

# **Emergency Medicine Foundation**

Independent Auditor's Report and Financial Statements

June 30, 2017 and 2016



**Emergency Medicine Foundation**  
**June 30, 2017 and 2016**

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## Independent Auditor's Report

Board of Trustees  
Emergency Medicine Foundation  
Irving, Texas

We have audited the accompanying financial statements of Emergency Medicine Foundation, which comprise the statements of financial position as June 30, 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 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 Emergency Medicine Foundation as of June 30, 2017 and 2016, 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  
October 23, 2017

**Emergency Medicine Foundation**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

**Assets**

|                           | <b>2017</b>  | <b>2016</b>  |
|---------------------------|--------------|--------------|
| <b>Current Assets</b>     |              |              |
| Cash and cash equivalents | \$ 744,976   | \$ 814,069   |
| Investments               | 5,742,205    | 5,430,587    |
| Accounts receivable       | 241,085      | 179,278      |
| Prepaid expenses          | 14,250       | 43,022       |
| Total assets              | \$ 6,742,516 | \$ 6,466,956 |

**Liabilities and Net Assets**

**Liabilities**

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Accounts payable                 | \$ 111,326   | \$ 34,819    |
| Grants payable                   | 565,000      | 214,792      |
| Deferred revenue                 | 275,307      | 532,610      |
| Total liabilities                | 951,633      | 782,221      |
| Unrestricted – board-designated  | 2,952,548    | 2,697,247    |
| Unrestricted – undesignated      | 2,838,335    | 2,987,488    |
| Total unrestricted net assets    | 5,790,883    | 5,684,735    |
| Total liabilities and net assets | \$ 6,742,516 | \$ 6,466,956 |

**Emergency Medicine Foundation**  
**Statements of Activities**  
**Years Ended June 30, 2017 and 2016**

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| <b>Revenues</b>                                   |                     |                     |
| Contributions                                     | \$ 2,319,363        | \$ 2,146,599        |
| Investment return                                 | 562,847             | 88,836              |
|   | <u>2,882,210</u>    | <u>2,235,435</u>    |
| <b>Program and Service Expenses</b>               |                     |                     |
| Fellowship and research grants                    | 1,604,925           | 1,074,460           |
| Program support                                   | 206,277             | 102,034             |
| Contributed program support                       | 2,467               | 15,428              |
|   | <u>1,813,669</u>    | <u>1,191,922</u>    |
| <b>Administrative Expenses</b>                    |                     |                     |
| Fundraising                                       | 631,481             | 172,547             |
| General administration                            | 105,701             | 96,388              |
| Contributed fundraising                           | 209,912             | 174,017             |
| Contributed general administration                | 15,299              | 25,301              |
|   | <u>962,393</u>      | <u>468,253</u>      |
| Total administrative expenses                     |                     |                     |
|   | <u>962,393</u>      | <u>468,253</u>      |
| Total expenses                                    | <u>2,776,062</u>    | <u>1,660,175</u>    |
| <b>Change in Unrestricted Net Assets</b>          | 106,148             | 575,260             |
| <b>Unrestricted Net Assets, Beginning of Year</b> | <u>5,684,735</u>    | <u>5,109,475</u>    |
| <b>Unrestricted Net Assets, End of Year</b>       | <u>\$ 5,790,883</u> | <u>\$ 5,684,735</u> |

**Emergency Medicine Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

|   | <u>2017</u>              | <u>2016</u>              |
|---|--------------------------|--------------------------|
| <b>Operating Activities</b>                                 |                          |                          |
| Change in unrestricted net assets                           | \$ 106,148               | \$ 575,260               |
| Items not requiring (providing) cash                        |                          |                          |
| Net unrealized (gain) loss on investments                   | (434,095)                | 73,295                   |
| Net realized (gain) loss on investments                     | (1,189)                  | 7,859                    |
| Changes in  |                          |                          |
| Receivables   | (61,807)                 | (53,023)                 |
| Prepaid expenses  | 28,772                   | (28,178)                 |
| Accounts payable  | 76,507                   | (1,980)                  |
| Grants payable  | 350,208                  | 79,528                   |
| Deferred revenue  | <u>(257,303)</u>         | <u>463,332</u>           |
| Net cash provided by (used in) operating activities         | <u>(192,759)</u>         | <u>1,116,093</u>         |
| <b>Investing Activities</b>                                 |                          |                          |
| Purchases of investments                                    | (603,102)                | (1,914,200)              |
| Proceeds from sales of investments                          | <u>726,768</u>           | <u>956,349</u>           |
| Net cash provided by (used in) used in investing activities | <u>123,666</u>           | <u>(957,851)</u>         |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>     | (69,093)                 | 158,242                  |
| <b>Cash and Cash Equivalents, Beginning of Year</b>         | <u>814,069</u>           | <u>655,827</u>           |
| <b>Cash and Cash Equivalents, End of Year</b>               | <u><u>\$ 744,976</u></u> | <u><u>\$ 814,069</u></u> |

# Emergency Medicine Foundation

## Notes to Financial Statements

### June 30, 2017 and 2016

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

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

Emergency Medicine Foundation (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, 2017 and 2016.
- **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 purposes. The Foundation has no permanently restricted net assets as of June 30, 2017 and 2016.

