

Society of Skeletal Radiology, Inc.
(A Nonprofit Corporation)
Financial Statements
Year Ended June 30, 2017 and 2016

Society of Skeletal Radiology, Inc.
(A Nonprofit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Society of Skeletal Radiology, Inc.

We have audited the accompanying financial statements of The Society of Skeletal Radiology, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Society of Skeletal Radiology, Inc. as of June 30, 2017, 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 Summarized Comparative Information

We have previously audited The Society of Skeletal Radiology, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 14 is presented for purposes of additional analysis and is 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.



Miller Verchota, Inc.

Certified Public Accountants

Crystal Lake, Illinois

September 15, 2017

Society of Skeletal Radiology, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	<u>ASSETS</u>	
Current Assets	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 140,544	\$ 296,437
Accounts receivable	36,700	-
Prepaid and other assets	7,083	25,000
Investments	<u>1,352,553</u>	<u>1,154,188</u>
Total Current Assets	<u><u>\$ 1,536,880</u></u>	<u><u>\$ 1,475,625</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued expenses	\$ 42,541	\$ 45,327
Deferred membership dues	6,650	150,150
Total Current Liabilities	<u>49,191</u>	<u>195,477</u>
Net Assets		
Unrestricted		
Undesignated	1,465,414	1,259,347
Board designated	20,000	20,000
Temporarily restricted	<u>2,275</u>	<u>801</u>
Total Net Assets	<u><u>1,487,689</u></u>	<u><u>1,280,148</u></u>
Total Liabilities and Net Assets	<u><u>\$ 1,536,880</u></u>	<u><u>\$ 1,475,625</u></u>

See independent auditor's report and accompanying notes to the financial statements.

Society of Skeletal Radiology, Inc.
Statements of Activities
Year Ended June 30, 2017
With Summarized Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Operating Revenues and Other Support:				
Membership dues	\$ 437,416	\$ -	\$ 437,416	\$ 241,850
Annual meeting	237,943	-	237,943	152,637
Journal subscriptions	7,172	-	7,172	12,962
Contributions	-	11,474	11,474	10,834
Investment income	83,668	-	83,668	39,456
Miscellaneous income	4,125	-	4,125	1,130
Net assets released from restrictions	10,000	(10,000)	-	-
 Total Operating Revenues and Other Support	 780,324	 1,474	 781,798	 458,869
Expenses:				
Program services	434,762	-	434,762	331,057
General and administrative	139,495	-	139,495	150,301
 Total Expenses	 574,257	 -	 574,257	 481,358
 Change in Net Assets	 206,067	 1,474	 207,541	 (22,489)
 Net Assets at Beginning of Year	 1,279,347	 801	 1,280,148	 1,302,637
 Net Assets at End of Year	 <u>\$ 1,485,414</u>	 <u>\$ 2,275</u>	 <u>\$ 1,487,689</u>	 <u>\$ 1,280,148</u>

See independent auditor's report and accompanying notes to the financial statements.

Society of Skeletal Radiology, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 207,541	\$ (22,489)
Adjustments to reconcile changes in net assets to net cash provided/(used) by operating activities		
Net realized and unrealized gain on investments	(57,627)	(12,359)
Decrease/(increase) in assets:		
Accounts receivable	(36,700)	-
Prepaid expenses & other assets	17,917	(12,794)
Increase/(decrease) in liabilities:		
Accrued Expenses	(2,786)	8,935
Deferred Membership Dues	(143,500)	150,150
Net Cash Flows Provided by (Used for) Operating Activities	(15,155)	111,443
Cash Flows from Investing Activities		
Proceeds from the sale of investments	90,336	179,772
Purchase of investments	(231,074)	(138,899)
Net Cash Flows Provided by (Used for) Investing Activities	(140,738)	40,873
Net Increase/(Decrease) in Cash and Cash Equivalents	(155,893)	152,316
Cash and Cash Equivalents at Beginning of Year	296,437	144,121
Cash and Cash Equivalents at End of Year	\$ 140,544	\$ 296,437
Supplemental information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-

See independent auditor's report and accompanying notes to the financial statements.

