

**Financial Statements  
Year Ended  
December 31, 2018**

**American Thyroid Association, Inc.**

## **American Thyroid Association, Inc.**

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## Independent Auditors' Report

Board of Directors  
**American Thyroid Association, Inc.**

We have audited the accompanying financial statements of the **American Thyroid Association, Inc.** (a nonprofit organization) which comprises the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 **American Thyroid Association, Inc.** as of December 31, 2018, 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.



### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of publication revenue and expenses, and comparison to budget on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

### ***Other Matters***

#### ***Effect of Adopting New Accounting Standard***

As discussed in Note 2 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, **Not for Profit Entities (Topic 958) Presentation of Financial Statements of Not-For-Profit Entities**. Our opinion is not modified with respect to that matter.

*Dalal & Company*

Alexandria, Virginia  
August 2, 2019

# American Thyroid Association, Inc.

## Statement of Financial Position

December 31, 2018

<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 1,551,300
Receivables	184,534
Prepaid expenses	22,898
<b>Total current assets</b>	<b>1,758,732</b>
<b>Property and equipment, net</b>	<b>51,258</b>
<b>Investments</b>	<b>7,006,951</b>
<b>Other assets</b>	
Deposits	19,686
Thyroid library	18,865
Trademarks, net	43,049
	<b>\$ 8,898,541</b>
<b>Liabilities and Net Assets</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	\$ 322,809
Deferred revenue	386,160
Deferred rent	5,857
<b>Total current liabilities</b>	<b>714,826</b>
<b>Long-term liabilities, less current maturities</b>	
Deferred rent	9,229
Deferred compensation	165,000
<b>Total long-term liabilities</b>	<b>174,229</b>
<b>Total liabilities</b>	<b>889,055</b>
<b>Net assets</b>	
Without donor restrictions	606,591
Without donor restrictions, board designated	2,908,625
<b>Total net assets without donor restrictions</b>	<b>3,515,216</b>
With donor restrictions	4,494,270
<b>Total net assets</b>	<b>8,009,486</b>
	<b>\$ 8,898,541</b>

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



# American Thyroid Association, Inc.

## Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
CME grants	\$ 295,000	\$ -	\$ 295,000
Meeting registration	1,053,159	-	1,053,159
Other meeting revenue	550,609	-	550,609
Research grants	-	201,250	201,250
Publications and communications	455,152	-	455,152
Member dues	518,663	-	518,663
Individual and corporate donations	100,682	66,247	166,929
Member donations	29,266	50,346	79,612
Donated investments	551	15,943	16,494
Investment income (loss)	(107,082)	(253,120)	(360,202)
Net assets released from restrictions	347,104	(347,104)	-
<b>Total support and revenue</b>	<b>3,243,104</b>	<b>(266,438)</b>	<b>2,976,666</b>
<b>Expenses</b>			
Program services			
Scientific meetings - venue to share knowledge and gather information on causes and cures of thyroid disease with professionals	1,275,170	-	1,275,170
Public, patient and professional awareness - provide the public and health professionals with information and education	510,408	-	510,408
Publications - provide information on research and treatments	486,855	-	486,855
Research - support to academic institutions and scientists to research thyroid disorders	448,254	-	448,254
Total program services	2,720,687	-	2,720,687
Management and general	311,367	-	311,367
Fundraising - secures charitable financial support and compliance	96,443	-	96,443
<b>Total expenses</b>	<b>3,128,497</b>	<b>-</b>	<b>3,128,497</b>
<b>Change in net assets</b>	<b>114,607</b>	<b>(266,438)</b>	<b>(151,831)</b>
<b>Net assets, beginning of year</b>	<b>3,482,271</b>	<b>4,679,046</b>	<b>8,161,317</b>
<b>Board designated transfer to Ridgway Legacy Fund</b>	<b>(81,662)</b>	<b>81,662</b>	<b>-</b>
<b>Net assets, end of year</b>	<b>\$ 3,515,216</b>	<b>\$ 4,494,270</b>	<b>\$ 8,009,486</b>

