

# **AO North America Charitable Fund and Subsidiary**

Consolidated Financial Statements  
and Supplementary Information

December 31, 2022 and 2021

# AO North America Charitable Fund and Subsidiary

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## **Independent Auditors' Report**

To the Board of Directors of  
AO North America Charitable Fund and Subsidiary

### **Opinion**

We have audited the consolidated financial statements of AO North America Charitable Fund and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, activities and changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
May 23, 2023

## AO North America Charitable Fund and Subsidiary

Consolidated Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,472,084	\$ 7,144,968
Accounts receivable	151,225	167,577
Prepaid expenses	1,519,059	689,927
Investments	16,409,529	18,831,324
Property and equipment, net of accumulated depreciation \$2,225,208 and \$2,188,338, respectively	102,886	123,070
Right-of-use asset, operating	1,350,584	-
Total assets	<u>\$ 26,005,367</u>	<u>\$ 26,956,866</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,213,912	\$ 2,566,355
Accrued compensation and related items	237,060	227,914
Deferred revenue, grants	203,179	211,088
Deferred revenue, tuition	1,017,135	245,794
Operating lease payable	1,504,222	-
Total liabilities	<u>5,175,508</u>	<u>3,251,151</u>
<b>Net Assets</b>		
Without donor restrictions	<u>20,829,859</u>	<u>23,705,715</u>
Total net assets	<u>20,829,859</u>	<u>23,705,715</u>
Total liabilities and net assets	<u>\$ 26,005,367</u>	<u>\$ 26,956,866</u>

See notes to consolidated financial statements

## AO North America Charitable Fund and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Net Assets Without Donor Restriction</b>		
Operating revenue, gains and other support:		
Contributions and grants	\$ 18,389,591	\$ 16,560,130
Tuition	1,576,582	879,501
Other income	12,700	19,832
Paycheck Protection Program forgiveness income	-	688,500
Investment income:		
Net (loss) gains on investments	(3,098,920)	580,690
Dividends and other investment income, net of \$38,641 and \$29,367, advisory fees, respectively	692,760	249,412
	<u>17,572,713</u>	<u>18,978,065</u>
Operating expenses:		
Program services:		
Education	12,822,319	10,074,487
Research	479,637	1,175,117
Community development	433,999	523,429
Fellowship	4,601,088	4,439,320
Boards and committees	625,078	650,773
	<u>18,962,121</u>	<u>16,863,126</u>
Supporting services:		
General and administrative	1,486,448	1,346,799
	<u>20,448,569</u>	<u>18,209,925</u>
Total operating expenses	<u>20,448,569</u>	<u>18,209,925</u>
Change in operating net assets	<u>(2,875,856)</u>	<u>768,140</u>
<b>Nonoperating Changes in Net Assets</b>		
Investment gains on foreign currency contracts	-	831,067
Total nonoperating activity	-	831,067
Change in net assets	(2,875,856)	1,599,207
<b>Net Assets Without Donor Restrictions, Beginning</b>	<u>23,705,715</u>	<u>22,106,508</u>
<b>Net Assets Without Donor Restrictions, Ending</b>	<u>\$ 20,829,859</u>	<u>\$ 23,705,715</u>

See notes to consolidated financial statements

## AO North America Charitable Fund and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	2022							
	Total	Eliminations	Education	Research	Community Development	Fellowship	Boards and Committees	General and Administrative
Clinical research expenses	\$ 354,522	\$ -	\$ -	\$ 354,522	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(1,500,000)	1,500,000	-	-	-	-	-
Awarded grants	3,804,052	-	-	80,000	-	3,724,052	-	-
Honoraria	1,484,750	-	1,313,350	-	8,350	6,100	156,950	-
Hotel	3,659,315	-	3,067,810	4	162,685	313,617	115,094	105
Lab supplies	1,800,197	-	1,785,267	-	14,930	-	-	-
Marketing/promotional	230,541	-	158,458	-	69,763	2,256	-	64
Occupancy	268,429	-	184,142	2,147	5,906	8,321	12,885	55,028
Travel	1,003,646	-	699,144	-	6,457	232,181	65,864	-
Freight	567,871	-	525,827	19	22,724	16,506	37	2,758
Other operational	329,290	-	90,654	208	15,089	73,023	1,250	149,066
Technology	1,417,074	-	1,117,975	5,998	27,063	59,765	52,568	153,705
Professional fees	575,473	-	446,337	246	676	952	1,474	125,788
Staff travel	425,112	-	327,468	325	893	24,163	1,947	70,316
Salaries/benefits	4,528,297	(270,716)	3,245,135	38,299	103,015	147,881	240,667	1,024,016
Eliminations	-	1,770,716	(1,639,248)	(2,131)	(3,552)	(7,729)	(23,658)	(94,398)
<b>Total expenses</b>	<b>\$ 20,448,569</b>	<b>\$ -</b>	<b>\$ 12,822,319</b>	<b>\$ 479,637</b>	<b>\$ 433,999</b>	<b>\$ 4,601,088</b>	<b>\$ 625,078</b>	<b>\$ 1,486,448</b>

