$ 2,137,345	\$ -	\$ 2,792,726
Accrued compensation and related items	696,751	-	-	696,751
Due to affiliate, net	12,474,737	-	(12,474,737)	-
Deferred revenue, grants	-	41,683	-	41,683
Deferred revenue, tuition	1,078,365	-	-	1,078,365
Forward currency contracts	200,952	-	-	200,952
Capital lease payable	6,412	-	-	6,412
Total liabilities	15,112,598	2,179,028	(12,474,737)	4,816,889
Net Assets				
Without donor restrictions	4,621,697	16,393,449	-	21,015,146
Total net assets	4,621,697	16,393,449	-	21,015,146
Total liabilities and net assets	\$ 19,734,295	\$ 18,572,477	\$ (12,474,737)	\$ 25,832,035

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Financial Position

December 31, 2018

	AO North America Trade Association, Inc	AO North America Charitable Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 4,960,313	\$ 5,835,255	\$ -	\$ 10,795,568
Accounts receivable	49,034	233,794	-	282,828
Prepaid expenses	631,108	1,777	-	632,885
Forward currency contracts	1,893,583	-	-	1,893,583
Due from affiliate, net	-	12,625,355	(12,625,355)	-
Investments	10,336,017	-	-	10,336,017
Property and equipment, net of accumulated depreciation of \$1,287,103	719,218	-	-	719,218
Total assets	\$ 18,589,273	\$ 18,696,181	\$ (12,625,355)	\$ 24,660,099
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 599,000	\$ 2,436,031	\$ -	\$ 3,035,031
Accrued compensation and related items	772,666	-	-	772,666
Due to affiliate, net	12,625,355	-	(12,625,355)	-
Deferred revenue, grants	-	41,683	-	41,683
Deferred revenue, tuition	735,875	-	-	735,875
Capital lease payable	13,897	-	-	13,897
Total liabilities	14,746,793	2,477,714	(12,625,355)	4,599,152
Net Assets				
Without donor restrictions	3,842,480	16,218,467	-	20,060,947
Total net assets	3,842,480	16,218,467	-	20,060,947
Total liabilities and net assets	\$ 18,589,273	\$ 18,696,181	\$ (12,625,355)	\$ 24,660,099

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Activities and Changes in Net Assets
Year Ended December 31, 2019

	AO North America Trade Association, Inc	AO North America Charitable Foundation	Eliminations	Total
Net Assets Without Donor Restrictions				
Operating Revenue, Gains and Other Support				
Contributions and grants	\$ 22,607,856	\$ 6,383,184	\$ (6,012,057)	\$ 22,978,983
Tuition	2,294,857	-	-	2,294,857
Other income	51,790	-	-	51,790
Investment income:				
Net gains on investments	749,254	-	-	749,254
Dividends and other investment income, net \$10,977 advisory fees	249,739	110,538	-	360,277
	<u>25,953,496</u>	<u>6,493,722</u>	<u>(6,012,057)</u>	<u>26,435,161</u>
Total operating revenue, gains and other support				
	<u>25,953,496</u>	<u>6,493,722</u>	<u>(6,012,057)</u>	<u>26,435,161</u>
Operating Expenses				
Program services:				
Education	14,316,688	-	-	14,316,688
Research	1,928,411	2,008,350	(1,809,386)	2,127,375
Community development	520,273	-	-	520,273
Fellowship	4,313,083	4,168,736	(4,099,822)	4,381,997
Boards and committees	716,566	-	-	716,566
	<u>21,795,021</u>	<u>6,177,086</u>	<u>(5,909,208)</u>	<u>22,062,899</u>
Supporting services,				
General and administrative	1,284,723	141,654	(102,849)	1,323,528
	<u>23,079,744</u>	<u>6,318,740</u>	<u>(6,012,057)</u>	<u>23,386,427</u>
Total operating expenses				
	<u>23,079,744</u>	<u>6,318,740</u>	<u>(6,012,057)</u>	<u>23,386,427</u>
Change in operating net assets	2,873,752	174,982	-	3,048,734
Nonoperating Revenue				
Investment gains on foreign currency contracts	(2,094,535)	-	-	(2,094,535)
Change in net assets	779,217	174,982	-	954,199
Net Assets Without Donor Restrictions, Beginning	<u>3,842,480</u>	<u>16,218,467</u>	<u>-</u>	<u>20,060,947</u>
Net Assets Without Donor Restrictions, Ending	<u>\$ 4,621,697</u>	<u>\$ 16,393,449</u>	<u>\$ -</u>	<u>\$ 21,015,146</u>