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

# American Thyroid Association, Inc.

## Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services				Supporting Services		
	Scientific Meetings	Public, Patient and Professional Awareness	Publications	Research	Total Program Services	Management and general	Fundraising
<b>Expenses</b>							
Salaries	\$ 249,083	\$ 210,958	\$ 111,874	\$ 17,844	\$ 589,759	\$ 112,738	\$ 46,005
Employee benefits	69,862	59,269	31,569	4,960	165,660	31,673	12,842
Payroll taxes	16,717	14,183	7,554	1,187	39,641	7,579	3,073
Supplies	19,312	1,284	621	86	21,303	543	222
Telephone and communication	7,359	9,038	2,842	330	19,569	1,625	732
Postage and shipping	9,499	1,545	-	266	11,310	217	3,473
Occupancy	11,674	9,892	5,249	835	27,650	5,285	2,154
Information technology	63,560	47,526	12,442	533	124,061	2,493	2,644
Printing and design	26,708	10,713	488	-	37,909	-	7,665
Editorial management	-	6,000	82,240	-	88,240	-	-
Professional and contracted services	18,560	47,804	64,917	22,580	153,861	142,306	2,187
Research and other grants	-	21,500	-	398,667	420,167	-	-
Convention and facility	666,620	25,489	2,573	-	694,682	-	7,237
Depreciation and amortization	10,224	8,663	4,597	731	24,215	4,628	1,886
Travel	99,157	22,594	8,008	-	129,759	498	-
Insurance	6,449	2,457	1,304	207	10,417	1,312	535
Dues and subscriptions	-	11,167	150,403	-	161,570	295	5,717
Taxes and licenses	386	326	174	28	914	175	71
	<b>\$ 1,275,170</b>	<b>\$ 510,408</b>	<b>\$ 486,855</b>	<b>\$ 448,254</b>	<b>\$ 2,720,687</b>	<b>\$ 311,367</b>	<b>\$ 96,443</b>
							<b>\$ 3,128,497</b>

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



# American Thyroid Association, Inc.

## Statement of Cash Flows

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Year Ended December 31, 2018

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### Cash flows from operating activities

Change in net assets	\$ (151,831)
Adjustments to reconcile to net cash from operating activities:	
Depreciation and amortization	30,729
Loss on disposal of property and equipment	3,088
Non-cash contributions received - securities	(16,494)
Cash receipts resulting from sale of donated financial assets	16,429
Net realized gain on investments	(81,403)
Net unrealized loss on investments	638,377
Change in:	
Receivables	(14,888)
Prepaid expenses	(1,280)
Deposits	(3,644)
Accounts payable and accrued expenses	(149,303)
Deferred revenue	(73,866)
Deferred rent	(5,857)
Deferred compensation	68,000

### Net cash flows from operating activities

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258,057

### Cash flows from investing activities

Investment purchases and reinvestments	(1,807,735)
Proceeds from sale of investments	1,355,906
Trademark costs	(3,739)
Purchase of property and equipment	(8,964)

### Net cash flows from investing activities

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(464,532)

### Net change in cash and cash equivalents

(206,475)

### Cash and cash equivalents, beginning of year

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1,757,775

### Cash and cash equivalents, end of year

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\$ 1,551,300

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



# American Thyroid Association, Inc.

## Notes to Financial Statements

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December 31, 2018

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### 1. Organization and Nature of Activities

The **American Thyroid Association, Inc.** ("the Association" or "the ATA") is a nonprofit organization incorporated under the laws of the State of New York and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Association is organized and operated exclusively for charitable, scientific, and educational purposes, including the study and dissemination of knowledge regarding the basic and clinical aspects of thyroid biology and pathophysiology. Sources of revenue include grants for research and education, member dues, donations, publications and meetings.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The financial records are maintained on the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The Association records contributions when they are unconditionally promised or received.

#### Implementation of New Accounting Standards Update (ASU)

Effective January 1, 2018, the Association implemented ASU 2016-14, **Not for Profit Entities (Topic 958) Presentation of Financial Statements of Not-For-Profit Entities**, which is effective for all fiscal years beginning after December 31, 2017. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Under the new ASU, the classes of net assets are reduced to two classes of net assets: **net assets without donor restrictions** and **net assets with donor restrictions**. The standard also requires the presentation of expenses incurred in carrying out the Association's activities an analysis of expenses by both their natural and functional classification. As a result of this implementation, unrestricted net assets have been renamed **net assets without donor restrictions** and temporarily restricted and permanently restricted net assets have been combined into a single net asset class called **net assets with donor restrictions**. See Note 5. The association has adjusted the presentation of these statements accordingly.

#### Basis of Presentation

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Association to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors. They include Board-designated net assets which may be earmarked for future programs, investment, contingencies, purchase or construction of property and equipment, or other uses.

**Net assets with donor restrictions.** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; the restrictions may be related to support of particular operating activities, or use in a specified future period. Those restrictions



will be met by actions of the Association, or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

To ensure compliance with limitations and restrictions placed on the use of resources available to the Association, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, the assets, liabilities and fund balances of the Association are reported in fund groups as follows:

#### **Net assets without donor restrictions**

##### Operating Fund

The Operating Fund supports programs of the Association including education, research, public and professional awareness, program support, and the administrative and infrastructure operations necessary to support these programs for the benefit of the public.

