

Emergency Medicine Foundation

Auditor's Report and Financial Statements

June 30, 2013 and 2012



Emergency Medicine Foundation
June 30, 2013 and 2012

Contents

Independent Auditor's Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Cash Flows 5
Notes to Financial Statements 6

Independent Auditor's Report

Board of Trustees
Emergency Medicine Foundation
Irving, Texas

We have audited the accompanying financial statements of the Emergency Medicine Foundation, which comprise the statements of financial position as of June 30, 2013 and 2012, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Emergency Medicine Foundation as of June 30, 2013 and 2012, 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.

BKD, LLP

Dallas, Texas
September 5, 2013

Emergency Medicine Foundation
Statements of Financial Position
June 30, 2013 and 2012

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 1,158,010	\$ 481,527
Investments	2,269,399	2,065,009
Accounts receivable	21,195	2,832
Receivable from related parties	1,034,597	30,288
Prepays	21,065	-
	<u>4,504,266</u>	<u>2,579,656</u>
Total assets	<u>\$ 4,504,266</u>	<u>\$ 2,579,656</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 18,770	\$ 10,445
Grants payable	463,050	304,717
Deferred revenue	27,500	27,503
	<u>509,320</u>	<u>342,665</u>
Total liabilities	509,320	342,665
Unrestricted - board designated	1,000,000	-
Unrestricted - undesignated	2,994,946	2,236,991
	<u>3,994,946</u>	<u>2,236,991</u>
Total Unrestricted net assets	3,994,946	2,236,991
Total liabilities and net assets	<u>\$ 4,504,266</u>	<u>\$ 2,579,656</u>

Emergency Medicine Foundation
Statements of Activities
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Contributions	\$ 2,707,274	\$ 1,182,466
Investment return	207,641	16,261
	<u>2,914,915</u>	<u>1,198,727</u>
Program and service expenses		
Fellowship and research grants	743,209	723,166
Program support	105,688	49,167
Contributed program support	4,495	2,903
	<u>853,392</u>	<u>775,236</u>
Administrative expenses		
Fundraising	180,103	89,887
General administration	34,782	30,329
Contributed fundraising	11,220	4,407
Contributed general administration	77,463	70,509
	<u>303,568</u>	<u>195,132</u>
Total administrative expenses	<u>303,568</u>	<u>195,132</u>
Total expenses	<u>1,156,960</u>	<u>970,368</u>
Change in Unrestricted Net Assets	1,757,955	228,359
Unrestricted Net Assets, Beginning of Year	<u>2,236,991</u>	<u>2,008,632</u>
Unrestricted Net Assets, End of Year	<u>\$ 3,994,946</u>	<u>\$ 2,236,991</u>

Emergency Medicine Foundation
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in unrestricted net assets	\$ 1,757,955	\$ 228,359
Items not requiring (providing) cash		
Net realized and unrealized (gain) loss on investments	(153,712)	26,833
Changes in		
Receivables	(1,022,672)	(2,334)
Grants payable	158,333	53,950
Accounts payable	8,325	3,763
Prepaid expenses	(21,065)	-
Deferred revenue	(3)	(7,496)
	<u>727,161</u>	<u>303,075</u>
Investing Activities		
Purchases of investments	(287,950)	(811,500)
Proceeds from sales of investments	237,272	328,054
	<u>(50,678)</u>	<u>(483,446)</u>
Increase (Decrease) in Cash and Cash Equivalents	676,483	(180,371)
Cash and Cash Equivalents, Beginning of Year	<u>481,527</u>	<u>661,898</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,158,010</u>	<u>\$ 481,527</u>

Emergency Medicine Foundation

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012.
- **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, 2013 and 2012.

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, 2013 and 2012, cash equivalents consisted primarily of cash and money market accounts.

At June 30, 2013, the Foundation's cash accounts exceeded federally insured limits by approximately \$500,000.

Emergency Medicine Foundation

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012, the Foundation conducted direct-mail campaigns that included requests for contributions and incurred joint costs of \$44,843 and \$26,480, respectively. These costs, which are not specifically attributable to particular components of the campaigns, were allocated as follows:

	<u>2013</u>	<u>2012</u>
Program support	\$ 12,825	\$ 10,571
Fundraising	<u>32,018</u>	<u>15,909</u>
	<u>\$ 44,843</u>	<u>\$ 26,480</u>

Emergency Medicine Foundation

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012, 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, 2013 and 2012.

Note 3: Related Party Transactions

The Foundation is provided management services at no cost by the American College of Emergency Physicians (ACEP) and has certain common board members with the Foundation. During the years ended June 30, 2013 and 2012, ACEP provided services to the Foundation valued at \$184,362 and \$111,883, respectively. Additionally, ACEP made contributions to the Foundation in the amount of \$1,115,262 and \$38,566 at June 30, 2013 and 2012, 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, 2013 and 2012

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: Disclosures About Fair Value of Assets and Liabilities

Fair value 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 are significant to the fair value of the assets or liabilities

Emergency Medicine Foundation
Notes to Financial Statements
June 30, 2013 and 2012

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012:

		2013				
		Fair Value Measurements Using				
		Cost	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments						
Exchange traded funds and mutual funds	\$	1,559,720	\$ 1,520,053	\$ 1,520,053	\$ -	\$ -
Bond-mutual funds		250,000	247,346	247,346	-	-
Corporate bond		45,631	48,403	48,403		
Certificates of deposit		450,000	453,597	453,597	-	-
	\$	<u>2,305,351</u>	<u>\$ 2,269,399</u>	<u>\$ 2,269,399</u>	<u>\$ -</u>	<u>\$ -</u>
		2012				
		Fair Value Measurements Using				
		Cost	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities 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 and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2013.

Emergency Medicine Foundation

Notes to Financial Statements

June 30, 2013 and 2012

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.

Investment income consisted of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Net realized and unrealized gain/loss on investments reported at fair value	\$ 153,712	\$ (26,833)
Interest and dividends	<u>53,929</u>	<u>43,094</u>
	<u>\$ 207,641</u>	<u>\$ 16,261</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>2013</u>	<u>2012</u>
Individuals	\$ 583,642	\$ 398,797
Corporations	1,801,799	596,786
Foundations	69,472	25,000
Groups	67,999	50,000
In-kind contributions from ACEP	<u>184,362</u>	<u>111,883</u>
	<u>\$ 2,707,274</u>	<u>\$ 1,182,466</u>

Emergency Medicine Foundation
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Commitments

In addition to grants payable included in the accompanying statements of financial position as of June 30, 2013, the Foundation has identified potential award recipients, subject to certain conditions, for funding in the fiscal year ending June 30, 2014, in the awarded amount of \$443,812. 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, 2013.

Note 7: Subsequent Events

Subsequent events have been evaluated through September 5, 2013, which is the date the financial statements were available to be issued.