

**Financial Statements  
Year Ended  
December 31, 2012**

**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, 2012, and the related statements of activities 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 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, 2012, 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and comparison to budget on pages 17 to 18 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.

*Dalal + Company*

Alexandria, Virginia  
July 26, 2013

# American Thyroid Association, Inc.

## Statement of Financial Position

December 31, 2012

### Assets

#### Current assets

Cash and cash equivalents	\$ 1,652,385
Receivables	84,082
Prepaid expenses	20,374

**Total current assets** 1,756,841

**Property and equipment**, net of accumulated depreciation of \$78,629 44,953

**Investments** 3,976,388

#### Other assets

Deposits	8,057
Thyroid library	18,865
Trademarks, net of accumulated amortization of \$3,593	1,540

**\$ 5,806,644**

### Liabilities and Net Assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 54,931
Deferred revenue	364,595

**Total current liabilities** 419,526

#### Net assets

Unrestricted	1,529,892
Unrestricted, board designated	506,514

**Total unrestricted net assets** 2,036,406

Temporarily restricted	358,990
Permanently restricted	2,991,722

**Total net assets** 5,387,118

**\$ 5,806,644**

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

**American Thyroid Association, Inc.**  
**Statement of Activities**

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
CME grants	\$ 265,337	\$ -	\$ -	\$ 265,337
Meeting registration	631,560	-	-	631,560
Other meeting revenue	137,800	-	-	137,800
Research grants	-	172,576	-	172,576
Publications and communications	399,821	-	-	399,821
Member dues	318,512	-	-	318,512
Individual and corporate donations	18,043	62,676	445,681	526,400
Member donations	24,884	4,150	-	29,034
Interest, dividends and realized gains	6,636	110,710	-	117,346
In-kind donation of thyroid library	18,865	-	-	18,865
Net assets released from restrictions	262,493	(254,273)	(8,220)	-
<b>Total support and revenue</b>	<b>2,083,951</b>	<b>95,839</b>	<b>437,461</b>	<b>2,617,251</b>
<b>Expenses</b>				
Program services				
Education				
Scientific meetings - venue to share knowledge and gather information on causes and cures of thyroid disease with professionals	667,228	-	-	667,228
Public, patient and professional awareness - provide the public and health professionals with information and education	433,201	-	-	433,201
Publications - provide information on research and treatments	398,727	-	-	398,727
Research - support to academic institutions and scientists to research thyroid disorders	305,294	-	-	305,294
Total program services	1,804,450	-	-	1,804,450
Management and general	57,831	-	-	57,831
Fundraising - secures charitable financial support and compliance	54,991	-	-	54,991
<b>Total expenses</b>	<b>1,917,272</b>	<b>-</b>	<b>-</b>	<b>1,917,272</b>
<b>Operational support and revenue in excess of expenses</b>	<b>166,679</b>	<b>95,839</b>	<b>437,461</b>	<b>699,979</b>
Net unrealized gains	3,017	189,298	-	192,315
<b>Change in net assets</b>	<b>169,696</b>	<b>285,137</b>	<b>437,461</b>	<b>892,294</b>
<b>Net assets, beginning of year</b>	<b>1,866,710</b>	<b>73,853</b>	<b>2,554,261</b>	<b>4,494,824</b>
<b>Net assets, end of year</b>	<b>\$ 2,036,406</b>	<b>\$ 358,990</b>	<b>\$ 2,991,722</b>	<b>\$ 5,387,118</b>

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

# American Thyroid Association, Inc.

## Statement of Cash Flows

**Year Ended December 31, 2012**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 892,294
Adjustments to reconcile to net cash from operating activities:	
Depreciation and amortization	22,781
In-kind donation of thyroid library	(18,865)
Net realized gain on investments	(12,897)
Net unrealized gain on investments	(192,315)
Change in:	
Receivables	(38,198)
Prepaid expenses	(3,452)
Deposits	(464)
Accounts payable and accrued expenses	7,031
Deferred revenue	134,341
<b>Net cash flows from operating activities</b>	<u>790,256</u>
<b>Cash flows from investing activities</b>	
Investment purchases, reinvestments and transfers	(1,337,509)
Proceeds from sale of investments	666,339
Purchase of property and equipment	(30,069)
<b>Net cash flows from investing activities</b>	<u>(701,239)</u>
<b>Net change in cash and cash equivalents</b>	89,017
<b>Cash and cash equivalents, beginning of year</b>	<u>1,563,368</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,652,385</u>
<b>Supplemental disclosure of noncash investing activities</b>	
In-kind donation of library	\$ 18,865

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, 2012

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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 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 physiopathology. 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. Donor-restricted contributions whose restriction criteria are met in the same reporting period are shown as temporarily restricted net assets released from restrictions and are transferred to unrestricted net assets.