##### Board Designated Funds

The Board has designated \$2,908,625 of unrestricted funds at December 31, 2018 as follows: \$2,656,266 to serve as an operational and other reserve; \$161,908 to be spent for clinical initiatives; \$47,887 for a registry project, and \$42,564 to be spent on patient education. These funds are invested in money market funds with a net asset value of \$1 per share (included in cash and cash equivalents) as well as equity and debt securities.

#### **Net assets with donor restrictions**

##### Image Library Project

ATA received funds supporting an initiative to provide an imaging library available to the medical community on the ATA website.

##### Samuel Refetoff Fund

In honor of the 50<sup>th</sup> anniversary of the discovery of Resistance to Thyroid Hormone (RTH), and to honor and recognize the leadership of Dr Samuel Refetoff in the RTH field, the ATA established the Samuel Refetoff Fund in 2018. The goals of the fund are to support fellows, trainees, youth investigators, the RTH Symposium, and the ATA research awards. When donations reach \$100,000 the fund will become a permanent endowment. The fund allows for the release of an administrative fee of 10% of donations received during the year.

##### Endowment Appreciation

Absent donor-imposed restrictions, unspent investment returns from donor restricted endowments are subject to the Organization's investment spending policy described in Note 9.

##### Campaign for Thyroid Discovery Fund

The Campaign for Thyroid Discovery Endowment was established in 1999 to assure and strengthen the future of the ATA's scientific and educational programs. Funds are dedicated to sponsoring research and attracting physicians and scientists to the field and to supporting established investigators and young researchers in their quest to advance thyroidology.

##### New Hampshire Charitable Foundation Fund

The New Hampshire Charitable Foundation Fund supports research grants to be made by the ATA related to the effects of hypothyroid conditions on women who are pregnant, preventive testing of hypothyroid conditions on women of childbearing age, and preventive procedures and education to reduce cases of maternal hypothyroid condition on babies. Should medical



science find a definitive cure and/or treatment for these conditions, the ATA's board of directors has the discretion to use the funds to support other types of thyroid research. These funds are part of the ATA's existing research endowment and administered by the board of directors in accordance with board approved policies.

#### Endowment Fund

The Endowment Fund was established to ensure the future of the American Thyroid Association's scientific and educational programs for its members, and includes support for the Van Meter and Paul Starr Awards.

#### Sidney H Ingbar Fund

The Sidney H Ingbar Fund (Ingbar Fund) supports ventures consonant with the Ingbar tradition of excellence in education and research in thyroidology and the Ingbar lectureship. The Fund supports an annual lectureship award recognizing outstanding academic achievements in the field of thyroidology consistent with the innovation and vision that epitomized Dr. Ingbar's brilliant investigative career. It is conferred upon an established investigator who has made major contributions in thyroid-related research over many years.

#### Arthur Bauman Fund

The Arthur Bauman Fund (Bauman Fund) supports the presentation of advances of clinical investigation in thyroidology and promotes participation by younger members of the scientific community in the annual meeting. The Arthur Bauman Clinical Symposium is presented at each annual meeting. The Fund donors have agreed to support a named program activity during the Ridgway Trainee Conference at the annual meeting. Funds will be taken from earnings only and not corpus. Funds may be added to the Ridgway Legacy Fund corpus or used for the operations of the Ridgway conference per designation by the Board of Directors.

#### Clark T Sawin Endowment Fund

The Clark T Sawin Endowment Fund (Sawin Fund) supports *The Clark T Sawin History Resource Center*, an online thyroid history and archive resource, and the history vignette at the annual meeting.

#### University of Southern California Thyroid Research Group Fellows Fund

The University of Southern California Thyroid Research Group Fellows Fund (USC Fellows Fund) was established to support fellows' attendance at ticketed program events of the annual meeting of the Association. The Fund donors have agreed to support a named program activity during the Ridgway Trainee Conference at the annual meeting. Funds will be taken from earnings only and not corpus. Funds may be added to the Ridgway Legacy Fund corpus or used for the operations of the Ridgway conference per designation by the Board of Directors.

#### Stanbury Pathophysiology Fund

The Stanbury Pathophysiology Fund (Stanbury Fund) was established to perpetually fund the annual award of the Stanbury medal for contributions to thyroid pathophysiology.

#### Braverman Fund

This fund was established to support a Lewis E. Braverman Distinguished Lectureship Award to be presented at each annual meeting of the ATA. The award is given to an individual who has demonstrated a passion for mentoring and a dedication to advancing the understanding of thyroid disease. The fund allows for the release of an administrative fee of 10% of donations received during the year. The Fund donors have agreed to support a named program activity during the Ridgway Trainee Conference at the annual meeting. Funds will be taken from earnings only and not corpus. Funds may be added to the Ridgway Legacy Fund corpus or used for the operations of the Ridgway conference per designation by the Board of Directors.