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Activities and Changes in Net Assets
Year Ended December 31, 2018

	AO North America Trade Association, Inc	AO North America Charitable Foundation	Eliminations	Total
Net Assets Without Donor Restrictions				
Operating Revenue, Gains and Other Support				
Contributions and grants	\$ 21,762,451	\$ 6,407,895	\$ (6,015,396)	\$ 22,154,950
Tuition	2,058,744	-	-	2,058,744
Other income	193,511	-	-	193,511
Investment income:				
Net losses on investments	(328,591)	-	-	(328,591)
Dividends and other investment income, net \$16,300 advisory fees	170,993	57,795	-	228,788
	<u>23,857,108</u>	<u>6,465,690</u>	<u>(6,015,396)</u>	<u>24,307,402</u>
Total operating revenue, gains and other support				
	<u>23,857,108</u>	<u>6,465,690</u>	<u>(6,015,396)</u>	<u>24,307,402</u>
Operating Expenses				
Program services:				
Education	13,988,749	-	-	13,988,749
Research	1,932,735	2,026,155	(1,811,130)	2,147,760
Community development	445,907	19,579	-	465,486
Fellowship	4,319,564	4,343,299	(4,101,417)	4,561,446
Boards and committees	703,463	-	-	703,463
	<u>21,390,418</u>	<u>6,389,033</u>	<u>(5,912,547)</u>	<u>21,866,904</u>
Supporting services,				
General and administrative	1,363,892	175,919	(102,849)	1,436,962
	<u>22,754,310</u>	<u>6,564,952</u>	<u>(6,015,396)</u>	<u>23,303,866</u>
Total operating expenses				
	<u>22,754,310</u>	<u>6,564,952</u>	<u>(6,015,396)</u>	<u>23,303,866</u>
Change in operating net assets	1,102,798	(99,262)	-	1,003,536
Nonoperating Revenue				
Investment gains on foreign currency contracts	1,853,170	-	-	1,853,170
Change in net assets	2,955,968	(99,262)	-	2,856,706
Net Assets Without Donor Restriction, Beginning	<u>886,512</u>	<u>16,317,729</u>	<u>-</u>	<u>17,204,241</u>
Net Assets Without Donor Restriction, Ending	<u>\$ 3,842,480</u>	<u>\$ 16,218,467</u>	<u>\$ -</u>	<u>\$ 20,060,947</u>

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Functional Expenses
Year Ended December 31, 2019

	Total	Eliminations	Education		Research		Community Development		Fellowship		Boards and Committees		General and Administrative	
			AONA	AONACF	AONA	AONACF	AONA	AONACF	AONA	AONACF	AONA	AONACF	AONA	AONACF
Clinical research expenses	\$ 1,898,964	\$ -	\$ -	\$ -	\$ -	\$ 1,898,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(5,500,000)	-	-	1,700,000	-	-	-	3,800,000	-	-	-	-	-
Awarded grants	3,334,025	-	-	-	13	-	-	-	-	3,334,012	-	-	-	-
Honoraria	1,733,766	-	1,573,934	-	-	-	21	-	31	26,874	132,846	-	60	-
Hotel	3,864,491	-	3,430,670	-	-	-	109,727	-	-	215,112	108,982	-	-	-
Lab supplies	1,923,669	-	1,923,669	-	-	-	-	-	-	-	-	-	-	-
Marketing/promotional	406,258	-	285,501	-	94	-	27,362	-	259	8,992	1,917	-	82,133	-
Occupancy	260,752	-	168,453	-	7,253	-	12,951	-	19,881	-	15,286	-	36,928	-
Travel	1,136,577	-	799,200	-	3	-	884	-	8	271,456	65,012	-	14	-
Freight	471,255	-	452,422	-	856	-	5,540	-	2,347	3,455	2,275	-	4,360	-
Outside services	648,821	-	582,956	-	1,355	-	2,420	-	3,715	-	2,992	-	55,383	-
Other operational	194,100	-	81,323	-	44,626	-	34,147	-	9,336	-	7,412	-	10,722	6,534
Technology	1,486,836	-	1,119,800	-	27,287	-	53,492	-	74,792	6,484	66,061	-	138,920	-
Professional fees	346,399	-	163,623	-	-	-	8,400	-	-	2,529	-	-	139,576	32,271
Staff travel	517,291	-	398,016	-	3,981	-	7,108	-	10,912	-	8,389	-	88,885	-
Salaries/benefits	5,163,223	(512,057)	3,337,121	-	142,943	109,386	258,221	-	391,802	299,822	305,394	-	727,742	102,849
Eliminations	-	6,012,057	-	-	(1,809,386)	-	-	-	(4,099,822)	-	-	-	(102,849)	-
Total expenses	<u>\$ 23,386,427</u>	<u>\$ -</u>	<u>\$ 14,316,688</u>	<u>\$ -</u>	<u>\$ 119,025</u>	<u>\$ 2,008,350</u>	<u>\$ 520,273</u>	<u>\$ -</u>	<u>\$ 213,261</u>	<u>\$ 4,168,736</u>	<u>\$ 716,566</u>	<u>\$ -</u>	<u>\$ 1,181,874</u>	<u>\$ 141,654</u>