See notes to consolidated financial statements

## AO North America Charitable Fund and Subsidiary

### Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	2021							
	Total	Eliminations	Education	Research	Community Development	Fellowship	Boards and Committees	General and Administrative
Clinical research expenses	\$ 1,037,157	\$ -	\$ -	\$ 1,037,157	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(1,500,000)	-	1,300,000	-	200,000	-	-
Awarded grants	3,685,262	-	-	-	12,000	3,673,262	-	-
Honoraria	1,398,352	-	1,190,567	-	27,200	10,800	169,785	-
Hotel	2,029,774	-	1,713,592	6	110,063	108,050	97,996	67
Lab supplies	1,230,268	-	1,230,268	-	-	-	-	-
Marketing/promotional	181,013	-	72,391	75	96,943	8,967	1,789	848
Occupancy	269,890	-	172,418	3,894	10,965	25,173	13,282	44,158
Travel	402,602	-	345,304	-	-	10,267	47,031	-
Freight	333,765	-	322,685	31	313	4,218	289	6,229
Other operational	179,151	-	44,498	41,707	9,122	19,046	1,662	63,116
Technology	1,445,593	-	1,086,998	12,634	45,335	94,006	62,762	143,858
Professional fees	654,845	-	431,194	5,228	2,050	4,706	2,483	209,184
Staff travel	233,066	-	194,611	599	1,688	3,875	2,044	30,249
Salaries/benefits	5,129,187	(392,722)	3,304,322	210,609	207,750	486,145	389,094	923,989
Eliminations	-	1,892,722	(34,361)	(1,436,823)	-	(209,195)	(137,444)	(74,899)
Total expenses	<u>\$ 18,209,925</u>	<u>\$ -</u>	<u>\$ 10,074,487</u>	<u>\$ 1,175,117</u>	<u>\$ 523,429</u>	<u>\$ 4,439,320</u>	<u>\$ 650,773</u>	<u>\$ 1,346,799</u>

See notes to consolidated financial statements



## AO North America Charitable Fund and Subsidiary

Consolidated Statements of Cash Flows  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (2,875,856)	\$ 1,599,207
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,385	87,341
Noncash lease expense	153,638	-
Realized gains on investments	(175,810)	(87,365)
Unrealized losses (gains) on investments	3,274,730	(493,325)
Forward currency contracts	-	(1,860,953)
Paycheck Protection Program loan forgiveness	-	(688,500)
(Increase) decrease in assets:		
Accounts receivable	16,352	(42,342)
Prepaid expenses	(829,132)	295,268
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(352,443)	(227,680)
Accrued compensation and related items	9,146	(279,335)
Deferred revenue, grants	(7,909)	169,405
Deferred revenue, tuition	771,341	71,369
	<u>44,442</u>	<u>(1,456,910)</u>
Net cash provided by (used in) operating activities		
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(19,508,449)	(18,250,634)
Proceeds from sales and maturities of investments	18,831,324	12,005,193
Purchase of property and equipment	(40,201)	(45,078)
	<u>(717,326)</u>	<u>(6,290,519)</u>
Net cash used in investing activities		
<b>Cash Flows From Financing Activities</b>		
Principal payments on capital lease obligations	-	(6,383)
	<u>-</u>	<u>(6,383)</u>
Net cash used in financing activities		
Net decreases in cash and cash equivalents	(672,884)	(7,753,812)
<b>Cash and Cash Equivalents, Beginning</b>	<u>7,144,968</u>	<u>14,898,780</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 6,472,084</u>	<u>\$ 7,144,968</u>

See notes to consolidated financial statements

# AO North America Charitable Fund and Subsidiary

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Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

## 1. Nature of Organization

AO North America Charitable Fund (the Foundation) and AO North America Inc. (AONA), together, the Organization, is a nonprofit organization incorporated under the laws of the Commonwealth of Pennsylvania.

The Organization's vision is to make a significant impact on patient care. Its mission is to promote excellence in patient care and outcomes in trauma and musculoskeletal disorders by: improving performance through education; optimizing clinical treatment pathways and guidelines; and promoting innovation through research and development. To achieve its mission, the Organization focuses on: education, mentorship, knowledge translation, sustainability and its network.

The Organization is committed to advancing the highest quality of care and research, maintaining the highest standards of orthopedic training and techniques, and educating the future generations of surgeons across the fields of orthopedic trauma, craniomaxillofacial, spine neurosurgery and veterinary orthopedic surgery.

Historically, the Organization's major sources of grant revenues were DePuy Synthes (DPS) and AO Foundation (AOF). DPS, based in the U.S., is one of the world's most comprehensive suppliers of orthopedic and neuro products and services. AOF, an independent charitable, not-for-profit organization, based in Switzerland, is led by an international group of surgeons specialized in the treatment of trauma and disorders of the musculoskeletal system, whose mission is to foster and expand the network of health care professionals in education, research, development and clinical investigation to achieve more effective patient care worldwide.

Substantially all of the Organization's activities are conducted within the United States and Canada. AONA's administrative offices are located in Wayne, Pennsylvania.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidation of the individual financial statements of AO North America Charitable Fund (the Foundation) and AO North America Inc. (AONA) (collectively referred to as the Organization). The individual entities have the same Board of Director and share facilities and equipment. The Foundation has legal control over the AONA. Inter-organization transactions and balances have been eliminated in consolidation.

### Basis of Presentation

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Organization reports total assets, liabilities and net assets in a consolidated statement of financial position; reports the change in net assets in a consolidated statement of activities and changes in net assets; and reports the sources and uses of cash and cash equivalents in a consolidated statement of cash flows.