### Ridgway Legacy Fund

This fund was established to support the E. Chester "Chip" Ridgway Trainee Conference to be held at each annual meeting of the ATA. The fund allows for the release of an administrative fee of 10% of donations received during the year.

### **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of demand deposits at banks, cash, money market accounts, and money market funds. The money market funds seek to preserve the daily net asset value of the investment at \$1 per share as quoted in an active market while providing maximum current income. The money market fund invests exclusively in short-term U.S. Treasury securities or in repurchase agreements backed by these securities. The Association considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all principal and income cash balances in the investment accounts, to be cash equivalents.

### **Receivables**

The Association classifies all receivables as current assets, and provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables deemed uncollectible are expensed based on credit evaluation and the specific circumstances of the parties involved.

Receivables as of December 31, 2018 include \$13,387 for meeting support, \$38,013 for donations, \$57,532 for 2018 journal royalties, \$40,922 for membership dues and publication subscriptions, \$5,000 for publication support, \$28,750 for research grant funding, \$675 for a payroll tax refund, and \$255 for manuscript fees. Management has determined all accounts are collectible and, therefore, there is no allowance for doubtful accounts at December 31, 2018.

### **Investments**

The Association's investments are reported at fair value, which is based on quoted market prices or dealer quotes. Unrealized and realized gains and losses are included in the statement of activities as changes in net assets. Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the volatility in the capital markets, changes in the value of investment securities could occur in the near term and those values could materially differ from the amounts reported in the accompanying financial statements.

### **Fair Value of Financial Instruments**

As of December 31, 2018, the carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximated their fair value, based on the short-term maturities of these instruments.

### **Thyroid Library**

The library consists of donated books and are recorded based on a written appraisal from a book store owner. Management believes that the economic benefit of the library is used up so slowly that the estimated useful lives are extraordinarily long and, therefore, the books are not depreciated. Because of their cultural, aesthetic, or historical value, these assets are protected and preserved in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

### **Property and Equipment**

Property and equipment are stated at cost and depreciation is calculated on a straight-line basis over their estimated useful lives which currently range from 3 to 7 years. It is the Association's policy to capitalize assets purchased at a cost greater than \$1,000.



## **Donated Assets**

Donated assets are recorded at their estimated fair market value at the time of the donation.

## **Trademark**

The Association registered its logo (a thyroid shape within a circle), its name (American Thyroid Association), and two of its online publication names (Clinical Thyroidology and Thyroid) with the United States Patent and Trademark Office through 2019. The cost of \$55,471 associated with these applications are capitalized on the statement of financial position as Trademarks at December 31, 2018 and amortized over a ten-year period. Accumulated amortization was \$12,422 at December 31, 2018.

Subsequent to year end, the trademarks were renewed through June 2029.

## **Deferred Revenue**

All member dues received prior to December 31 but relating to the subsequent year, are recorded as deferred revenue in the accompanying statement of financial position. Exhibitor fees collected in advance of the next year's annual meeting and publication subscriptions for future years are also included in deferred revenue.

At December 31, 2018, deferred revenue consisted of membership dues of \$308,247, meeting revenue of \$3,649, and publication revenue of \$74,264.

## **Deferred Rent**

The Association received a lease incentive from the landlord in the form of a construction allowance. The incentive and the escalating rent provisions are amortized on a straight-line basis over the life of the lease.

## **Support, Revenues and Expenses**

Contributions are recognized as without or with donor restrictions depending on existence and/or nature of donor restrictions and are recorded when received. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the donor restriction. When a restriction expires by the incurrence of donor specified expenses, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Donated assets are recognized as contribution revenue at their estimated fair market value on the date of the donation.

## **Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **Concentration of Credit Risk**

The Association maintains cash in bank deposit accounts that may at times exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. As of December 31, 2018, bank deposits exceeded FDIC limits by \$674,877. The Association has not experienced any losses as a result of the concentration, and management believes it is not exposed to any significant credit risk.

The Association maintains a concentration of cash and investment accounts with brokerage institutions which are members of the Securities Investor Protection Corporation (SIPC). The financial institutions carry excess insurance above the SIPC limit.

## **Income Taxes**

Under applicable provisions of the Internal Revenue Code Section 501(c)(3) and the Codes of the Commonwealth of Virginia, and the State of New York, the Association is exempt from taxes on income, other than unrelated business income, and property. There was no taxable unrelated



business income for the year ended December 31, 2018. The Association believes that it has appropriate support for any tax positions taken, and therefore, does not have any uncertain tax positions that are material to the financial statements.

### **Advertising**

Advertising is expensed as incurred. There were no advertising expenses for the year.

