WORLD FEDERATION FOR ULTRASOUND IN MEDICINE AND BIOLOGY

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

WORLD FEDERATION FOR ULTRASOUND IN MEDICINE AND BIOLOGY

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REPORT OF INDEPENDENT AUDITORS

Administrative Council
World Federation for Ultrasound in Medicine and Biology
Laurel, Maryland

We have audited the accompanying financial statements of the World Federation for Ultrasound in Medicine and Biology (the Federation) (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 Federation'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 Federation'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 World Federation for Ultrasound in Medicine and Biology as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland
October 4, 2018

WORLD FEDERATION FOR ULTRASOUND IN MEDICINE AND BIOLOGY
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 476,524**	$ 495,350
Accounts receivable	**57,098**	60,623
Prepaid expenses	**7,073**	-
Total current assets	**540,695**	555,973
OTHER ASSETS		
Certificate of deposit	**10,423**	10,696
Investments	**2,262,213**	2,135,314
Total other assets	**2,272,636**	2,146,010
	$ 2,813,331	$ 2,701,983
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 21,413**	$ 44,444
Deferred revenue	**23,770**	-
Deferred publication revenue - current portion	**33,334**	33,334
Total current assets	**78,517**	77,778
OTHER LIABILITIES		
Deferred publication revenue, net of current portion	**66,666**	100,000
Total liabilities	**145,183**	177,778
NET ASSETS		
Unrestricted net assets	**2,618,148**	2,474,205
Temporarily restricted net assets	**50,000**	50,000
Total net assets	**2,668,148**	2,524,205
	$ 2,813,331	$ 2,701,983

WORLD FEDERATION FOR ULTRASOUND IN MEDICINE AND BIOLOGY

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED OPERATING REVENUE		
Royalties	**$ 247,098**	$ 260,623
Contributions	**70,959**	-
Editorial fees	**190,000**	184,000
Contract signing bonus	**33,334**	33,333
Membership dues	**79,053**	77,514
Other income	**2,695**	-
Total revenue	**623,139**	555,470
UNRESTRICTED EXPENSES		
Programs and services	**355,117**	286,656
General and adminstrative	**251,097**	182,163
Total expenses	**606,214**	468,819
CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING ACTIVITIES	**16,925**	86,651
UNRESTRICTED NON-OPERATING ACTIVITIES		
Net investment income	**127,018**	153,784
CHANGE IN NET ASSETS	**143,943**	240,435
NET ASSETS, BEGINNING	**2,524,205**	2,283,770
NET ASSETS, ENDING	**$ 2,668,148**	$ 2,524,205

See notes to financial statements.

WORLD FEDERATION FOR ULTRASOUND IN MEDICINE AND BIOLOGY

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	**$ 143,943**	$ 240,435
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investment	**(37,756)**	(70,334)
Change in operating assets and liabilities:		
Accounts receivable	**3,525**	14,068
Pledges receivable	**(7,073)**	15,000
Accounts payable	**(23,031)**	(8,759)
Deferred revenue	**23,770**	-
Deferred publication revenue	**(33,334)**	(33,334)
Net cash provided by operating activities	**70,044**	157,076
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases and reinvested earnings on investments and certificates of deposit	**(284,870)**	(513,056)
Maturities of investments and certificates of deposit	**196,000**	190,000
Net cash used in investing activities	**(88,870)**	(323,056)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(18,826)**	(165,980)
CASH AND CASH EQUIVALENTS, BEGINNING	**495,350**	661,330
CASH AND CASH EQUIVALENTS, ENDING	**$ 476,524**	$ 495,350

See notes to financial statements.

NOTE 1 - DESCRIPTION OF ORGANIZATION

The World Federation for Ultrasound in Medicine and Biology (the Federation) was formed in 1969 as a nonprofit membership organization under the laws of the state of New York. The Federation's purpose is to promote the use and research of ultrasound in medicine and biology. The Federation collects dues from its members, which consist of national and multinational ultrasound societies. The Federation also earns royalties and editorial fees from their journal entitled *"Ultrasound in Medicine and Biology."*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Federation prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Federation reports information regarding financial position and activities according to three classes of net assets:

Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets resulting from contributions whose use by the Federation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Federation pursuant to those stipulations. Donor-restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted contributions.

Permanently restricted net assets – net assets subject to donor-imposed restrictions that they be maintained permanently. As of December 31, 2017 and 2016, there were no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments with original maturities of 90 days or less. Cash and cash equivalents held by the investment custodian to facilitate investment transactions or for investment are included in investments.

