

Midwestern Society of Orthodontists
(MSO)

FINANCIAL STATEMENTS

December 31, 2024

Table of Contents

	<u>Pages</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expense	5
Statements of Cash Flow	6
Notes to the Financial Statement	7-10

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midwestern Society of Orthodontists

We have audited the accompanying financial statements of Midwestern Society of Orthodontists (MSO), Inc. (hereafter "MSO") (a nonprofit organization), which comprise of the statements of financial position as of December 31, 2024 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.

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 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 risk 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (Continued)

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 MSO as of December 31, 2024; and the changes in net assets, functional expenses and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

DATE OF FS ISSUANCE

MIDWESTERN SOCIETY OF ORTHODONTISTS

Statements of Financial Position
As of December 31, 2024

	<u>2024</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 182,959
Investments	145,623
Prepaid Expenses	<u>11,292</u>
Total Current Assets	<u>339,874</u>
 Total Assets	 <u><u>\$ 339,874</u></u>
<u>LIABILITIES</u>	
Current Liabilities	
Deferred Revenue	<u>75,133</u>
Total Current Liabilities	<u>75,133</u>
 Total Liabilities	 <u>75,133</u>
<u>NET ASSETS</u>	
Net Assets	
Without Donor Restrictions	<u>264,741</u>
 Total Net Assets	 <u>264,741</u>
 Total Liabilities and Net Assets	 <u><u>\$ 339,874</u></u>

MIDWESTERN SOCIETY OF ORTHODONTISTS

Statement of Activities For the year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	2024
Public Support and Revenue:			
Dues	\$ 158,978	\$ -	\$ 158,978
Sponsorships	7,000	-	7,000
Registration and Exhibits	164,940	-	164,940
Marketing	3,000	-	3,000
Gain on Investments	18,506	-	18,506
Other Income	-	-	-
	352,424	-	352,424
Net Assets Released from Restrictions	-	-	-
Total Revenues and Support	352,424	-	352,424
Expenses:			
Program	289,879	-	289,879
Management and General	50,588	-	50,588
Fundraising	-	-	-
Total Expenses	340,467	-	340,467
Increase in Net Assets	11,957	-	11,957
Net Assets, Beginning of Year	252,784	-	252,784
Net Assets, End of Year	\$ 264,741	\$ -	\$ 264,741

MIDWESTERN SOCIETY OF ORTHODONTISTS

Statement of Functional Expenses For the year ended December 31, 2024

	Program Services	Management and General	Fundraising Expenses	Total 2024
Management Fees	\$ 85,125	\$ 28,375	\$ -	\$ 113,500
Meetings/Conventions	144,847	-	-	144,847
AAO	27,212	-	-	27,212
AD Interim Meeting	21,724	-	-	21,724
Office Expense	8,747	2,916	-	11,662
Board Expenses	-	11,446	-	11,446
Donations and Grants	1,350	-	-	1,350
Insurance	875	292	-	1,166
Accounting	-	7,560	-	7,560
Other	-	-	-	-
Total	<u>\$ 289,879</u>	<u>\$ 50,588</u>	<u>\$ -</u>	<u>\$ 340,467</u>

MIDWESTERN SOCIETY OF ORTHODONTISTS

Statements of Cash Flows
For the year ended December 31, 2024

	<u>2024</u>
Increase in Net Assets	\$ 11,957
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:	
(Increase) in Prepaid Expenses	(11,292)
Increase in Deferred Revenue	<u>1,179</u>
(Decrease) in Accounts Payable	<u>-</u>
Net Cash Provided by Operating Activities	<u>1,844</u>
Cash Flows From Investing Activities	
Decrease In Investments	<u>114,086</u>
Net Cash from Investing Activities	<u>114,086</u>
Net Increase in Cash	115,930
Beginning Cash	<u>67,029</u>
Ending Cash	<u><u>\$ 182,959</u></u>

MIDWESTERN SOCIETY OF ORTHODONTISTS

Notes to the Financial Statements December 31, 2024

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

The Midwestern Society of Orthodontists ("MSO") is a professional member association exempt from federal income tax under Internal Revenue Code Section 501(c)(6). MSO was incorporated in 1966. MSO, as a constituent of the American Association of Orthodontists (AAO), supports the mission of AAO by providing resources, communication and leadership, while serving as a voice for its component societies and members.