### **Functional Expenses**

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include:

Expense	Method of Allocation
Salaries and related expenses	Time and effort
Supplies	Time and effort
Telephone and communications	Time and effort
Occupancy	Time and effort
Information technology	Time and effort
Depreciation and amortization	Time and effort
Insurance	Time and effort
Taxes and licenses	Time and effort

### **Subsequent Events**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 2, 2019, the date the financial statements were available to be issued.

### **3. Cash and Cash Equivalents**

A summary of cash and cash equivalents as of December 31, 2018 is as follows:

	Without donor restrictions	With donor restrictions	Total
Checking accounts	\$ 618,179	\$ -	\$ 618,179
Money market accounts	724,140	-	724,140
Money market funds	208,981	-	208,981
Total	\$ 1,551,300	\$ -	\$ 1,551,300

Fair value approximates cost.



#### 4. Liquidity and Availability

The following represents the Association's financial assets at December 31, 2018:

Financial assets at year end:

Cash and cash equivalents	\$	1,551,300
Accounts receivable		184,534
Investments		<u>7,006,951</u>
Total financial assets at year end	\$	8,742,785

Less amounts not available to be used within one year:

Donor-imposed restrictions:

Restricted by donor with purpose restrictions	(1,107,078)
Restricted by donor for investment in perpetuity	(3,387,192)

Board designations:

Operational and other reserve	(2,656,266)
Specific projects	<u>(252,359)</u>

Financial assets available to meet general expenditures  
over the next twelve months

\$ 1,339,890

ATA's cash flows vary from month to month depending upon the timing of membership renewals and event registrations. Sufficient liquid assets are maintained in bank checking and money market accounts to meet its financial obligations. ATA has \$1,735,834 of financial assets available within one year of the balance sheet date consisting of cash of \$1,551,300 and receivables of \$184,534. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The receivables will be collected within one year. ATA also has investments of \$2,512,682 which could be used in the event of an unanticipated liquidity need.

The Association's Investment Policy Statement designates three levels of funding:

**Working Capital Account:** funding designated for current year operating expenditures not including direct annual meeting costs, comprised of 100% unrestricted funds. The funds are invested in cash and cash equivalents, including notes or CDs with less than 12-month maturity. Based on the 2018 actual operating activity, 12 months of expenses were approximately \$2.3 million. At the end of 2018, working capital funds available in liquid assets were \$2.1 million.

**Operating Reserves Account:** used for a shortfall in working capital, not to exceed two years' anticipated budget needs comprised of 100% unrestricted funds. The funds are invested as follows:

- Cash and cash equivalents – no more than 50%
- Fixed income – no more than 100%
- Equities – no more than 20%

As of the end of 2018, the operating reserve was \$2.2 million.

**Investment Reserve Account:** includes both restricted and unrestricted funds, invested for long-term growth with a 5+ year timeframe. The funds are invested as follows:

- Cash and cash equivalents – no more than 10%
- Fixed income – no more than 50%
- Equities – no more than 70%

As of the end of 2018, the investment reserve was \$4.5 million.

The Association's funds are held in banks insured by the FDIC, as well as by multiple investment houses which are insured by SIPC. The investment mix is monitored regularly by the Association's Board, Executive Director, and an external unrelated advisor.

## 5. Net Assets

Net assets are reclassified as of January 1, 2018 to conform with the current accounting standard:

	Under FASB No. 117	Reclassifications	As adjusted under ASU No. 2016-14
Net assets:			
Unrestricted	\$ 3,482,271	\$ (3,482,271)	\$ -
Temporarily restricted	1,415,667	(1,415,667)	-
Permanently restricted	3,263,379	(3,263,379)	-
Without donor restrictions	-	3,482,271	3,482,271
With donor restrictions	-	4,679,046	4,679,046
Total net assets	\$ 8,161,317	\$ -	\$ 8,161,317

Net assets with donor restrictions consisted of the following at December 31, 2018:

	Beginning balance	Additions	Reductions	Ending balance
Purpose restriction:				
Image library project	\$ 1,500	\$ -	\$ -	\$ 1,500
Samuel Refetoff Fund	-	28,257	65	28,192
Endowment appreciation	1,414,167	-	336,781	1,077,386
	1,415,667	28,257	336,846	1,107,078
Investment in perpetuity:				
Campaign for Thyroid Discovery Fund	1,803,120	-	-	1,803,120
New Hampshire Charitable Foundation Fund	406,015	-	-	406,015
Endowment Fund	321,740	-	-	321,740
Sidney H Ingbar Fund	82,245	-	-	82,245
Arthur Bauman Fund	86,325	1,000	-	87,325
Clark T Sawin Endowment Fund	50,000	-	-	50,000
USC Thyroid Research Group Fellows Fund	40,000	-	-	40,000
Stanbury Pathophysiology Fund	61,713	-	-	61,713
Braverman Fund	249,546	2,560	-	252,106
Ridgway Legacy Fund	162,675	120,253	-	282,928
	3,263,379	123,813	-	3,387,192

Board designated net assets were \$2,908,625 at December 31, 2018 and are included in net assets without donor restrictions.