## AO North America Charitable Fund and Subsidiary

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Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

These consolidated financial statements present financial information showing the financial position, the activities, the functional expenses and the cash flows of the Organization reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

**Net Assets With Donor Restrictions** - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time or net assets which are subject to donor-imposed restrictions in perpetuity. The expiration of net assets with donor restrictions are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are not met in the same period as received or earned are reported as increases in donor-restricted net assets. Donor-restricted net assets in perpetuity generally permit the Organization to use all or part of income earned on related investments for general or specific purposes.

**Net Assets Without Donor Restriction** - Net assets not subject to donor-imposed restrictions.

The Organization currently does not have any net assets with donor restrictions.

### Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of 90 days or less. The fair value of cash equivalents approximates cost.

### Accounts Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method.

### Prepaid Expenses

Prepaid expenses as of December 31, 2022 and 2021 are comprised primarily of deposits for courses which have not yet occurred and will be expensed when the course has been presented.

### Investments

Investments consist of stocks and mutual funds which are valued at fair value based on quoted market prices. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the consolidated statements of activities and changes in net assets. All realized and unrealized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in net assets without donor restriction unless their use is donor-restricted by explicit donor-imposed stipulations.

The fair values reported in the consolidated statements of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

### Property and Equipment

Property and equipment are stated at cost. All purchases of property and equipment in excess of \$900 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of three to seven years.

## AO North America Charitable Fund and Subsidiary

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

### Revenue Recognition

#### Contributions

In accordance with authoritative guidance, the Organization records certain promises to give as revenue when the promise is made. In addition, the authoritative guidance requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as without donor-restricted revenue when the restriction is satisfied within the same year that the contribution is received.

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

During the years ended December 31, 2022 and 2021, approximately 99% and 97%, respectively, or \$18,353,000 and \$16,064,703, respectively, of the Organization's contributions and grant revenue came from one organization, AOF (see Note 1).

#### Grants

Grant revenue is reported at the estimated net realizable amounts due from sponsoring organizations. These grants specify the purpose for which the funds are to be used. Revenues from sponsored grants are recognized when allowable expenditures are incurred under such agreements. These revenues are recorded as without donor-restricted support. Amounts received but not yet spent for the allowable expenditures are recorded as deferred revenue, grants in the consolidated statements of financial position.

#### Tuition and Deferred Revenue, Tuition

Tuition revenue is recognized in fiscal year in which the academic programs are delivered. Deferred revenue, tuition, represents payments prior to the start of the academic program. The following table depicts activities for deferred revenue related to tuition.

<b>Balance at December 31, 2021</b>	<b>Refunds Issued</b>	<b>Revenue Recognized Included in December 31, 2021 Balance</b>	<b>Cash Received in Advanced of Performance</b>	<b>Balance at December 31, 2022</b>
\$ 245,794	\$ 21,375	\$ 224,419	\$ 1,017,135	\$ 1,017,135

The balance of deferred tuition revenue at December 31, 2022, less any refunds issued, will be recognized as revenue in 2023.

## **AO North America Charitable Fund and Subsidiary**

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Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

### **Income Taxes**

AO North America Charitable Fund is exempt from federal taxes and classified as a public charity under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is subject the Public Support Test each year to avoid self-dealing rules. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to federal tax as unrelated business income. The Foundation does not have net unrelated business income subject to tax.

AO North America, Inc. is exempt from federal taxes and classified as a supporting organization under Section 509(a)(3) of the IRC. Income from certain activities not directly related to AONA's tax-exempt purpose is subject to federal tax as unrelated business income. AONA does not have net unrelated business income subject to tax.

The Organization accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at December 31, 2022 and 2021.

The Organization's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2021, 2020 and 2019 are subject to examination by the Internal Revenue Service, generally for three years after the date the returns were filed.

### **Nonoperating Activities**

AONA considers changes in the fair value of forward foreign exchange contracts and nonrecurring transactions to be nonoperating activities.

### **Risks and Uncertainties**

The Organization's future results of operations involve a number of risks and uncertainties. Factors that could affect the Organization's future operating results and cause actual results to vary materially from expectations include, but are not limited to, dependence on key personnel, general economic conditions and reliance on contributions and grant revenue from AOF (see Note 1).

### **Concentrations of Credit Risk**

The Organization's principal financial instruments subject to credit risk are its cash, cash equivalents and receivables. Historically, the Organization has not experienced any significant credit related losses.

# AO North America Charitable Fund and Subsidiary

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

## Accounting Standards Adopted in the Current Year

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (as amended) (Topic 842)*. Accounting Standards Codification (ASC) Topic 842 (ASC 842) was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial position and disclosing key information about leasing arrangements. In accordance with ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the consolidated statement of financial position.

The Organization elected to transition to ASC 842 using the modified retrospective method. Prior period amounts are not adjusted and continue to be reported in accordance with historical accounting under previous lease guidance, ASC Topic 840, *Leases (ASC 840)*. The Organization also elected the package of practical expedients, which permits the Organization to not reassess their prior conclusions about lease identification, classification and initial direct costs. In addition, the Organization elected three other policy elections; 1) to combine lease and nonlease components; 2) the short-term lease recognition exemption for all leases that qualify under ASC 842; and 3) to elect the risk-free discount rate for leases if the implicit rate is unknown and the lessee is not a public business entity.

