

# **Emergency Medicine Foundation**

Accountants' Report and Financial Statements

June 30, 2012 and 2011



**Emergency Medicine Foundation**  
**June 30, 2012 and 2011**

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## Independent Accountants' Report

Board of Trustees  
Emergency Medicine Foundation  
Irving, Texas

We have audited the accompanying statements of financial position of the Emergency Medicine Foundation (the Foundation) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Emergency Medicine Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*BKD, LLP*

September 14, 2012

**Emergency Medicine Foundation**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

**Assets**

	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 481,527	\$ 661,898
Investments	2,065,009	1,608,397
Accounts receivable	2,832	692
Receivable from related parties	<u>30,288</u>	<u>30,094</u>
Total assets	<u>\$ 2,579,656</u>	<u>\$ 2,301,081</u>

**Liabilities and Net Assets**

<b>Liabilities</b>		
Accounts payable	\$ 10,445	\$ 6,682
Grants payable	304,717	250,767
Deferred revenue	<u>27,503</u>	<u>35,000</u>
Total liabilities	342,665	292,449
Unrestricted net assets	<u>2,236,991</u>	<u>2,008,632</u>
Total liabilities and net assets	<u>\$ 2,579,656</u>	<u>\$ 2,301,081</u>

**Emergency Medicine Foundation**  
**Statements of Activities**  
**Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Contributions	\$ 1,182,466	\$ 911,906
Investment return	16,261	239,272
	<u>1,198,727</u>	<u>1,151,178</u>
<b>Program and service expenses</b>		
Fellowship and research grants	723,166	502,052
Program support	49,167	62,255
Contributed program support	2,903	20,124
	<u>775,236</u>	<u>584,431</u>
<b>Administrative expenses</b>		
Fundraising	89,887	51,634
General administration	30,329	37,633
Contributed fundraising	4,407	41,791
Contributed general administration	70,509	47,110
	<u>195,132</u>	<u>178,168</u>
Total administrative expenses		
	<u>195,132</u>	<u>178,168</u>
Total expenses	<u>970,368</u>	<u>762,599</u>
<b>Change in Unrestricted Net Assets</b>	228,359	388,579
<b>Unrestricted Net Assets, Beginning of Year</b>	<u>2,008,632</u>	<u>1,620,053</u>
<b>Unrestricted Net Assets, End of Year</b>	<u><u>\$ 2,236,991</u></u>	<u><u>\$ 2,008,632</u></u>

**Emergency Medicine Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Change in unrestricted net assets	\$ 228,359	\$ 388,579
Items not requiring (providing) cash		
Net realized and unrealized (gain) loss on investments	26,833	(214,905)
Changes in		
Receivables	(2,334)	40,832
Grants payable	53,950	98,664
Accounts payable	3,763	5,640
Prepaid expenses	-	1,950
Deferred revenue	(7,496)	17,500
	<u>303,075</u>	<u>338,260</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchases of investments	(811,500)	(449,321)
Proceeds from sales of investments	328,054	390,692
	<u>(483,446)</u>	<u>(58,629)</u>
Net cash used in investing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(180,371)	279,631
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>661,898</u>	<u>382,267</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 481,527</u></u>	<u><u>\$ 661,898</u></u>

# **Emergency Medicine Foundation**

## **Notes to Financial Statements**

### **June 30, 2012 and 2011**

#### **Note 1: Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Emergency Medicine Foundation (the Foundation) is a Texas not-for-profit corporation that provides research grants and fellowship awards to institutions working in emergency medicine, conducts educational programs and supports other research applicable to the field of emergency medicine. The Foundation is primarily funded through corporate and individual contributions.

##### ***Basis of Presentation***

The accompanying financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States for not-for-profit organizations. Resources are classified into three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** – net assets that are not subject to donor-imposed restrictions and which may be used for any operating purpose of the Foundation.
- **Temporarily Restricted Net Assets** – net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation has no temporarily restricted net assets as of June 30, 2012 and 2011.
- **Permanently Restricted Net Assets** – net assets required to be maintained in perpetuity due to donor imposed restrictions. Generally, the donors of these assets permit the use of all or part of the income earned on the related investments for general or specific purpose. The Foundation has no permanently restricted net assets as of June 30, 2012 and 2011.

##### ***Cash and Cash Equivalents***

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted of money market accounts with brokers.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest bearing transactions accounts beginning December 31, 2010 through December 31, 2012 at all FDIC-insured institutions. At June 30, 2012 all of the Foundation's deposits were in noninterest-bearing accounts.

# Emergency Medicine Foundation

## Notes to Financial Statements

June 30, 2012 and 2011

### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Realized gains and losses on disposition of investments are recognized using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the accompanying statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. The Foundation has no restricted donations.

### ***Contributions***

Contributions are recognized as revenues in the period received. Conditional promises to give are not accepted by the Foundation. In-kind contributions of goods and professional services are recorded at their estimated fair value.

### ***Fellowship and Research Grants***

The Foundation considers institutions to be entitled to the entire grant award once certain conditions are met, which coincides with when the Foundation begins making payments to the institution. Accordingly, the Foundation records grants awarded as expenses and liabilities at the time of initial funding.