## 6. Investments and Fair Value Measurements

The fair market value of investments, with a cost basis of \$7,058,871, at December 31, 2018 were:

	Without donor restrictions	With donor restrictions	Total
Equity securities	\$ 682,751	\$ 4,118,065	\$ 4,800,816
Debt securities	1,829,932	376,203	2,206,135
Total	\$ 2,512,683	\$ 4,494,268	\$ 7,006,951

Investments with permanent donor restrictions include equity securities of \$3,010,989 and debts securities of \$376,203.

U.S. generally accepted accounting principles define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. generally accepted accounting principles also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Association has access to on the measurement date. The quoted prices provide the most reliable evidence, except when a significant event occurs that may affect the fair value measurement.

Level 2: Inputs are quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities or interest rate and yield curves.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

The following table summarizes investments, by level, for items measured at fair value on a recurring basis at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	\$ 318,078	\$ -	\$ -	\$ 318,078
Preferred stocks	109,781	-	-	109,781
Mutual funds	4,372,958	-	-	4,372,958
Debt securities				
US Treasury securities	121,816	-	-	121,816
Government-backed securities	209,474	-	-	209,474
Corporate bonds	-	-	-	-
Bond mutual funds	1,874,844	-	-	1,874,844
	\$ 7,006,951	\$ -	\$ -	\$ 7,006,951



Net investment return for 2018 consisted of the following:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 124,168	\$ 112,368	\$ 236,536
Net realized gains (losses)	29,896	51,507	81,403
Total interest, dividends and net realized losses	154,064	163,875	317,939
Net unrealized gains (losses)	(244,289)	(394,088)	(638,377)
Investment advisory fees	(16,857)	(22,907)	(39,764)
Net investment return	\$ (107,082)	\$ (253,120)	\$ (360,202)

## 7. Property and equipment

Property and equipment consisted of the following at December 31, 2018:

	Cost	Accumulated Depreciation	Depreciation Expense	Estimated Life (years)
Furniture, fixtures, and equipment	\$ 35,556	\$ 26,195	\$ 3,105	5-7
Computer hardware	34,510	21,716	348	3-5
Computer software	14,972	11,637	3,334	3
Website and database	30,804	20,461	13,134	3
Improvements	43,703	28,278	6,170	7
Total	\$ 159,545	\$ 108,287	\$ 26,091	

### Intellectual Property

Trademarks costing \$55,472 at December 31, 2018 are amortized over a five-year period. Accumulated amortization was \$12,422 at December 31, 2018.

Depreciation and amortization for the year ended December 31, 2018 were \$26,091 and \$4,638, respectively, totaling \$30,729.

A loss on the disposal of property and equipment of \$3,088 is included in occupancy on the statement of functional expenses.

## 8. Publications and Communications

### 2017-2018

In 2017, the ATA sent written notice to the publishers, of interest to renegotiate the *Thyroid*® journal contract. Several strategy meetings and multiple conference calls have been held in 2017-2018 with ATA leadership, a publications consultant and specialized publications attorneys to draft strong, best practice contracts for *Thyroid* and the additional journals, *Clinical Thyroidology*® and *VideoEndocrinology*™. Two face to face meetings with publisher personnel were held, one in November 2017 in Falls Church, VA and one in New York City in May 2018. Trademark for the journal *Thyroid* were secured in 2017 in the USA and the EU; and in 2018 in China. A contract for each of the three journals was submitted to the publisher on August 3, 2018 and negotiations were concluded on January 17, 2019. Contracts with a term of January 1, 2019 through December 31, 2023 were agreed to, with provisions regarding ownership of the publications, trademarks, and financial agreements between the publisher and ATA.



## 2018-2019

American Thyroid Association owns the name of the journal *Thyroid*. The publisher owns the copyright on the content of the *Thyroid* journal. The publisher is responsible for subscription solicitation, sale of advertising space, reprints, back volumes and electronic products. The Association entered into an agreement with the Editor in Chief of *Thyroid* effective January 1, 2013 through January 1, 2018. Effective October 22, 2016, the agreement was extended through January 1, 2020. The Association earns royalty income from the publication of *Thyroid* Journal bundle.