#### Basis of Presentation

In accordance with U.S. generally accepted accounting principles, the Association classifies resources for accounting and reporting purposes into three net asset categories according to the externally (donor) imposed restrictions. A description of the three net asset categories follows:

*Unrestricted net assets* include undesignated and board-designated net assets that are associated with the principal mission of the Association and that are not subject to donor restrictions.

*Temporarily restricted net assets* include funds for which donor-imposed restrictions have not been met. When the criteria for such restrictions have been met, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* include gifts that require, by donor restriction, that the principal be invested in perpetuity.

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:

#### Unrestricted Funds

##### 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 \$506,514 of unrestricted funds at December 31, 2012 as follows: \$320,000 to serve as an operational reserve; \$147,688 from a 2007 bequest to be spent for clinical initiatives; and \$38,826 from contributions received from a foundation which ceased operations, to be spent on patient education. These funds are invested in money market funds with a net asset value of \$1 per share and are included in cash and cash equivalents.

### **Temporarily Restricted Funds**

#### ITC Travel Fund

The International Thyroid Congress (ITC), which first met in 1927, is a collaborative meeting held every fifth year by the four world thyroid societies – the Latin American Thyroid Association (LATS), the European Thyroid Association (ETA), the Asia & Oceania Thyroid Association (AOTA), and the ATA. Each society hosts the ITC on a rotating basis. The ITC Travel Fund represents the Association's share of the net revenue of the previous ITC. The funds are held for young investigator travel to the 2015 ITC meeting which will be hosted by the ATA in Orlando, Florida. The balance in this fund at December 31, 2012 was \$16,321.

#### Research Fund

The Research Fund supports thyroid research and includes contributions from the Combined Federal Campaign, United Way and Independent Charities of America. The ATA is a Health and Medical Research charity under the Combined Federal Campaign. There were no temporarily restricted research funds at December 31, 2012.

#### Image Library Project

ATA received funds supporting an initiative to provide an imaging library available to the medical community on the ATA website. The balance in this fund was \$1,500 at December 31, 2012.

#### Endowment Appreciation

Absent donor-imposed restrictions, unspent investment returns from permanently restricted endowments are accumulated and presented as temporarily restricted funds which are subject to the Organization's investment spending policy as described in Footnote 7. The balance in this fund was \$341,169 at December 31, 2012.

### **Permanently Restricted Funds**

#### Sidney H. Ingbar Fund

The Sidney H. Ingbar Fund (Ingbar Fund) supports an annual 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.

#### Endowment Fund

The Endowment Fund was established to ensure the future of the American Thyroid Association's scientific and educational programs for its members.

#### Campaign Fund

The Campaign Fund supports peer-reviewed clinical and basic science investigations of exceptional merit.

#### Stanbury Pathophysiology Award Fund

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

### 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.

### 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 conducted at each annual meeting.

### 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 lectureship at the annual meeting.

### 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 became a permanent endowment in 2011 when donations exceeded \$100,000.

## **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of demand deposits at banks and 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.

## **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, 2012, 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.

## **Support, Revenues and Expenses**

The Association records support, revenues and expenses on the accrual basis. Contributions are recorded in the funds in accordance with donor restrictions. The donor-restricted contributions whose restriction criteria are met in the same reporting period are shown as temporarily restricted net assets released from restrictions and are transferred to unrestricted net assets. Unrestricted donations are recorded in the operating fund. Temporarily restricted and permanently restricted donations are recorded in the respective restricted funds.

## **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, 2012 include \$72,905 for meeting support, \$3,468 for donations, \$7,546 for 2012 journal royalties, and \$163 for overpayments. Management has determined all accounts are collectible and, therefore, there is no allowance for doubtful accounts at December 31, 2012.

## **Property and Equipment**

Property and equipment are stated at cost and depreciation is calculated on a straight-line basis over their 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 the assessed fair value at the time of the donation.