### ***Allocation of Joint Costs***

During the years ended June 30, 2012 and 2011, the Foundation conducted direct-mail campaigns that included requests for contributions and incurred joint costs of \$26,480 and \$55,754, respectively. These costs, which are not specifically attributable to particular components of the campaigns, were allocated as follows:

	<u>2012</u>	<u>2011</u>
Program support	\$ 10,571	\$ 33,469
Fundraising	<u>15,909</u>	<u>22,285</u>
	<u>\$ 26,480</u>	<u>\$ 55,754</u>

# **Emergency Medicine Foundation**

## **Notes to Financial Statements**

### **June 30, 2012 and 2011**

#### ***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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Functional Classification***

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

#### **Note 2: Income Taxes**

The Foundation is a public charitable and education institution within the meaning of Section 501 (c)(3) of the Internal Revenue Code and, as such, is subject to income taxes only to the extent of taxable unrelated business. During the years ended June 30, 2012 and 2011, the Foundation had no unrelated business income tax liability.

The Foundation has concluded that it does not have any unrecognized liabilities resulting from uncertain tax positions. Accordingly, no amounts regarding uncertain tax positions have been recorded or disclosed in the financial statements. The Foundation does not have any outstanding interest or penalties, and none have been recorded in the statements of activities for the years ended June 30, 2012 and 2011.

#### **Note 3: Related Party Transactions**

The Foundation is provided management services at no cost by the American College of Emergency Physicians (ACEP). During the years ended June 30, 2012 and 2011, ACEP provided services to the Foundation valued at \$111,883 and \$109,025, respectively. Additionally, ACEP made contributions to the Foundation in the amount of \$38,566 and \$82,337 at June 30, 2012 and 2011, respectively. These services and contributions are reflected in contributed program, administration and fund raising expenses and contributions revenue.

# Emergency Medicine Foundation

## Notes to Financial Statements

### June 30, 2012 and 2011

The activities of the Foundation are not designed, restricted nor intended to benefit ACEP or its members. The primary beneficiaries of these activities are those members of the general public which seek medical care in emergency medicine facilities. ACEP includes as one of its purposes the support of research in emergency medicine. ACEP has determined that it can best achieve this objective currently by providing services in support of activities of the Foundation. There are no direct or indirect requirements placed on ACEP to (1) guarantee debt of the Foundation or (2) provide funds or services to the Foundation. Such allocation of ACEP's resources are considered annually as part of its budgeting process.

#### **Note 4: Investments and Disclosures About Fair Value of Assets and Liabilities**

Accounting Standards Codification Topic 820, *Fair Value Measurements*, defines fair value as 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. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

#### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity and bond mutual funds, a corporate bond and certificates of deposits held by brokers. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Foundation has no Level 2 or 3 investments.

**Emergency Medicine Foundation**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

Information related to the investments measured at fair value at June 30, 2012 and 2011, were as follows:

	<b>2012</b>				
	<b>Fair Value Measurements Using</b>				
	<b>Cost</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Investments					
Exchange traded funds and mutual funds	\$ 1,543,430	\$ 1,358,924	\$ 1,358,924	\$ -	\$ -
Bond-mutual funds	250,000	252,896	252,896	-	-
Corporate bond	50,243	50,313	50,313		
Certificates of deposit	400,000	402,876	402,876	-	-
	<u>2,243,673</u>	<u>2,065,009</u>	<u>2,065,009</u>	-	-
Money market accounts included in cash equivalents	<u>154,451</u>	<u>154,451</u>	<u>154,451</u>	-	-
	<u>\$ 2,398,124</u>	<u>\$ 2,219,460</u>	<u>\$ 2,219,460</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>2011</b>				
	<b>Fair Value Measurements Using</b>				
	<b>Cost</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Investments					
Exchange traded funds and mutual funds	\$ 1,299,572	\$ 1,156,651	\$ 1,156,651	\$ -	\$ -
Bond-mutual funds	250,000	253,379	253,379	-	-
Certificates of deposit	200,000	198,367	198,367	-	-
	<u>1,749,572</u>	<u>1,608,397</u>	<u>1,608,397</u>	-	-
Money market accounts included in cash equivalents	<u>425,636</u>	<u>425,636</u>	<u>425,636</u>	-	-
	<u>\$ 2,175,208</u>	<u>\$ 2,034,033</u>	<u>\$ 2,034,033</u>	<u>\$ -</u>	<u>\$ -</u>

**Emergency Medicine Foundation**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

Investment income consisted of the following for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Net realized and unrealized gain/loss on investments reported at fair value	\$ (26,833)	\$ 214,905
Interest and dividends	<u>43,094</u>	<u>24,367</u>
	<u>\$ 16,261</u>	<u>\$ 239,272</u>

**Note 5: Contributions**

Contributions to the Foundation may be made by individuals, groups, other foundations or corporations. Contributions are used for research grants and fellowship awards under specific application and award guidelines, and other Foundation programs.

Contributions to the Foundation consisted of the following:

	<u>2012</u>	<u>2011</u>
Individuals	\$ 398,797	\$ 381,655
Corporations	596,786	369,476
Foundations	25,000	3,750
In-kind contributions from ACEP	111,883	109,025
Groups	<u>50,000</u>	<u>48,000</u>
	<u>\$ 1,182,466</u>	<u>\$ 911,906</u>

**Note 6: Commitments**

In addition to grants payable included in the accompanying statements of financial position as of June 30, 2012, the Foundation has identified potential award recipients, subject to certain conditions, for funding in the fiscal year ending June 30, 2013, in the awarded amount of \$761,647. The potential recipients have not substantially met all the conditions of the awards and, accordingly, these awards have not been reflected as a liability and expense in the financial statements as of June 30, 2012.

**Note 7: Subsequent Events**

The Foundation has evaluated its June 30, 2012, financial statements for subsequent events through September 14, 2012, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.