On June 16, 2013, the Association entered into an agreement with its Publisher to publish two additional journals electronically: the ATA's existing *Clinical Thyroidology*, and the newly launched *VideoEndocrinology*. The ATA retains its ownership of *Clinical Thyroidology*. ATA and the publisher jointly own *VideoEndocrinology*. The Association earns royalty income from the publication of these two journals for the use of the ATA trademark, logo and other materials. All journal editors are selected by the ATA with contracts through January 1, 2022. The Association continues to publish *Clinical Thyroidology for the Public* for patients and the public who joined Friends of the ATA.

Publications and communications support and revenue of \$455,152 includes subscription revenue of \$167,918 from *Thyroid*, editorial support of \$66,600, manuscript fees of \$66,225, and net royalty income of \$154,409. See Schedule of Publication revenue and expenses.

### 9. Restricted Net Assets and Endowments

The Association's endowments consist of individual donor-restricted endowment funds established for a variety of purposes as described in Footnote 2. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Association classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization. The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Association and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Association; and
7. The investment policies of the Association.



# **Net Assets with Donor Restrictions Composition by Type and Fund**

	<u>December 31, 2018</u>
<b>Purpose restriction</b>	
Image library project	\$ 1,500
Refetoff Fund	28,192
Endowment appreciation	<u>1,077,386</u>
	<u>1,107,078</u>
<b>Investment in perpetuity</b>	
Campaign for Thyroid Discovery Fund	\$ 1,803,120
New Hampshire Charitable Foundation Fund	406,015
Endowment Fund	321,740
Sidney H Ingbar Fund	82,245
Arthur Bauman Fund	87,325
Clark T Sawin Endowment Fund	50,000
USC Thyroid Research Group Fellows Fund	40,000
Stanbury Pathophysiology Fund	61,713
Braverman Fund	252,106
Ridgway Legacy Fund	<u>282,928</u>
	<u>3,387,192</u>
<b>Total net assets with donor restrictions</b>	<u>\$ 4,494,270</u>

The income from the investment in perpetuity is expendable to support operations.

## **Changes in Endowment Net Assets for the Year Ended December 31, 2018**

	<u>Purpose restriction</u>	<u>Investment in perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,415,667	\$ 3,263,379	\$ 4,679,046
Investment income:			
Interest and dividends	112,368	-	112,368
Net realized gains (losses)	51,507	-	51,507
Net unrealized gains (losses)	(394,088)	-	(394,088)
Advisory fees	<u>(22,907)</u>	-	<u>(22,907)</u>
Total investment income	(253,120)	-	(253,120)
Reclassification to investment in perpetuity	(81,662)	81,662	-
Contributions and grants	28,257	42,152	70,409
Net assets released from restrictions	<u>(2,065)</u>	-	<u>(2,065)</u>
Endowment net assets, end of year	<u>\$ 1,107,077</u>	<u>\$ 3,387,193</u>	<u>\$ 4,494,270</u>

All investment returns on donor restricted funds are accumulated until appropriated for expenditure. Investment advisory fees allocated to donor restricted net assets were \$22,907, resulting in a net investment return of \$253,120 for the year.



### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no funds with deficiencies as of December 31, 2018.

### **Return Objectives and Risk Parameters**

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize the return on investments while taking an appropriate (conservative/moderate) amount of investment risk and to increase the principal at least at a minimum annual return of the current rate of inflation of the long term while maintaining a prudent diversification of the investment assets.

### **Strategies Employed for Achieving Objective**

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that utilizes fixed-income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Association's investment policy includes an endowment spending rate of up to 4% calculated as a percentage of the moving average of the market value of the three preceding year-end market values of the endowment funds. In establishing this policy, the Association considered the long-term expected return on its endowment. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through new gift and investment return.

## **10. Retirement Plan**

The Association has a 401(k) discretionary contribution plan that covers all eligible employees. The Association contributes 3% of the participant's compensation and matches up to 3% of the participant's contribution, vesting immediately. A discretionary profit-sharing contribution is made at the discretion of the Association's Board of Directors. The Association's contributions totaled \$71,681 for the year.

The Association maintains a tax-exempt organization eligible 457(b) Plan. Participation in the plan is restricted to "top hat" employees as understood in Title 1 of ERISA. The Association's contributions totaled \$18,500 for 2018.

The Association maintains a Tax-Exempt Organization Eligible 457(f) Plan by personnel contract with the executive director. Participation in the plan is restricted to "top hat" employees as understood in Title 1 of ERISA.

## **11. Leases**

The Association leases office space under an 87-month operating lease for office space which expires January 31, 2021. The landlord agreed to contribute towards the Association's construction costs in the amount of \$29,358. This construction allowance is deferred and amortized on a straight-line basis over the life of the lease as a reduction to rent expense.