The adoption of ASU No. 2016-02 (as amended) impacted the Organization consolidated financial statements by the recognition of new right-of-use assets and lease liabilities on their consolidated statement of financial position for operating leases and providing significant new disclosures about leasing activities. Upon adoption, the Organization recognized operating lease liabilities of \$1,691,840 based on the present value of the remaining minimum rental payments as determined in accordance with ASC 842 for leases that had historically been accounted for as operating leases under Topic 840. The Organization recognized the corresponding right-of-use assets of \$1,535,053 based on the operating lease liabilities adjusted for existing straight line lease liabilities. The adoption of the standard had no impact on net assets as of January 1, 2022.

## Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through May 23, 2023, which is the date the consolidated financial statements were available to be issued.

## 3. Property and Equipment

Property and equipment as of December 31, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Property and equipment	\$ 2,328,094	\$ 2,311,408
Less accumulated depreciation	<u>(2,225,208)</u>	<u>(2,188,338)</u>
Total	<u>\$ 102,886</u>	<u>\$ 123,070</u>

Included in property and equipment are capitalized software costs for the years ended December 31, 2022 and 2021 of \$595,673.

## AO North America Charitable Fund and Subsidiary

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

### 4. Fair Value of Financial Instruments

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market participants at the measurement date. However, in some instances, there are no quoted market prices for certain financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments.

Fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate.

In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

The fair value hierarchy prioritizes the inputs to valuation methods 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 are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, net assets without donor restrictions or liabilities.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar securities, or observable inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

A financial asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following valuation techniques were used to measure fair value of financial instruments:

Marketable equity securities - The fair value of marketable equity securities is generally based on quoted market prices for the identical securities.

Mutual and fixed income funds - The fair value of open ended mutual funds is based on net asset value which is generally determined by the quoted market values of the underlying marketable securities owned.

U.S. corporate fixed income - The fair value of corporate fixed income investments is based on current rates offered for similar issues with similar terms and maturities and are considered Level 2 inputs.

Certificates of deposits - The fair value of certificates of deposits are measured at face value plus accrued interest and are considered Level 2 inputs.

## AO North America Charitable Fund and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2022 and 2021 are as follows:

Description	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 85,267	\$ 85,267	\$ -	\$ -
Marketable equity securities	800,741	800,741	-	-
Mutual funds	662,949	662,949	-	-
Mutual funds, fixed income	7,345,173	7,345,173	-	-
U.S. corporate fixed income	7,277,110	-	7,277,110	-
Certificates of deposit	238,289	-	238,289	-
	<u>\$ 16,409,529</u>	<u>\$ 8,894,130</u>	<u>\$ 7,515,399</u>	<u>\$ -</u>

  

Description	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 1,003,910	\$ 1,003,910	\$ -	\$ -
Marketable equity securities	1,154,038	1,154,038	-	-
Mutual funds	17,846	17,846	-	-
Mutual funds, fixed income	8,870,868	8,870,868	-	-
U.S. corporate fixed income	7,539,693	-	7,539,693	-
Certificates of deposit	244,969	-	244,969	-
	<u>\$ 18,831,324</u>	<u>\$ 11,046,662</u>	<u>\$ 7,784,662</u>	<u>\$ -</u>

### 5. Operating Lease Payable

The Organization entered into a lease agreement for office space in Wayne, Pennsylvania effective January 2018 with payments beginning April 1, 2018. The lease expires May 31, 2028. The right of use asset balance as of December 31, 2022 was \$1,350,584. The right of use assets and lease liabilities were calculated using a discount rate of 2.30%. Occupancy expense was \$268,429 in 2022 and \$269,890 in 2021. Cash paid for operating lease was \$263,049 in 2022 and \$261,657 in 2021.

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after December 31, 2022:

Years ending December 31:	
2023	\$ 230,976
2024	242,431
2025	254,337
2026	266,674
2027	279,391
Thereafter	<u>230,413</u>
Total	<u>\$ 1,504,222</u>



## AO North America Charitable Fund and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Future minimum payments under operating leases as of December 31, 2021 were as follows:

Years ending December 31:	
2022	\$ 187,617
2023	230,976
2024	242,431
2025	254,337
2026	266,674
Thereafter	<u>509,805</u>
Total	<u>\$ 1,691,840</u>

### 6. Paycheck Protection Program

On May 2, 2020, the Organization received loan proceeds in the amount of \$688,500 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 18 months at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during March of 2021. Legal release was received during April of 2021, therefore, the Organization recorded forgiveness income of \$668,500, within its consolidated statement of activities and changes in net assets.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

### 7. Retirement Plan

The Organization sponsors a 401(k) defined contribution retirement plan covering substantially all employees. The plan allows eligible employees to defer compensation on a pre-tax basis. Also, the Organization makes matching contributions for eligible employees who elect to participate and nonelective contributions for all eligible employees (including those who do not elect to participate but meet eligibility requirements).

## AO North America Charitable Fund and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Eligible employees of the Organization have established individual accounts with a qualified plan custodian and are 100% vested in their contributions. The Organization makes a discretionary match of 50% of the first 5% of employee contributions. The Organization also makes a discretionary direct contribution of 3% of employee contributions for the years ended December 31, 2022 and 2021, of base salary annually to all eligible employees. Employees vest in the discretionary organization match and organization contribution based on years of service. Vesting is 25%, 50% and 100% after 1, 2 and 3 years, respectively. Employees are eligible to participate in the program after 3 months of service and age of 21. The amount of expenses recognized from employer contributions to the 401(k) accounts for the years ended December 31, 2022 and 2021 were \$131,948 and \$134,603, respectively.