Basis of Accounting

The financial statements of MSO have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Organization evaluates the estimates and assumptions based on new information. The Organization believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Classification of Net Assets

Resources are classified into net asset categories according to donor-imposed restrictions. A description of those categories is as follows:

With Donor Restrictions – Net Assets with donor restrictions are those that are subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates those resources be maintained in perpetuity. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. There were no such assets with donor restrictions as of December 31, 2024.

Without Donor Restrictions -- Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

MIDWESTERN SOCIETY OF ORTHODONTISTS

Notes to the Financial Statements December 31, 2024

Note 1 - Significant Accounting Policies (Continued)

Revenue Recognition

MSO's primary revenue sources are member dues and meetings. Member dues are received from members of the organization, most of whom are orthodontists in the States of Illinois, Wisconsin, Minnesota, Iowa, North Dakota, South Dakota, Nebraska, and the Province of Manitoba. MSO recognizes its dues and meeting revenue using the guidance of ASC 606 'Revenue from Contracts with Customers.' The guidance stipulates that revenue is recognized as services are rendered.

Cash and Cash Equivalents

MSO considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Deferred Income

Income from membership dues and meetings received in advance is deferred and recognized over the periods to which the dues relate, or the meeting is held. The components of deferred revenue are as follows:

	<u>12/31/24</u>
Member Dues	\$72,383
Annual Meeting Exhibitors	<u>2,750</u>
	<u>\$75,133</u>

Donated Services

MSO has adopted Accounting Standards Codification (ASC) 958. Under ASC 958, contributions of services are recognized in the financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would be typically need to be purchased if not provided by donation. MSO receives a number of unpaid volunteers, as well as volunteer board members and officers, who have made significant contributions of their time. The value of these services as well as other goods and services are not reflected in these statements since they are not susceptible to objective measurement or valuation in accordance with ASC 958. No such services were received during the year ended December 31, 2024.

Functional Allocation of Expenses

The Statement of Activities and Statement of Functional Expenses report expenses by both natural and functional classification. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directedly applied to the related program or service category when identifiable and possible.

Related Party Transactions

During the year ended December 31, 2024, MSO paid \$12,750 for management services to a company which was 100% owned by MSO's Executive Director.

MIDWESTERN SOCIETY OF ORTHODONTISTS

Notes to the Financial Statements December 31, 2024

Note 1 - **Significant Accounting Policies (Continued)**

Tax Status

MSO is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and application state law, except on net income derived from unrelated business activities. Taxes assessed on these activities are recognized in the financial statements in the year that payments are made. For the year ending December 31, 2024, there was no income derived from unrelated business activities and, accordingly, no required payments for these types of transactions or income tax expense recorded in the financial statements for the year then ended.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, MSO may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of MSO and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2024.

MSO files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Ohio. MSO is generally no longer subject to examination by the Internal Revenue Service for fiscal years before December 31, 2021.

Note 2 – **Liquidity**

MSO has determined that all financial assets at year-end will be available for general use as there are no donor-imposed restrictions on net assets at December 31, 2024.

MSO defines financial assets as Cash and Cash Equivalents and Investments.

	<u>2024</u>
Cash and Cash Equivalents	\$ 182,959
Investments	<u>145,623</u>
Financial Assets Available for Use Within 1 Year	<u><u>\$ 328,582</u></u>

Note 3 - **Concentration of Credit Risk**

The Organization maintains cash balances, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2024, the Organization's cash balances were fully insured with federal depository insurance.

MIDWESTERN SOCIETY OF ORTHODONTISTS

Notes to the Financial Statements December 31, 2024

Note 4 - ASC 958-320 - Fair Values of Assets

MSO has adopted ASC 958-320 “Not-For-Profit Entities – Investments”. ASC 958-320 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques 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 under ASC 958-320 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility, statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the management. The management considers observable data to be that market data which is readily available regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the manager’s perceived risk of that instrument.

In making the aforementioned valuations, management will consult with their brokers, investment managers and various other entities in analyzing data which determines fair market values.

Fair values of assets measured on a recurring basis at December 31, 2024 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments -				
Mutual Funds	<u>\$145,623</u>	\$145,623	\$ ---	\$ ---
Total Assets	<u>\$145,623</u>	<u>\$145,623</u>	<u>\$ ---</u>	<u>\$ ---</u>

Note 5 - Subsequent Events

Subsequent events were evaluated through DATE OF FS ISSAUNCE, which is the financial statement issuance date.