The Society of Skeletal Radiology, Inc. (A Nonprofit Corporation)
Notes to the Financial Statements
For the Year ended June 30, 2017

1. Organization and Nature of Activities

The Society of Skeletal Radiology, Inc. (the “Society”) is a nonprofit organization whose purpose is to encourage research and support the development of expertise in musculoskeletal radiology and related sciences. The Society provides continuing medical education for practicing musculoskeletal radiologists via an annual scientific meeting. The Society’s primary sources of revenue are membership dues, meeting registration fees, meeting sponsorships, and journal subscriptions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Statements of Not for Profit Organizations Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Under the standards, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Unrestricted net assets include resources that are not subject to donor-imposed restrictions plus those resources for which donor-imposed restrictions have been satisfied. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets -Temporarily restricted net assets are subject to donor-imposed restrictions related to specific purposes. Satisfaction of temporarily restricted net assets (i.e., when the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) is reported as a reclassification from temporarily restricted net assets to unrestricted net assets.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to donor-imposed restrictions that will never lapse, thus requiring that the funds be retained permanently. At June 30, 2017 and 2016, there were no permanently restricted net assets.

Cash and Cash Equivalents

The Society considers all highly liquid debt instruments purchased with a maturity of three months or less and used to support daily operations to be cash equivalents.

The Society of Skeletal Radiology, Inc. (A Nonprofit Corporation)
Notes to the Financial Statements
For the Year ended June 30, 2017

2. Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

From time to time, the Society's cash balances at financial institutions exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. Management does not believe this presents a significant risk to the Society.

Prepaid Expenses and Other Assets

Prepaid expenses as of June 30, 2017 and 2016 are comprised of management fees and deposits for future conference locations, respectively.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Contributions

Under the standards within the Accounting Standards Codification for Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Donated Services

A significant amount of donated services are contributed to the Society by various members to support the Society's program and supporting services. These volunteer activities include participation on the Board of Directors and numerous other committees. The value of these services has not been included in the financial statements.

Accrued Expenses

Accrued expenses as of June 30, 2017 and 2016 are comprised primarily of estimated journal publication expenses.

The Society of Skeletal Radiology, Inc. (A Nonprofit Corporation)
Notes to the Financial Statements
For the Year ended June 30, 2017

2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year's financial statement presentation to correspond to the current year's format.

Income Taxes

The Society is a not-for-profit organization exempt from federal income taxes under the Internal Revenue Code Section 501(c)(6); therefore, no provision for income taxes has been made in these financial statements.

The most significant tax positions of the Society are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Society files information returns in the U.S. federal jurisdiction. The Society is no longer subject to U.S. federal examinations by tax authorities for years before 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Support and revenue are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Membership dues, annual meeting registration, journal subscriptions, contributions and other revenue are reported in the year when substantially earned. When activities extend beyond the end of the fiscal year they are reported in the succeeding year. That portion of program revenue which is recognized in future periods is reflected as deferred revenue.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Deferred Revenue

Deferred revenue consists of membership dues received for the following year.

The Society of Skeletal Radiology, Inc. (A Nonprofit Corporation)
Notes to the Financial Statements
For the Year ended June 30, 2017

2. Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through September 15, 2017 the date which the financial statements were available for issue and has determined that there are no additional adjustments and/or disclosures required.

3. Fair Value Measurements

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provided the framework for measuring fair value. That framework provides a fair value hierarchy that prioritized 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 FASB ASC 820 are described as follows:

LEVEL 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

LEVEL 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3

Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Society of Skeletal Radiology, Inc. (A Nonprofit Corporation)
Notes to the Financial Statements
For the Year ended June 30, 2017

3. Fair Value Measurements (Continued)

Below is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

- Mutual Funds are valued at the net asset value (NAV) of shares held by the Society at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value of Assets measured on a recurring basis at June 30, 2017 and 2016 are as follows:

June 30, 2017	Fair Value	Level 1
<u>Mutual Funds</u>		
Growth	\$ 109,352	\$ 109,352
International	137,537	137,537
Real Estate	130,482	130,482
Index	467,891	467,891
Bond	<u>507,291</u>	<u>507,291</u>
Total Investments	<u>\$ 1,352,553</u>	<u>\$ 1,352,553</u>
June 30, 2016	Fair Value	Level 1
<u>Mutual Funds</u>		
Growth	\$ 92,146	\$ 92,146
International	198,235	198,235
Real Estate	106,946	106,946
Index	302,629	302,629
Bond	<u>454,232</u>	<u>454,232</u>
Total Investments	<u>\$ 1,154,188</u>	<u>\$ 1,154,188</u>

The Society of Skeletal Radiology, Inc. (A Nonprofit Corporation)
Notes to the Financial Statements
For the Year ended June 30, 2017