## **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 grants in support of future projects are also included in deferred revenue.

At December 31, 2012, deferred revenue consisted of membership dues of \$334,961, exhibitor fees of \$25,470 and support for future guidelines of \$4,164.

## **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, 2012, bank deposits exceeded FDIC limits by \$52,702. 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 a brokerage institution which is a member of the Securities Investor Protection Corporation (SIPC). The financial institution carries 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, 2012. 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. At a minimum, the December 31, 2009 through 2012 tax years are open for examination by taxing authorities.

### Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 26, 2013, the date the financial statements were available to be issued.

### 3. Cash and Cash Equivalents

A summary of cash and cash equivalents in each fund as of December 31, 2012 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Checking accounts	\$ 657,845	\$ -	\$ -	\$ 657,845
Money market accounts	515,597	-	-	515,597
Money market funds	478,943	-	-	478,943
Total	\$ 1,652,385	\$ -	\$ -	\$ 1,652,385

Fair value approximates cost.

### 4. Investments and Fair Value Measurements

The fair market value of investments, with a cost basis of \$3,631,170, at December 31, 2012 were:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Equity securities	\$ -	\$ -	\$ 1,762,648	\$ 1,762,648
Debt securities	625,676	358,990	1,229,074	2,213,740
Total	\$ 625,676	\$ 358,990	\$ 2,991,722	\$ 3,976,388

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, 2012:

	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	\$ 19,616	\$ -	\$ -	\$ 19,616
Preferred stocks	48,167	-	-	48,167
Mutual funds	1,694,865	-	-	1,694,865
Debt securities				
US Treasury securities	249,580	-	-	249,580
Certificates of deposit	100,287	-	-	100,287
Government bonds	448,177	-	-	448,177
Government-backed securities	805	-	-	805
Corporate bonds	1,157,808	-	-	1,157,808
Mutual funds	257,083	-	-	257,083
	<u>\$ 3,976,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,976,388</u>

Net investment return for 2012 consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income:			
Wells Fargo	\$ 365	\$ -	\$ 365
Provident	20	-	20
Burke & Herbert - money market	1,037	-	1,037
BB&T	359	-	359
Deutsche Bank - Operations reserve	4,855	-	4,855
Deutsche Bank - Growth	-	49,410	49,410
Deutsche Bank - Income	-	39,164	39,164
Deutsche Bank - Calamos	-	9,239	9,239
	<u>6,636</u>	<u>97,813</u>	<u>104,449</u>
Net realized gains	-	12,897	12,897
	<u>6,636</u>	<u>110,710</u>	<u>117,346</u>
Net unrealized gains	3,017	189,298	192,315
Investment advisory fees	-	(16,371)	(16,371)
	<u>\$ 9,653</u>	<u>\$ 283,637</u>	<u>\$ 293,290</u>

## 5. Property and equipment

Property and equipment consisted of the following at December 31, 2012.

	Cost	Accumulated Depreciation	Depreciation Expense	Life (years)
Furniture, fixtures, and equipment	\$ 42,410	\$ (39,647)	\$ 4,685	5-7
Computer hardware	19,351	(11,905)	2,454	5
Computer software	3,217	(3,216)	652	3
Website and database	58,604	(23,861)	13,963	3
	<u>\$ 123,582</u>	<u>\$ (78,629)</u>	<u>\$ 21,754</u>	

## Intellectual Property

The Association registered its logo (a white thyroid shape within a blue circle), its name (American Thyroid Association), and one of its online publication names (Clinical Thyroidology) with the United States Patent and Trademark Office. The \$5,133 cost associated with these applications are capitalized on the statement of financial position as Trademarks at December 31, 2012 and amortized over a five year period.

The estimated aggregated amortization expense for the succeeding fiscal years as of December 31, 2012 is as follows:

2013	\$ 1,027
2014	<u>513</u>
	<u>\$ 1,540</u>

Depreciation and amortization for the year ended December 31, 2012 were \$21,754 and \$1,027, respectively, totaling \$22,781.

## 6. Publications and Communications

On January 1, 2011, the Association's agreement with a publishing company to publish and sell *Thyroid*, the official journal of the American Thyroid Association, automatically renewed for an additional seven years beginning January 1, 2012. The agreement may be renegotiated or canceled beyond this term with written notice given by December 31, 2017. The publisher is considered the sole owner of *Thyroid* and 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, 2008 through January 1, 2013. The Association earns royalty income from the publication of *Thyroid* for the use of the ATA trademark, logo and other materials.

