

American Society of Hand Therapists

Financial Statements
Year Ended December 31, 2020



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AMERICAN SOCIETY OF HAND THERAPISTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the American Society of Hand Therapists (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Society of Hand Therapists as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the American Society of Hand Therapists' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP.

**Philadelphia, Pennsylvania
June 14, 2021**

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF FINANCIAL POSITION

December 31, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 728,525	\$ 293,728
Accounts receivable	18,134	13,168
Prepaid expenses and other assets	140,952	79,824
Investments	1,569,427	1,599,930
Website development costs, net of accumulated depreciation of \$133,066 in 2020 and \$99,845 in 2019	<u>22,548</u>	<u>46,019</u>
Total assets	<u>\$ 2,479,586</u>	<u>\$ 2,032,669</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 111,770	\$ 109,098
Deferred revenue		
Membership dues and subscriptions	346,096	385,411
Annual meeting and education	<u>-</u>	<u>122,255</u>
Total liabilities	<u>457,866</u>	<u>616,764</u>
NET ASSETS		
Without donor restrictions	1,966,814	1,364,812
With donor restrictions	<u>54,906</u>	<u>51,093</u>
Total net assets	<u>2,021,720</u>	<u>1,415,905</u>
Total liabilities and net assets	<u>\$ 2,479,586</u>	<u>\$ 2,032,669</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF ACTIVITIES

Year ended December 31, 2020 with comparative totals for 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Totals</u>	
			<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT				
Membership dues and subscriptions	\$ 828,837	\$ -	\$ 828,837	\$ 795,912
Annual meeting	750,424	-	750,424	624,080
Education	337,753	-	337,753	324,246
Contributions	-	9,611	9,611	3,731
Research	10,000	-	10,000	10,015
Other revenue	88,828	-	88,828	116,654
Investment income	119,498	-	119,498	128,085
Net assets released from restrictions	5,798	(5,798)	-	-
Total revenue and support	<u>2,141,138</u>	<u>3,813</u>	<u>2,144,951</u>	<u>2,002,723</u>
EXPENSES				
Program services				
Annual meeting	432,402	-	432,402	798,306
Education	322,371	-	322,371	243,349
Other	178,444	-	178,444	171,279
Supporting services				
Management and general	416,433	-	416,433	460,691
Membership development	189,486	-	189,486	219,617
Total expenses	<u>1,539,136</u>	<u>-</u>	<u>1,539,136</u>	<u>1,893,242</u>
CHANGE IN NET ASSETS	602,002	3,813	605,815	109,481
NET ASSETS				
Beginning of year	<u>1,364,812</u>	<u>51,093</u>	<u>1,415,905</u>	<u>1,306,424</u>
End of year	<u>\$ 1,966,814</u>	<u>\$ 54,906</u>	<u>\$ 2,021,720</u>	<u>\$ 1,415,905</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020 with comparative totals for 2019

	Program Services			Supporting Services		Totals	
	Annual Meeting	Education	Other	Management and General	Membership Development	2020	2019
Advertising and marketing	\$ 5,445	\$ 150	\$ -	\$ -	\$ 22,481	\$ 28,076	\$ 31,460
Audiovisual expense	78,439	-	-	-	-	78,439	108,186
Awards	-	-	-	-	-	-	10,507
Bank and credit card fees	18,490	8,345	-	2,194	20,478	49,507	46,379
Board and committee expenses	5,827	-	-	5,004	-	10,831	34,721
Depreciation	12,389	5,591	51	1,470	13,720	33,221	29,675
Education	3,195	68,084	2,555	-	-	73,834	104,387
Honoraria	3,100	1,563	-	30,000	-	34,663	35,750
Hotel, food and beverage	-	-	-	-	-	-	249,832
Insurance	2,167	-	-	6,162	-	8,329	9,580
Journal subscription expense	-	-	109,981	-	-	109,981	89,030
Management fees	232,559	232,559	-	226,746	122,093	813,957	753,417
Postage	-	-	-	11,590	-	11,590	13,040
Printing, design and copies	43,592	6,079	-	26,882	-	76,553	110,763
Professional fees	13,936	-	65,857	26,558	-	106,351	124,510
Registration and dues	4,350	-	-	-	7,114	11,464	8,911
Supplies	504	-	-	11,847	-	12,351	19,573
Telecommunications	-	-	-	30,004	3,600	33,604	32,185
Travel	2,222	-	-	10,659	-	12,881	39,270
Website	5,984	-	-	2,149	-	8,133	12,458
Miscellaneous	203	-	-	25,168	-	25,371	29,608
Total expenses	\$ 432,402	\$ 322,371	\$ 178,444	\$ 416,433	\$ 189,486	\$ 1,539,136	\$ 1,893,242

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

STATEMENT OF CASH FLOWS

Year ended December 31, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 605,815	\$ 109,481
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gain on investments	(92,624)	(101,149)
Depreciation	33,221	29,675
(Increase) decrease in		
Accounts receivable	(4,966)	34,491
Prepaid expenses and other assets	(61,128)	5,467
Increase (decrease) in		
Accounts payable and accrued expenses	2,672	72,544
Deferred revenue	<u>(161,570)</u>	<u>(65,360)</u>
Net cash provided by operating activities	<u>321,420</u>	<u>85,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(503,776)	(792,759)
Proceeds from sale of investments	626,903	465,823
Purchases of web development costs	<u>(9,750)</u>	<u>(10,050)</u>
Net cash provided by (used for) investing activities	<u>113,377</u>	<u>(336,986)</u>
Change in cash	434,797	(251,837)
CASH		
Beginning of year	<u>293,728</u>	<u>545,565</u>
End of year	<u>\$ 728,525</u>	<u>\$ 293,728</u>