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Functional Expenses
Year Ended December 31, 2018

	Total	Eliminations	Education		Research		Community Development		Fellowship		Boards and Committees		General and Administrative	
			AONA	AONACF	AONA	AONACF	AONA	AONACF	AONA	AONACF	AONA	AONACF	AONA	AONACF
Clinical research expenses	\$ 1,915,025	\$ -	\$ -	\$ -	\$ -	\$ 1,915,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(5,500,000)	-	-	1,700,000	-	-	-	3,800,000	-	-	-	-	-
Awarded grants	3,622,811	-	-	-	-	-	3,102	-	-	3,619,709	-	-	-	-
Honoraria	1,880,943	-	1,722,315	-	-	-	500	-	-	14,500	143,628	-	-	-
Hotel	3,706,160	-	3,264,580	-	-	-	88,351	-	-	251,201	102,028	-	-	-
Lab supplies	1,494,889	-	1,494,889	-	-	-	-	-	-	-	-	-	-	-
Marketing/promotional	436,860	-	303,469	-	102	-	5,593	19,579	276	1,674	8,861	-	97,306	-
Occupancy	265,463	-	173,883	-	7,413	-	11,876	-	20,106	-	14,831	-	37,354	-
Travel	942,868	-	732,693	-	-	-	-	-	-	154,014	56,161	-	-	-
Freight	499,818	-	488,738	-	881	-	1,411	-	2,389	-	1,961	-	4,438	-
Outside services	842,438	-	744,987	-	3,106	-	4,976	-	8,424	-	6,214	-	74,731	-
Other operational	183,994	-	71,944	-	43,858	-	45,914	-	7,271	-	5,795	-	5,600	3,612
Technology	1,422,735	-	1,054,424	-	29,012	-	46,481	-	78,689	784	67,150	-	146,195	-
Professional fees	404,883	-	148,325	-	-	-	-	-	-	-	-	-	187,100	69,458
Staff travel	532,405	-	413,475	-	4,484	-	7,184	-	12,162	-	8,971	-	86,129	-
Salaries/benefits	5,152,574	(515,396)	3,375,027	-	143,879	111,130	230,519	-	390,247	301,417	287,863	-	725,039	102,849
Eliminations	-	6,015,396	-	-	(1,811,130)	-	-	-	(4,101,417)	-	-	-	(102,849)	-
Total expenses	\$ 23,303,866	\$ -	\$ 13,988,749	\$ -	\$ 121,605	\$ 2,026,155	\$ 445,907	\$ 19,579	\$ 218,147	\$ 4,343,299	\$ 703,463	\$ -	\$ 1,261,043	\$ 175,919

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Cash Flows
Year Ended December 31, 2019