Certificates of Deposit

Certificates of deposit (CDs) held for investment that are not debt securities are included in the Statement of Financial Position as other investments and recorded at cost, which approximates fair value. CDs with remaining maturities of less than one year are classified as short-term. CDs with remaining maturities greater than one year are classified as other non-current assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Accounts receivable are due under normal trade terms requiring payment within 30 days of the invoice date. The Federation provides for losses on accounts receivable using the allowance method. The allowance is based on experience with the customer and payment history. It is the Federation’s policy to charge off uncollectible account receivables when management determines the receivable will not be collected. There is no allowance for uncollectible accounts at December 31, 2017 and 2016, and all amounts are considered to be collectible within one year.

Investments

Investments in money market funds, government and government agency securities, corporate bonds, and exchange traded funds are reported at fair value in the Statement of Financial Position. Investments acquired by donation are initially recorded at the fair value on the date of donation. Management has historically held fixed income securities until maturity. Interest, dividends, and capital gains are recorded as revenue when earned. Realized and unrealized gains and losses are reported as a component of net investment income in the accompanying Statement of Activities.

Fair Value Measurements

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the 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 described as follows:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).

- Level 2 - Inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

- Level 3 - Inputs are unobservable (e. g., a company’s own data) and should be used to measure fair value to the extent that observable inputs are not available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Money Market - Consists of cash and cash equivalents held by the investment custodian to facilitate investment transactions or for investment and are classified within Level 1 of the valuation hierarchy.

Fixed Income – Consists of government and government agency debt obligations and corporate bonds which are generally valued at the most recent price of the equivalent quoted price for such securities. Fixed income securities are classified within Level 2 of the valuation hierarchy.

Exchange Traded Funds – Exchange traded funds which are listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy.

Mutual Funds – Valued at the closing price reported in the active market on which the individual securities are traded.

Revenue Recognition Policies

Royalty revenue and editorial fees pursuant to the journal publishing agreement are recognized over the period in which they are earned as specified in the agreement. The contract signing bonus received in advance is recorded as deferred revenue and recognized ratably over the term of the journal publication agreement. Membership dues are recognized over the membership period, which is on a calendar year basis.

Measure of Operations

The accompanying Statements of Activities distinguish between operating and non-operating activities. Operating activities include all revenue and expenses that are an integral part of the Federation's programs. Non-operating activities include investment income and expenses.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Federation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. However, income from any activities not directly related to the Federation’s tax-exempt purpose would be subject to taxation as unrelated business income. The Federation had no unrelated business income tax liability or expense as of and for the year ended December 31, 2017 and 2016.

Accounting for Uncertain Tax Positions

The Federation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The income tax positions taken by the Federation for any years open under the various statutes of limitations are that the Federation continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. The Federation believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. None of the Federation’s federal or state income tax returns are currently under examination.

NOTE 3 - CONCENTRATION RISK

Financial instruments that potentially subject the Federation to significant concentrations of credit risk consist of cash, cash equivalents, and investments. Investments are exposed to various risks such as market and credit fluctuation. Due to the level of risk associated with investments, and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements. The Federation also maintains a checking account, money market account, and bank deposit accounts with financial institutions that may, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The Federation has not experienced any credit losses on its cash, cash equivalents, or investments to date, as it relates to FDIC and SIPC insurance limits. Management assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

NOTE 3 - CONCENTRATION RISK (Continued)

The Federation has a written journal publishing agreement with Elsevier, Inc. (the "Publisher") whereby it receives royalties and fees for the Federation's journal entitled *Ultrasound in Medicine and Biology.* The Federation received 63% and 67% of its revenue and income for the years ended December 31, 2017 and 2016 from the Publisher, respectively.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

The following are the major categories of investments measured at fair value on a recurring basis as of December 31, 2017 and 2016.

	Level 1	Level 2	Level 3	Total
Money market funds	$ 147,025	$ -	$ -	$ 147,025
Fixed income bonds and accrued interest	-	1,795,491	-	1,795,491
Mutual funds and exchange traded funds	319,697	-	-	319,697
	$ 466,722	$ 1,795,491	$ -	$ 2,262,213

	Level 1	Level 2	Level 3	Total
Money market funds	$ 48,519	$ -	$ -	$ 48,519
Fixed income bonds and accrued interest	-	1,816,236	-	1,816,236
Exchange traded funds	270,559	-	-	270,559
	$ 319,078	$ 1,816,236	$ -	$ 2,135,314

Net investment income consists of the following for the years ended December 31, 2017 and 2016:

Interest and dividend income	$ 89,412	$ 83,599
Net unrealized gain	37,756	70,335
Investment fees	(150)	(150)
	$ 127,018	$ 153,784

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017 and 2016, the Federation's temporarily restricted net assets consist of $50,000 designated for an education fund.