The Association continued to publish *Clinical Thyroidology* on the Internet and in a printed version to ATA members who cannot access the Internet. The Association entered into an agreement with the Editor in Chief of *Clinical Thyroidology* effective January 1, 2011 through January 1, 2014. The Association also publishes *Clinical Thyroidology for Patients*, an online version of *Clinical Thyroidology* for patients and the public who joined Friends of the ATA. The ATA entered into an agreement allowing a company in India to reprint articles from *Clinical Thyroidology* for distribution to endocrinologists in India.

The Association has an annually renewable contract with a service provider of weekly thyroid related online news briefs. The Association earns royalty income for the use of the ATA trademark, logo and other materials. The contract renewed on March 31, 2012. Subsequent to year end, the contract was cancelled. See Note 12.

An India-based company sought the ATA's expertise in reviewing and approving a print based educational program on thyroid for local physicians.

Publications and communications support and revenue of \$399,821 includes subscription revenue of \$150,417 from *Thyroid*, editorial support of \$58,333, manuscript fees of \$54,145, net royalty income of \$18,424, support for communication projects of \$100,967, support for guidelines of \$5,365, support related to the two India-based projects of \$4,300, and other support of \$7,870.

## 7. 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.

## Donor-Restricted Net Asset Composition by Type and Fund

	<u>December 31, 2012</u>
<b>Temporarily Restricted</b>	
ITC Travel Fund	\$ 16,321
Ultrasound library project	1,500
Endowment appreciation	<u>341,169</u>
	<u>\$ 358,990</u>
<b>Permanently Restricted</b>	
Campaign Fund	\$ 2,209,135
Endowment Fund	307,797
Ingbar Fund	82,245
Arthur Bauman Fund	79,225
Sawin Fund	50,000
USC Fellows Fund	40,000
Stanbury Fund	31,713
Braverman Fund	<u>191,607</u>
Total Funds	<u>\$ 2,991,722</u>

## Changes in Endowment Net Assets for the Year Ended December 31, 2012

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 73,853	\$ 2,554,261	\$ 2,628,114
Investment return:			
Interest and dividends	\$ 97,813	-	97,813
Net realized gain	12,897	-	12,897
Net unrealized gain	189,298	-	189,298
Total investment return	300,008	-	300,008
Contributions	239,402	445,681	685,083
Appropriation of endowment assets for expenditure	(16,371)	(4,973)	(21,344)
Other changes:			
Transfer to unrestricted	(237,902)	(3,247)	(241,149)
Net asset restriction transfers	(254,273)	(8,220)	(262,493)
Endowment net assets, end of year	\$ 358,990	\$ 2,991,722	\$ 3,350,712

All investment returns on permanently restricted funds are accumulated as temporarily restricted until appropriated for expenditure.

### 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 unrestricted net assets. There were no funds with deficiencies as of December 31, 2012.

### 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.

### 8. 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. The Association's contributions totaled \$29,333 for the year.

In 2009, the Association established a Tax-Exempt Organization Eligible 457b Plan. Participation in the plan is restricted to "top hat" employees as understood in Title 1 of ERISA. The Association's contributions totaled \$6,994 for 2012.

### 9. Leases

The Association leases office space under an agreement which expired November 30, 2009. A new lease has not been signed and the Association pays on a monthly basis. Rent expense for the year ended December 31, 2012 was \$29,612. Expected rent for 2013 is \$30,477.

### 10. 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, 2012
2013 April	Spring Symposium	Washington, DC	\$ 13,742
2013 October	Annual Meeting	San Juan, PR	\$ 260,842
2014 October	Annual Meeting	Coronado, CA	\$ 417,871
2015 October	International Thyroid Congress	Orlando, FL	\$ 465,711
2016 September	Annual Meeting	Denver, CO	\$ 92,950
2017 October	Annual Meeting	Victoria, BC	\$ 105,788

The Association secures event cancellation insurance to cover the meetings in the current year. Subsequent to year end, the Association entered into a contract for a meeting to be held in October 2013 (see Note 12).