4. Investments

Investment securities are carried at fair value (See Note 3), and consist of the following at June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 1,140,506	\$ 1,352,553	\$ 994,396	\$ 1,154,188
Total Investments	<u>\$ 1,140,506</u>	<u>\$ 1,352,553</u>	<u>\$ 994,396</u>	<u>\$ 1,154,188</u>

The following tabulation summarizes the net yields of investment assets:

	<u>2017</u>	<u>2016</u>
Realized and Unrealized Net Gains, Net of Fees of \$8,163 and \$7,722 for the Years Ended June 30, 2017 and 2016, respectively	\$ 49,464	\$ 4,637
Dividend and Interest Income	<u>34,204</u>	<u>34,819</u>
Investment Income	<u>\$ 83,668</u>	<u>\$ 39,456</u>

5. Segregation of Net Assets

Unrestricted – Board Designated

The Board of Directors has designated net assets of \$20,000 June 30, 2017 and 2016, respectively, to support research and education awards.

Temporarily Restricted

Temporarily restricted net assets represent amounts contributed to the Society for the purpose of granting awards to support research and education.

The Society has temporarily restricted net asset to support the following programs:

	<u>2017</u>	<u>2016</u>
Research and Education Awards	<u>\$ 2,275</u>	<u>\$ 801</u>

During the years ended June 30, 2017 and 2016 temporarily restricted net assets were released from restriction as the Society incurred expenses, satisfying the restricted purpose designated by the donor. Temporarily restricted net assets were released from restrictions to support the following programs:

	<u>2017</u>	<u>2016</u>
Research and Education Awards	<u>\$ 10,000</u>	<u>\$ 13,000</u>

The Society of Skeletal Radiology, Inc. (A Nonprofit Corporation)
Notes to the Financial Statements
For the Year ended June 30, 2017

6. Commitments

Administrative Contract

The Society entered into a three year agreement with Veritas Meeting Solutions for full management services at a cost of \$85,000 per year. The contract commenced July 1, 2014 and expires June 30, 2017. The Society entered into a contract with Veritas Meeting Solutions for an additional three year period at a cost of \$91,000 per year to include the same scope of services. The term of the contract is July 1, 2017 through June 30, 2020.

Management fees for the years ended June 30, 2017 and 2016 were \$84,999 and \$84,998, respectively.

7. Related Party Transactions

Contributions made by board members totaled \$1,800 and \$3,740 for the years ending June 30, 2017 and 2016, respectively.

8. Annual Conference

The Society holds an annual conference at various locations, planned years in advance. Each venue has a contract and the contracts from year to year vary in details. In both of the years ended June 30, 2017 and 2016, the hotel commissions were based on 10% of the overall sleeping room revenue. In 2017, the hotel remitted the commission by providing the Society with a check for the total amount after the conference. For 2017, the commissions received are included in operating revenues on the Annual meeting line. In 2016, the hotel remitted the commission by deducting the total amount of the commission earned from the food and beverage amount owed to the hotel and the commission is netted against expenses under program services. It is important to consider this variance as it relates to the revenue and expense comparison for the two years.

Supplementary Information

Statements of Functional Expenses

Year Ended June 30, 2017

With Summarized Comparative Totals For the Year Ended June 30, 2016

Expenses	2017			2016
	Program Services	Supporting Services Management and General	Total	
Affiliate memberships	\$ -	\$ 12,218	\$ 12,218	\$ 11,416
Audio visual	56,258	-	56,258	57,373
Awards	10,000	-	10,000	13,512
Bank charges	6,664	14,834	21,498	10,221
Board meeting	5,037	9,810	14,847	2,219
Continuing medical education	15,000	-	15,000	3,250
Food and beverage	247,666	-	247,666	147,586
Insurance	-	3,587	3,587	1,222
Management services	-	84,999	84,999	84,998
Miscellaneous	-	363	363	706
Other meeting expense	18,191	-	18,191	15,882
Postage and shipping	-	45	45	2,272
Printing and stationery	1,465	2,676	4,141	2,722
Professional fees	3,000	4,831	7,831	47,732
Publications	59,074	-	59,074	73,540
Supplies	1,439	186	1,625	-
Travel	10,968	893	11,861	6,587
Website	-	5,053	5,053	120
Total Expenses	\$ 434,762	\$ 139,495	\$ 574,257	\$ 481,358

See independent auditor's report and accompanying notes to the financial statements.