The Organization's Board of Directors serves as the Organization's Investment Committee. Employees can borrow up to 50% of vested balance.

### 8. Expenses by Clinical Division

Expenses by clinical division include the following for December 31, 2022 and 2021:

	2022					
	Total	Trauma	Cranio-maxillofacial	Veterinary	Spine	Other
Education	\$ 12,822,319	\$ 5,816,280	\$ 1,728,444	\$ 1,516,214	\$ 2,037,474	\$ 1,723,907
Research	479,637	17,574	5,100	4,604	446,454	5,905
Community development	433,999	250,795	41,618	40,789	70,146	30,651
Fellowship	4,601,088	2,055,577	408,025	32,092	2,082,514	22,880
Boards and committees	625,078	148,951	84,321	40,959	158,147	192,700
	18,962,121	<u>\$ 8,289,177</u>	<u>\$ 2,267,508</u>	<u>\$ 1,634,658</u>	<u>\$ 4,794,735</u>	<u>\$ 1,976,043</u>
General and administrative	1,486,448					
	<u>\$ 20,448,569</u>					
	2021					
	Total	Trauma	Cranio-maxillofacial	Veterinary	Spine	Other
Education	\$ 10,074,487	\$ 4,748,192	\$ 1,507,727	\$ 1,778,511	\$ 1,200,986	\$ 839,071
Research	1,175,117	50,990	16,644	9,909	1,092,339	5,235
Community development	523,429	383,713	46,881	46,999	31,097	14,739
Fellowship	4,439,320	2,106,768	435,320	65,801	1,797,594	33,837
Boards and committees	650,773	276,828	91,251	83,771	111,718	87,205
	16,863,126	<u>\$ 7,566,491</u>	<u>\$ 2,097,823</u>	<u>\$ 1,984,991</u>	<u>\$ 4,233,734</u>	<u>\$ 980,087</u>
General and administrative	1,346,799					
	<u>\$ 18,209,925</u>					

## AO North America Charitable Fund and Subsidiary

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

### 9. Expenses Classified by Function and Nature

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and general and administrative functions based upon management's estimates. The expenses that are allocated include salaries, payroll taxes and employee benefits which are allocated by department and estimated time and effort, as well as, general and administrative expenses which are allocated based upon approximate square footage and patterns of use.

### 10. Liquidity and Availability

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 6,472,084	\$ 7,144,968
Accounts receivable	151,225	167,577
Investments	<u>16,409,529</u>	<u>18,831,324</u>
Total	<u>\$ 23,032,838</u>	<u>\$ 26,143,869</u>

As of December 31, 2022 and 2021, the Organization held liquid assets on hand to cover its operating expenses for 524 days. The Organization's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**AO North America Charitable Fund and Subsidiary**Consolidating Schedule of Financial Position  
December 31, 2022

	<b>AO North America, Inc.</b>	<b>AO North America Charitable Fund</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,949,947	\$ 522,137	\$ -	\$ 6,472,084
Accounts receivable	149,384	1,841	-	151,225
Prepaid expenses	1,501,727	17,332	-	1,519,059
Due from affiliate, net	2,483,452	-	(2,483,452)	-
Investments	-	16,409,529	-	16,409,529
Property and equipment, net of accumulated depreciation of \$2,225,208	102,886	-	-	102,886
Right-of-use asset, operating	1,350,584	-	-	1,350,584
Total assets	<u>\$ 11,537,980</u>	<u>\$ 16,950,839</u>	<u>\$ (2,483,452)</u>	<u>\$ 26,005,367</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,910,108	\$ 303,804	\$ -	\$ 2,213,912
Accrued compensation and related items	237,060	-	-	237,060
Due to affiliate, net	-	2,483,452	(2,483,452)	-
Deferred revenue, grants	200,969	2,210	-	203,179
Deferred revenue, tuition	-	1,017,135	-	1,017,135
Operating lease payable	1,504,222	-	-	1,504,222
Total liabilities	<u>3,852,359</u>	<u>3,806,601</u>	<u>(2,483,452)</u>	<u>5,175,508</u>
<b>Net Assets</b>				
Without donor restrictions	<u>7,685,621</u>	<u>13,144,238</u>	<u>-</u>	<u>20,829,859</u>
Total net assets	<u>7,685,621</u>	<u>13,144,238</u>	<u>-</u>	<u>20,829,859</u>
Total liabilities and net assets	<u>\$ 11,537,980</u>	<u>\$ 16,950,839</u>	<u>\$ (2,483,452)</u>	<u>\$ 26,005,367</u>