NOTE 6 - MANAGEMENT CONTRACT WITH RELATED PARTY

The American Institute of Ultrasound in Medicine (AIUM), an affiliated organization, provides management services, support staff, and rental space to the Federation for $10,500 per month on a month-to-month basis until either an amended rate agreement is executed or a 90-day termination notice of services has been provided. The Treasurer and one of the Administrative Councilors of the Federation are both members of AIUM.

For each of the years ended December 31, 2017 and 2016, the Federation paid $126,000 to AIUM for management fees. As of January 31, 2018, the management contract with AIUM has been terminated.

NOTE 7 - JOURNAL PUBLISHING AND EDITOR AGREEMENTS

On December 14, 2014, the Federation entered into an agreement with a publisher, Elsevier, Inc. (Publisher), to produce the Federation's journal entitled *Ultrasound in Medicine and Biology* (the Journal) from January 1, 2015 through December 31, 2020. In consideration of the execution of the Agreement, the Publisher has made a payment of $200,000 to the Federation in 2015 which will be ratably amortized over the six year term of the agreement. Should the agreement be terminated by the Publisher pursuant to the agreement terms, the Federation would be required to repay a pro rata portion of this payment. As of December 31, 2017 and 2016, the Federation has deferred publication revenue of $100,000 and $133,334, respectively.

The terms of the agreement specify that the Publisher will pay royalties to the Federation for 25% of revenue attributed to the Journal as recorded in the Publisher's financial records, excluding member subscriptions, with annual guaranteed royalty payments of $200,000. For the years ended December 31, 2017 and 2016, revenue from royalties totaled $260,000 and $260,623, respectively.

In addition, the agreement specifies that the Publisher shall pay an annual fee for services provided by the editorial office.

On August 24, 2015, the Federation entered into a separate Editor Agreement with an Editor-in-Chief for the Journal. The agreement commences on January 1, 2016 and continues through December 31, 2021. Either party may terminate the agreement with 120 days notice or in accordance with other terms of the agreement.

For the years ended December 31, 2017 and 2016, editorial revenue and the corresponding expense totaled $190,000 and $184,000, respectively. The annual editorial expense is included in programs and services in the statements of activities.

NOTE 7 - JOURNAL PUBLISHING AND EDITOR AGREEMENTS (Continued)

The net minimum future payments to be made by the Publisher to the Federation for royalty income and editorial fees less the editorial office expenses paid by the Federation to the Editor-in-Chief are as follows:

	Minimum Royalty Guarantee	Publisher's Editorial Fees	Federation's Editorial Expense	Net Receipts (Payment)
2018	$200,000	$196,000	$196,000	$200,000
2019	200,000	202,000	202,000	200,000
2020	200,000	208,200	208,200	200,000
2021	-	-	208,200	(208,200)

NOTE 8 - OTHER COMMITMENTS AND CONTINGENCIES

The Federation has entered into agreements with vendors for various committee meetings in future years. The contracts contain contingency clauses whereby the Federation is liable for cancellations. The monetary restitution varies among contracts, but generally is based on expenses incurred by the vendor up to the date of cancellation as well as additional cancellation fees.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2018, which is the date the financial statements are available to be issued.

NOTE 10 - FUTURE ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued a new accounting pronouncement for the presentation of financial statements for not-for-profit entities. The new standard is meant to simplify and clarify accounting for not-for-profit entities as well as increase the transparency of the financial statements, primarily as it relates to net asset classification and liquidity disclosures. Under previous guidance, not-for-profit entities were required to report three classes of net assets on the statement of financial position based on the type of donor restriction: unrestricted, temporarily restricted, and permanently restricted. The new guidance provides for a reduction to two classes of net assets: net assets with donor restriction and net assets without donor restriction. Previously, the disclosure of the liquidity of available resources was not clearly defined. As a result, the new guidance requires not-for-profit entities to disclose qualitative information regarding management's evaluation of its liquidity position and quantitative disclosures of its available liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date. Adoption of this accounting standard is required for the year ended December 31, 2018, although early adoption is permitted.