	AO North America Trade Association, Inc	AO North America Charitable Foundation	Eliminations	Total
Cash Flows From Operating Activities				
Change in net assets	\$ 779,217	\$ 174,982	\$ -	\$ 954,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	407,968	-	-	407,968
Realized losses on investments	35,556	-	-	35,556
Unrealized losses on investments	(784,810)	-	-	(784,810)
Forward currency contracts	2,094,535	-	-	2,094,535
(Increase) decrease in assets:				
Accounts receivable	828	(5,110)	-	(4,282)
Prepaid expenses	(167,863)	1,452	-	(166,411)
Due from affiliate, net	-	150,618	(150,618)	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	56,381	(298,686)	-	(242,305)
Accrued compensation and related items	(75,915)	-	-	(75,915)
Due to affiliate, net	(150,618)	-	150,618	-
Deferred revenue, tuition	342,490	-	-	342,490
Net cash provided by operating activities	<u>2,537,769</u>	<u>23,256</u>	<u>-</u>	<u>2,561,025</u>
Cash Flows From Investing Activities				
Purchase of investments	(8,122,746)	-	-	(8,122,746)
Purchase of property and equipment	(28,094)	-	-	(28,094)
Proceeds from sales and maturities of investments	<u>7,886,175</u>	<u>-</u>	<u>-</u>	<u>7,886,175</u>
Net cash used in investing activities	<u>(264,665)</u>	<u>-</u>	<u>-</u>	<u>(264,665)</u>
Cash Flows From Financing Activities				
Principal payments on capital lease obligations	<u>(7,485)</u>	<u>-</u>	<u>-</u>	<u>(7,485)</u>
Net cash used in financing activities	<u>(7,485)</u>	<u>-</u>	<u>-</u>	<u>(7,485)</u>
Net increase in cash and cash equivalents	2,265,619	23,256	-	2,288,875
Cash and Cash Equivalents, Beginning	<u>4,960,313</u>	<u>5,835,255</u>	<u>-</u>	<u>10,795,568</u>
Cash and Cash Equivalents, Ending	<u>\$ 7,225,932</u>	<u>\$ 5,858,511</u>	<u>\$ -</u>	<u>\$ 13,084,443</u>
Supplemental Disclosure of Noncash Activities				
Equipment acquired under a capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**AO North America Trade Association, Inc. and
AO North America Charitable Foundation**

Combining Schedule of Cash Flows
Year Ended December 31, 2018

	AO North America Trade Association, Inc	AO North America Charitable Foundation	Eliminations	Total
Cash Flows From Operating Activities				
Change in net assets	\$ 2,955,968	\$ (99,262)	\$ -	\$ 2,856,706
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	500,266	-	-	500,266
Realized losses on investments	33,043	-	-	33,043
Unrealized losses on investments	295,548	-	-	295,548
Forward currency contracts	(1,853,170)	-	-	(1,853,170)
(Increase) decrease in assets:				
Accounts receivable	87,911	104,284	-	192,195
Prepaid expenses	(113,611)	(1,777)	-	(115,388)
Due from affiliate, net	-	(10,819,614)	10,819,614	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	275,277	(589,598)	-	(314,321)
Accrued compensation and related items	21,784	-	-	21,784
Due to affiliate, net	10,819,614	-	(10,819,614)	-
Deferred revenue, grants	-	(15,293)	-	(15,293)
Deferred revenue, tuition	281,320	-	-	281,320
Net cash provided by (used in) operating activities	<u>13,303,950</u>	<u>(11,421,260)</u>	<u>-</u>	<u>1,882,690</u>
Cash Flows From Investing Activities				
Purchase of investments	(18,718,712)	-	-	(18,718,712)
Purchase of property and equipment	(282,246)	-	-	(282,246)
Proceeds from sales and maturities of investments	<u>8,547,720</u>	<u>-</u>	<u>-</u>	<u>8,547,720</u>
Net cash used in investing activities	<u>(10,453,238)</u>	<u>-</u>	<u>-</u>	<u>(10,453,238)</u>
Cash Flows From Financing Activities				
Principal payments on capital lease obligations	(12,470)	-	-	(12,470)
Net cash used in financing activities	<u>(12,470)</u>	<u>-</u>	<u>-</u>	<u>(12,470)</u>
Net increase (decrease) in cash and cash equivalents	2,838,242	(11,421,260)	-	(8,583,018)
Cash and Cash Equivalents, Beginning	<u>2,122,071</u>	<u>17,256,515</u>	<u>-</u>	<u>19,378,586</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,960,313</u>	<u>\$ 5,835,255</u>	<u>\$ -</u>	<u>\$ 10,795,568</u>
Supplemental Disclosure of Noncash Activities				
Equipment acquired under a capital lease	<u>\$ 15,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,123</u>