### 11. Donated Books

Prior to year end, the Association received a donation of Thyroid books from one of their members. The donor valued the books at \$18,865, based on the written appraisal of a book store owner, and the declaration of the book store owner as an appraiser on the Internal Revenue Service Form 8283, Noncash Charitable Contributions. The Association recorded an in-kind contribution of these books for the year ended December 31, 2012, and the books are shown as Thyroid Library on the statement of financial position as of December 31, 2012.

### 12. Subsequent Events

In February 2013, the Association cancelled the contract with the service provider of weekly thyroid related online news briefs. The Association returned \$2,970 of 2012 royalty income which is included in accounts payable at December 31, 2012.

In March 2013, the Association entered into a contract for a meeting of the 15<sup>th</sup> ITC Program Organizing Committee to be held in October 2013. There would be no cancellation charges

associated with this contract if the Association agrees to reschedule the event within six months' time of the originally scheduled meeting.

\* \* \* \* \*

# American Thyroid Association, Inc.

## Schedule of Functional Expenses

Year Ended December 31, 2012

	Program Services				Supporting Services			Total
	Education		Research	Total Program Services	Management	Fundraising		
	Scientific Meetings	Public, Patient and Professional Awareness						
<b>Expenses</b>								
Salaries	\$ 143,320	\$ 172,284	\$ 115,011	\$ 4,945	\$ 435,560	\$ 40,735	\$ 14,933	\$ 491,228
Employee benefits	17,552	21,100	14,085	606	53,343	4,989	1,828	60,160
Payroll taxes	10,090	12,129	8,098	348	30,665	2,866	1,051	34,582
Professional and contracted services	17,610	54,148	28,246	6,562	106,566	2,661	7,072	116,299
Editorial management	-	750	49,653	-	50,403	-	-	50,403
Travel	52,954	26,067	3,663	-	82,684	-	-	82,684
Convention and facility	353,246	68,275	27,833	-	449,354	-	3,904	453,258
Research grants	-	-	-	287,500	287,500	-	-	287,500
Printing and design	9,309	9,848	111,577	-	130,734	-	3,093	133,827
Information technology	31,356	32,370	16,487	4,476	84,689	494	820	86,003
Supplies	3,448	3,424	6,417	57	13,346	465	170	13,981
Telephone	3,104	6,212	3,363	193	12,872	470	735	14,077
Postage and shipping	4,861	1,157	164	5	6,187	44	941	7,172
Occupancy	8,639	10,385	6,933	298	26,255	2,456	901	29,612
Depreciation and amortization	6,648	7,989	5,334	229	20,200	1,889	692	22,781
Investment advisory fees	-	-	-	-	-	-	16,371	16,371
Insurance	5,091	2,603	1,738	75	9,507	615	225	10,347
Dues and subscriptions	-	4,460	125	-	4,585	147	2,255	6,987
	<b>\$ 667,228</b>	<b>\$ 433,201</b>	<b>\$ 398,727</b>	<b>\$ 305,294</b>	<b>\$ 1,804,450</b>	<b>\$ 57,831</b>	<b>\$ 54,991</b>	<b>\$ 1,917,272</b>

See independent auditors' report.

# American Thyroid Association, Inc.

## Comparison to Budget

Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>
<b>Support and Revenue</b>		
CME grants	\$ 265,337	\$ 410,000
Meeting registration	631,560	498,390
Other meeting revenue	137,800	131,480
Research grants	172,576	172,500
Publications and communications	399,821	371,600
Member dues	318,512	304,875
Individual and corporate donations	526,400	86,250
Member donations	29,034	18,000
Interest, dividends and realized gains	117,346	45,360
In-kind donations	18,865	-
<b>Total support and revenue</b>	<u>2,617,251</u>	<u>2,038,455</u>
<b>Expenses</b>		
Program expenses		
Education		
Scientific meetings	667,228	690,930
Public, patient and professional awareness	433,201	454,210
Publications	398,727	418,070
Research	305,294	297,020
<b>Total program expenses</b>	<u>1,804,450</u>	<u>1,860,230</u>
Management and general	57,831	58,790
Fundraising	54,991	48,540
<b>Total expenses</b>	<u>1,917,272</u>	<u>1,967,560</u>
<b>Operational support and revenue in excess of expenses</b>	699,979	70,895
<b>Net unrealized gain on investments</b>	192,315	-
<b>Support and revenue in excess of expenses</b>	<u>\$ 892,294</u>	<u>\$ 70,895</u>

See independent auditors' report.