See accompanying notes

AMERICAN SOCIETY OF HAND THERAPISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(1) NATURE OF OPERATIONS

The American Society of Hand Therapists (the "**Society**") is a nonprofit organization formed for the purpose of advancing the science of hand and upper extremity therapy through communication, education, advocacy, research and clinical standards.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The Society reports information regarding its financial position and activities according to the following 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 Society 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 Society to expend the income generated in accordance with the provisions of the contribution. The Society had no net assets required to be maintained indefinitely at December 31, 2020 and 2019.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles ("**GAAP**"). Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Society. Unobservable inputs reflect the Society's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

AMERICAN SOCIETY OF HAND THERAPISTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Society's own assumptions.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Society does not charge interest on outstanding balances.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of activities. Interest income is recorded as earned.

The Society invests in a professionally-managed portfolio that contains various types of securities (**See Note 3**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that the amounts reported in the financial statements could change materially in the near term.

Website Development Costs

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

Revenue Recognition

Membership dues and subscriptions are invoiced based on fixed rate and recognized as revenue in the year to which they relate. Accordingly, membership dues received in advance of the applicable year are included in deferred revenue in the accompanying statement of financial position.

Annual meeting and education income 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.

Education consists primarily of courses with prices that are fixed at the time of purchase based on published fixed rates. Customers typically pay at the time of purchase, but some customers are invoiced for purchases. Revenue from education is recognized in the period that the course is delivered to the customer or at the time of purchase. Education fees collected in advance of the course's applicable year are included in deferred revenue in the accompanying statement of financial position.

Deferred revenue at December 31, 2020 is expected to be recognized as revenue in 2021.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Contributions

Contributions received are recorded as net assets without donor restriction or 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 when the related promise to give is received. Conditional contributions are recognized when the conditions are satisfied.

Functional Allocation of Expenses

The costs of providing the 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 to functional areas based on estimates of time and effort.

Income Taxes

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income.

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

Concentrations of Credit Risk

Financial instruments which potentially subject the Society to concentrations of credit risk are cash and accounts receivable. The Society maintains cash deposits at a high-quality bank. At times, such deposits may exceed federally-insured limits. Accounts receivable consist primarily of job target postings and royalties from the publisher of the Society's journal. No collateral is required.

(3) INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2020</u>	<u>2019</u>
Money market funds and cash	\$ 152,309	\$ 247,425
Certificates of deposit	400,045	442,719
U.S. Treasury bonds	83,401	76,325
Municipal bonds	318,228	254,828
Exchange traded funds		
Equity	241,655	208,318
Real assets	42,720	38,508
Fixed income	57,582	37,479
Mutual funds		
Equity	155,169	150,362
Fixed income	<u>118,318</u>	<u>143,966</u>
	<u>\$1,569,427</u>	<u>\$1,599,930</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Investments were measured at fair value using Level 1 valuation inputs except for certificates of deposit, U.S. Treasury bonds and municipal bonds which were measured at fair value using Level 2 valuation inputs.

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 32,364	\$ 32,439
Net realized and unrealized gain	92,624	101,149
Investment management fees	<u>(5,490)</u>	<u>(5,503)</u>
	<u>\$ 119,498</u>	<u>\$ 128,085</u>

(4) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes:

	<u>Balance</u> <u>December 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2020</u>
Awards and scholarships	\$15,843	\$ 320	\$ -	\$16,163
Annual meeting sessions	4,405	485	-	4,890
Jan Albrecht memorial fund	185	265	-	450
Public affairs and advocacy	<u>30,660</u>	<u>8,541</u>	<u>(5,798)</u>	<u>33,403</u>
	<u>\$51,093</u>	<u>\$9,611</u>	<u>\$(5,798)</u>	<u>\$54,906</u>

(5) MANAGEMENT AGREEMENT

The Society receives meeting and various administrative services from an association management company pursuant to a management agreement that expires December 31, 2025. Terms of the agreement include an annual fee to be paid to the management company as well as an incentive amount that is agreed upon annually. Either party can terminate the agreement with 120 days written notice. Management fees incurred by the Society were \$813,957 for 2020 and \$753,417 for 2019.

(6) JOURNAL SUBSCRIPTION AGREEMENT

The Society entered into an agreement with a publisher to publish the Society's journal, which expires December 31, 2022. The publisher invoices the Society based on the number of copies mailed and pays the Society an honorarium and royalty each year. Journal subscription expense was \$109,981 and \$89,030 for the years ended December 31, 2020 and 2019, respectively.

(7) HOTEL COMMITMENTS

The Society has entered into agreements with hotels providing room accommodations for its annual meeting through 2024. These agreements include a guarantee by the Society that a minimum number of rooms will be rented by attendees. The Society intends to hold the annual meeting at the scheduled hotels. The 2021 annual meeting will be a hybrid event.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(8) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Society's financial assets available within one year of December 31, 2020 for general expenditure.

Cash	\$ 728,525
Accounts receivable	18,134
Investments	<u>1,569,427</u>
Total financial assets available within one year	2,316,086
Less: Financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	<u>54,906</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,261,180</u>

Liquidity Management

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society invests in issues with sufficient marketability to provide for unexpected withdrawals.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2021, the date on which the financial statements were available to be issued. The Society evaluated its December 31, 2020 financial statements for subsequent events through the date the financial statements were issued. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our the Society and employees, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. No other material subsequent events have occurred since December 31, 2020 that require recognition or disclosure in the financial statements.