**AO North America Charitable Fund and Subsidiary**Consolidating Schedule of Financial Position  
December 31, 2021

	<b>AO North America, Inc.</b>	<b>AO North America Charitable Fund</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,342,040	\$ 802,928	\$ -	\$ 7,144,968
Accounts receivable	73,184	94,393	-	167,577
Prepaid expenses	687,296	2,631	-	689,927
Due from affiliate, net	3,234,474	-	(3,234,474)	-
Investments	-	18,831,324	-	18,831,324
Property and equipment, net of accumulated depreciation of \$2,188,338	123,070	-	-	123,070
Total assets	<u>\$ 10,460,064</u>	<u>\$ 19,731,276</u>	<u>\$ (3,234,474)</u>	<u>\$ 26,956,866</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 2,328,783	\$ 237,572	\$ -	\$ 2,566,355
Accrued compensation and related items	227,914	-	-	227,914
Due to affiliate, net	-	3,234,474	(3,234,474)	-
Deferred revenue, grants	211,088	-	-	211,088
Deferred revenue, tuition	-	245,794	-	245,794
Total liabilities	<u>2,767,785</u>	<u>3,717,840</u>	<u>(3,234,474)</u>	<u>3,251,151</u>
<b>Net Assets</b>				
Without donor restrictions	<u>7,692,279</u>	<u>16,013,436</u>	<u>-</u>	<u>23,705,715</u>
Total net assets	<u>7,692,279</u>	<u>16,013,436</u>	<u>-</u>	<u>23,705,715</u>
Total liabilities and net assets	<u>\$ 10,460,064</u>	<u>\$ 19,731,276</u>	<u>\$ (3,234,474)</u>	<u>\$ 26,956,866</u>

**AO North America Charitable Fund and Subsidiary**Consolidating Schedule of Activities and Changes in Net Assets  
Year Ended December 31, 2022

	<u>AO North America, Inc.</u>	<u>AO North America Charitable Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>Net Assets Without Donor Restrictions</b>				
Operating revenue, gains and other support:				
Contributions and grants	\$ 18,383,841	\$ 1,776,466	\$ (1,770,716)	\$ 18,389,591
Tuition	-	1,576,582	-	1,576,582
Other income	7,450	5,250	-	12,700
Investment income:				
Net loss on investments	-	(3,098,920)	-	(3,098,920)
Dividends and other investment income, net of \$38,641 advisory fees	15,168	677,592	-	692,760
	<u>18,406,459</u>	<u>936,970</u>	<u>(1,770,716)</u>	<u>17,572,713</u>
Total operating revenue, gains and other support				
	<u>18,406,459</u>	<u>936,970</u>	<u>(1,770,716)</u>	<u>17,572,713</u>
Operating expenses:				
Program services:				
Education	12,347,699	2,113,868	(1,639,248)	12,822,319
Research	75,115	406,653	(2,131)	479,637
Community development	386,653	50,898	(3,552)	433,999
Fellowship	4,036,712	572,105	(7,729)	4,601,088
Boards and committees	273,648	375,088	(23,658)	625,078
	<u>17,119,827</u>	<u>3,518,612</u>	<u>(1,676,318)</u>	<u>18,962,121</u>
Supporting services:				
General and administrative	1,293,290	287,556	(94,398)	1,486,448
	<u>18,413,117</u>	<u>3,806,168</u>	<u>(1,770,716)</u>	<u>20,448,569</u>
Total operating expenses				
	<u>18,413,117</u>	<u>3,806,168</u>	<u>(1,770,716)</u>	<u>20,448,569</u>
Change in net assets	(6,658)	(2,869,198)	-	(2,875,856)
<b>Net Assets Without Donor Restrictions, Beginning</b>				
	<u>7,692,279</u>	<u>16,013,436</u>	<u>-</u>	<u>23,705,715</u>
<b>Net Assets Without Donor Restrictions, Ending</b>				
	<u>\$ 7,685,621</u>	<u>\$ 13,144,238</u>	<u>\$ -</u>	<u>\$ 20,829,859</u>

**AO North America Charitable Fund and Subsidiary**Consolidating Schedule of Activities and Changes in Net Assets  
Year Ended December 31, 2021

	AO North America, Inc.	AO North America Charitable Fund	Eliminations	Total
<b>Net Assets Without Donor Restrictions</b>				
Operating revenue, gains and other support:				
Contributions and grants	\$ 16,064,703	\$ 2,388,149	\$ (1,892,722)	\$ 16,560,130
Tuition	-	879,501	-	879,501
Other income	537	19,295	-	19,832
Paycheck Protection Program forgiveness loan	688,500	-	-	688,500
Investment income:				
Net gains on investments	-	580,690	-	580,690
Dividends and other investment income, net of \$29,369 advisory fees	879	248,533	-	249,412
	<u>16,754,619</u>	<u>4,116,168</u>	<u>(1,892,722)</u>	<u>18,978,065</u>
Total operating revenue, gains and other support				
Operating expenses:				
Program services:				
Education	8,609,809	1,499,039	(34,361)	10,074,487
Research	1,392,240	1,219,700	(1,436,823)	1,175,117
Community development	455,624	67,805	-	523,429
Fellowship	4,211,805	436,710	(209,195)	4,439,320
Boards and committees	315,838	472,379	(137,444)	650,773
	<u>14,985,316</u>	<u>3,695,633</u>	<u>(1,817,823)</u>	<u>16,863,126</u>
Supporting services:				
General and administrative	<u>1,159,749</u>	<u>261,949</u>	<u>(74,899)</u>	<u>1,346,799</u>
	<u>16,145,065</u>	<u>3,957,582</u>	<u>(1,892,722)</u>	<u>18,209,925</u>
Total operating expenses				
Change in operating net assets	609,554	158,586	-	768,140
<b>Nonoperating Changes in Net Assets</b>				
Investment gain on foreign currency contracts	<u>831,067</u>	<u>-</u>	<u>-</u>	<u>831,067</u>
Change in net assets	1,440,621	158,586	-	1,599,207
<b>Net Assets Without Donor Restriction, Beginning</b>				
	<u>6,251,658</u>	<u>15,854,850</u>	<u>-</u>	<u>22,106,508</u>
<b>Net Assets Without Donor Restriction, Ending</b>				
	<u>\$ 7,692,279</u>	<u>\$ 16,013,436</u>	<u>\$ -</u>	<u>\$ 23,705,715</u>