Minimum future lease obligations for years ending December 31 are:

2019	\$ 32,974
2020	33,881
2021	2,888
	<u>\$ 69,743</u>

Rent expense for the year ended December 31, 2018 was \$25,652.

## 12. Meetings, Workshops and Symposia Commitments

The Association has entered into contracts for meetings, workshops and symposia to be held in the future in various cities as follows:

Date	Conference	Location	Commitment as of December 31, 2018
2019 October	Annual meeting	Chicago, IL	\$ 433,415
2020 May	Spring meeting	New York, NY	124,374
2022 October	Annual Meeting	Montreal, QC, Canada	1,043
2023 September	Annual Meeting	Washington, DC	80,535
2024 October	Annual meeting	Chicago, IL	27,731

The Association secures event cancellation insurance to cover the meetings in the current year.

## 13. Subsequent Events

In May 2019, the Association's trademarks for its logo (a thyroid shape within a circle), its name (American Thyroid Association), and two of its online publication names (Clinical Thyroidology and Thyroid) were renewed through June 2019 with the United States Patent and Trademark Office.

\* \* \* \* \*



# American Thyroid Association, Inc.

## Schedule of Publication Revenue and Expenses

Year Ended December 31, 2018

	Thyroid ®	Clinical Thyroidology ®	VideoEndocrinology ™	Guidelines	General Communications	Web	Total Publications
<b>Revenue</b>							
Subscriptions	\$ 167,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,918
Royalties	28,894	71,788	53,023	-	704	-	154,409
Manuscript fees	66,225	-	-	-	-	-	66,225
Editorial support	60,000	-	6,600	-	-	-	66,600
<b>Total publication revenue</b>	<b>323,037</b>	<b>71,788</b>	<b>59,623</b>	<b>-</b>	<b>704</b>	<b>-</b>	<b>455,152</b>
<b>Expenses</b>							
Salaries	32,205	6,121	3,809	15,056	39,138	15,545	111,874
Employee benefits	9,080	1,744	1,072	4,225	11,013	4,435	31,569
Payroll taxes	2,173	417	256	1,011	2,635	1,061	7,553
Supplies	237	30	18	73	189	75	622
Telephone and communication	944	88	72	862	564	312	2,842
Occupancy	1,512	288	179	705	1,835	730	5,249
Information technology	1,212	117	84	6,633	866	3,530	12,442
Printing and design	-	413	-	-	-	75	488
Editorial management	33,740	26,000	22,500	-	-	-	82,240
Professional and contracted services	64,757	160	-	-	-	-	64,917
Convention and facility	1,618	-	-	715	-	240	2,573
Depreciation and amortization	1,324	252	157	618	1,607	639	4,597
Travel	8,008	-	-	-	-	-	8,008
Insurance	376	71	44	175	456	181	1,303
Dues and subscriptions	150,404	-	-	-	-	-	150,404
Taxes and licenses	50	10	6	23	61	24	174
<b>Total publication expenses</b>	<b>307,640</b>	<b>35,711</b>	<b>28,197</b>	<b>30,096</b>	<b>58,364</b>	<b>26,847</b>	<b>486,855</b>
<b>Publication revenue in excess of (less than) expenses</b>	<b>\$ 15,397</b>	<b>\$ 36,077</b>	<b>\$ 31,426</b>	<b>\$ (30,096)</b>	<b>\$ (57,660)</b>	<b>\$ (26,847)</b>	<b>\$ (31,703)</b>

See independent auditors' report.

# American Thyroid Association, Inc.

## Comparison to Budget

Year Ended December 31, 2018

	Actual	Budget
<b>Support and Revenue</b>		
CME grants	\$ 295,000	\$ 245,000
Meeting registration	1,053,159	978,239
Other meeting revenue	550,609	658,765
Research grants	201,250	250,000
Publications and communications	455,152	501,239
Member dues	518,663	496,608
Individual and corporate donations	166,929	96,940
Member donations	79,612	35,030
Donated investments	16,494	-
Investment income (loss)	(360,202)	5,848
<b>Total support and revenue</b>	<b>2,976,666</b>	<b>3,267,669</b>
<b>Expenses</b>		
Program expenses		
Scientific meetings	1,275,170	1,504,692
Public, patient and professional awareness	510,408	606,315
Publications	486,855	437,215
Research	448,254	481,722
<b>Total program expenses</b>	<b>2,720,687</b>	<b>3,029,944</b>
Management and general	311,367	201,967
Fundraising	96,443	83,346
<b>Total expenses</b>	<b>3,128,497</b>	<b>3,315,257</b>
<b>Change in net assets</b>	<b>\$ (151,831)</b>	<b>\$ (47,588)</b>

See independent auditors' report.