**AO North America Charitable Fund and Subsidiary**

Consolidating Schedule of Functional Expenses  
Year Ended December 31, 2022

	Total	Eliminations	Education		Research		Community Development		Fellowship		Boards and Committees		General and Administrative	
			AONA	Foundation	AONA	Foundation	AONA	Foundation	AONA	Foundation	AONA	Foundation	AONA	Foundation
Clinical research expenses	\$ 354,522	\$ -	\$ -	\$ -	\$ -	\$ 354,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(1,500,000)	1,500,000	-	-	-	-	-	-	-	-	-	-	-
Awarded grants	3,804,052	-	-	-	30,000	50,000	-	-	3,271,997	452,055	-	-	-	-
Honoraria	1,484,750	-	-	1,313,350	-	-	-	8,350	-	6,100	-	156,950	-	-
Hotel	3,659,315	-	3,067,810	-	4	-	162,685	-	313,617	-	2,405	112,689	105	-
Lab supplies	1,800,197	-	1,785,267	-	-	-	14,930	-	-	-	-	-	-	-
Marketing/promotional	230,541	-	158,458	-	-	-	49,933	19,830	2,256	-	-	-	64	-
Occupancy	268,429	-	184,142	-	2,147	-	5,906	-	8,321	-	12,885	-	55,028	-
Travel	1,003,646	-	75,247	623,897	-	-	1,704	4,753	125,960	106,221	-	65,864	-	-
Freight	567,871	-	525,827	-	19	-	22,724	-	16,506	-	113	(76)	2,758	-
Other operational	329,290	-	53,281	37,373	208	-	676	14,413	73,023	-	1,250	-	52,454	96,612
Technology	1,417,074	-	1,117,975	-	5,998	-	27,063	-	59,765	-	36,565	16,003	153,705	-
Professional fees	575,473	-	446,337	-	246	-	676	-	952	-	1,474	-	29,242	96,546
Staff travel	425,112	-	327,468	-	325	-	893	-	24,163	-	1,947	-	70,316	-
Salaries/benefits	4,528,297	(270,716)	3,105,887	139,248	36,168	2,131	99,463	3,552	140,152	7,729	217,009	23,658	929,618	94,398
Eliminations	-	1,770,716	(1,639,248)	-	(2,131)	-	(3,552)	-	(7,729)	-	(23,658)	-	(94,398)	-
<b>Total expenses</b>	<b>\$ 20,448,569</b>	<b>\$ -</b>	<b>\$ 10,708,451</b>	<b>\$ 2,113,868</b>	<b>\$ 72,984</b>	<b>\$ 406,653</b>	<b>\$ 383,101</b>	<b>\$ 50,898</b>	<b>\$ 4,028,983</b>	<b>\$ 572,105</b>	<b>\$ 249,990</b>	<b>\$ 375,088</b>	<b>\$ 1,198,892</b>	<b>\$ 287,556</b>



**AO North America Charitable Fund and Subsidiary**

Consolidating Schedule of Functional Expenses

Year Ended December 31, 2021

	Total	Eliminations	Education		Research		Community Development		Fellowship		Boards and Committees		General and Administrative	
			AONA	Foundation	AONA	Foundation	AONA	Foundation	AONA	Foundation	AONA	Foundation	AONA	Foundation
Clinical research expenses	\$ 1,037,157	\$ -	\$ -	\$ -	\$ -	\$ 1,037,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intercompany grants	-	(1,500,000)	-	-	1,300,000	-	-	-	200,000	-	-	-	-	-
Awarded grants	3,685,262	-	-	-	-	-	12,000	-	3,256,547	416,715	-	-	-	-
Honoraria	1,398,352	-	-	1,190,567	-	-	-	27,200	-	10,800	330	169,455	-	-
Hotel	2,029,774	-	1,713,592	-	6	-	110,063	-	108,050	-	659	97,337	67	-
Lab supplies	1,230,268	-	1,230,268	-	-	-	-	-	-	-	-	-	-	-
Marketing/promotional	181,013	-	72,391	-	75	-	56,338	40,605	8,967	-	255	1,534	848	-
Occupancy	269,890	-	172,418	-	3,894	-	10,965	-	25,173	-	13,282	-	44,158	-
Travel	402,602	-	71,193	274,111	-	-	-	-	10,267	-	279	46,752	-	-
Freight	333,765	-	322,685	-	31	-	313	-	4,218	-	105	184	6,229	-
Other operational	179,151	-	44,498	-	487	41,220	9,122	-	19,046	-	1,662	-	26,667	36,449
Technology	1,445,593	-	1,086,998	-	12,634	-	45,335	-	94,006	-	43,089	19,673	143,858	-
Professional fees	654,845	-	431,194	-	728	4,500	2,050	-	4,706	-	2,483	-	58,583	150,601
Staff travel	233,066	-	194,611	-	599	-	1,688	-	3,875	-	2,044	-	30,249	-
Salaries/benefits	5,129,187	(392,722)	3,269,961	34,361	73,786	136,823	207,750	-	476,950	9,195	251,650	137,444	849,090	74,899
Eliminations	-	1,892,722	(34,361)	-	(1,436,823)	-	-	-	(209,195)	-	(137,444)	-	(74,899)	-
<b>Total expenses</b>	<b>\$ 18,209,925</b>	<b>\$ -</b>	<b>\$ 8,575,448</b>	<b>\$ 1,499,039</b>	<b>\$ (44,583)</b>	<b>\$ 1,219,700</b>	<b>\$ 455,624</b>	<b>\$ 67,805</b>	<b>\$ 4,002,610</b>	<b>\$ 436,710</b>	<b>\$ 178,394</b>	<b>\$ 472,379</b>	<b>\$ 1,084,850</b>	<b>\$ 261,949</b>

## AO North America Charitable Fund and Subsidiary

Consolidating Schedule of Cash Flows

Year Ended December 31, 2022

	AO North America, Inc.	AO North America Charitable Fund	Eliminations	Total
<b>Cash Flows From Operating Activities</b>				
Change in net assets	\$ (6,658)	\$ (2,869,198)	\$ -	\$ (2,875,856)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Realized gains on investments	-	(175,810)	-	(175,810)
Depreciation	60,385	-	-	60,385
Noncash lease expense	153,638	-	-	153,638
Unrealized losses on investments	-	3,274,730	-	3,274,730
(Increase) decrease in assets:				
Accounts receivable	(76,200)	92,552	-	16,352
Prepaid expenses	(814,431)	(14,701)	-	(829,132)
Due from affiliate, net	751,022	-	(751,022)	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(418,675)	66,232	-	(352,443)
Accrued compensation and related items	9,146	-	-	9,146
Due to affiliate, net	-	(751,022)	751,022	-
Deferred revenue, grants	(10,119)	2,210	-	(7,909)
Deferred revenue, tuition	-	771,341	-	771,341
	<u>(351,892)</u>	<u>396,334</u>	<u>-</u>	<u>44,442</u>
Net cash (used in) provided by operating activities				
<b>Cash Flows From Investing Activities</b>				
Purchase of investments	-	(19,508,449)	-	(19,508,449)
Proceeds from sales and maturities of investments	-	18,831,324	-	18,831,324
Purchase of property and equipment	(40,201)	-	-	(40,201)
	<u>(40,201)</u>	<u>(677,125)</u>	<u>-</u>	<u>(717,326)</u>
Net cash used in investing activities				
Net decrease in cash and cash equivalents	(392,093)	(280,791)	-	(672,884)
<b>Cash and Cash Equivalents, Beginning</b>	<u>6,342,040</u>	<u>802,928</u>	<u>-</u>	<u>7,144,968</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 5,949,947</u>	<u>\$ 522,137</u>	<u>\$ -</u>	<u>\$ 6,472,084</u>

**AO North America Charitable Fund and Subsidiary**Consolidating Schedule of Cash Flows  
Year Ended December 31, 2021

	AO North America, Inc.	AO North America Charitable Fund	Eliminations	Total
<b>Cash Flows From Operating Activities</b>				
Change in net assets	\$ 1,440,621	\$ 158,586	\$ -	\$ 1,599,207
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	87,341	-	-	87,341
Realized gains on investments	-	(87,365)	-	(87,365)
Unrealized gain on investments	-	(493,325)	-	(493,325)
Forward currency contracts	(1,860,953)	-	-	(1,860,953)
Paycheck Protection Program loan forgiveness	(688,500)	-	-	(688,500)
(Increase) decrease in assets:				
Accounts receivable	16,307	(58,649)	-	(42,342)
Prepaid expenses	297,899	(2,631)	-	295,268
Due from affiliate, net	(694,531)	-	694,531	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	35,755	(263,435)	-	(227,680)
Accrued compensation and related items	(279,335)	-	-	(279,335)
Due to affiliate, net	-	694,531	(694,531)	-
Deferred revenue, grants	211,088	(41,683)	-	169,405
Deferred revenue, tuition	(10,655)	82,024	-	71,369
Net cash used in operating activities	<u>(1,444,963)</u>	<u>(11,947)</u>	<u>-</u>	<u>(1,456,910)</u>
<b>Cash Flows From Investing Activities</b>				
Purchase of investments	-	(18,250,634)	-	(18,250,634)
Proceeds from sales and maturities of investments	-	12,005,193	-	12,005,193
Purchase of property and equipment	(45,078)	-	-	(45,078)
Net cash used in investing activities	<u>(45,078)</u>	<u>(6,245,441)</u>	<u>-</u>	<u>(6,290,519)</u>
<b>Cash Flows From Financing Activities</b>				
Principal payments on capital lease obligations	(6,383)	-	-	(6,383)
Net cash used in financing activities	<u>(6,383)</u>	<u>-</u>	<u>-</u>	<u>(6,383)</u>
Net increase in cash and cash equivalents	(1,496,424)	(6,257,388)	-	(7,753,812)
<b>Cash and Cash Equivalents, Beginning</b>	<u>7,838,464</u>	<u>7,060,316</u>	<u>-</u>	<u>14,898,780</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 6,342,040</u>	<u>\$ 802,928</u>	<u>\$ -</u>	<u>\$ 7,144,968</u>