##### ***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.

##### ***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, 2017 and 2016, cash equivalents consisted primarily of money market accounts.



# **Emergency Medicine Foundation**

## **Notes to Financial Statements**

**June 30, 2017 and 2016**

### ***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.

### ***Accounts Receivable***

Receivables are due primarily from individuals, foundations, and corporations related to gift pledges and are stated at the amount management expects to collect from outstanding balances.

### ***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 as an expense in its financial statements and similarly increase contribution revenue by the same amount.

### ***Deferred Revenue***

Revenue from event sponsorship contributions received in advance is deferred and recognized when the event occurs.

### ***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.

**Emergency Medicine Foundation**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***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 income. During the years ended June 30, 2017 and 2016, the Foundation had no unrelated business income tax liability.

The Foundation files tax returns in the U.S. federal jurisdiction.

The Foundation has concluded that it does not have any unrecognized liabilities resulting from current or prior period uncertain tax positions. Accordingly, no amounts regarding uncertain tax positions have been recorded or disclosed in the accompanying financial statements. The Foundation does not have any outstanding interest or penalties, and none has been recorded in the accompanying statements of activities for the years ended June 30, 2017 and 2016.

***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.

***Reclassifications***

Certain reclassifications have been made to the 2016 financial statements and footnotes to conform to the 2017 presentation. These reclassifications had no effect on the change in net assets.

**Note 2: Investments and Investment Return**

Investments at June 30 consisted of the following:

|  | <b>2017</b>         | <b>2016</b>         |
|--|---------------------|---------------------|
| Exchange traded funds and mutual funds | \$ 4,606,984        | \$ 4,046,430        |
| Corporate bonds                        | 1,034,902           | 1,283,795           |
| Certificates of deposit                | 100,319             | 100,362             |
|  | <b>\$ 5,742,205</b> | <b>\$ 5,430,587</b> |

**Emergency Medicine Foundation**  
**Notes to Financial Statements**  
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Total investment return is comprised of the following:

|  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| Net unrealized gain (loss) on investments reported at fair value | \$ 434,095  | \$ (73,295) |
| Net realized gain (loss) on investments reported at fair value   | 1,189       | (7,859)     |
| Interest and dividends   | 127,563     | 169,990     |
|  | \$ 562,847  | \$ 88,836   |

**Note 3: Endowment**

The Foundation's endowment consists of one fund for the purpose of medical and education research. The endowment includes funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2017 and 2016, was:

|                                  | <b>2017</b>         |                               |                               |              |
|----------------------------------|---------------------|-------------------------------|-------------------------------|--------------|
|                                  | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> |              |
| Board-designated endowment funds | \$ 2,952,548        | \$ -                          | \$ -                          | \$ 2,952,548 |
|                                  | <b>2016</b>         |                               |                               |              |
|                                  | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b> |
| Board-designated endowment funds | \$ 2,697,247        | \$ -                          | \$ -                          | \$ 2,697,247 |

**Emergency Medicine Foundation**  
**Notes to Financial Statements**  
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Changes in endowment net assets for the years ended June 30 were:

|   | <b>2017</b>         |                               |                               | <b>Total</b> |
|---|---------------------|-------------------------------|-------------------------------|--------------|
|   | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> |              |
| Endowment net assets, beginning of year           | \$ 2,697,247        | \$ -                          | \$ -                          | \$ 2,697,247 |
| Investment return                                 |                     |                               |                               |              |
| Investment income                                 | 53,983              | -                             | -                             | 53,983       |
| Net appreciation                                  | 251,317             | -                             | -                             | 251,317      |
| Total investment return                           | 305,300             | -                             | -                             | 305,300      |
| Appropriation of endowment assets for expenditure | (49,999)            | -                             | -                             | (49,999)     |
| Endowment net assets, end of year                 | \$ 2,952,548        | \$ -                          | \$ -                          | \$ 2,952,548 |

|   | <b>2016</b>         |                               |                               | <b>Total</b> |
|---|---------------------|-------------------------------|-------------------------------|--------------|
|   | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> |              |
| Endowment net assets, beginning of year | \$ 2,692,647        | \$ -                          | \$ -                          | \$ 2,692,647 |
| Investment return                       |                     |                               |                               |              |
| Investment income                       | 54,750              | -                             | -                             | 54,750       |
| Net depreciation                        | (50,150)            | -                             | -                             | (50,150)     |
| Total investment return                 | 4,600               | -                             | -                             | 4,600        |
| Endowment net assets, end of year       | \$ 2,697,247        | \$ -                          | \$ -                          | \$ 2,697,247 |

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The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of board-designated funds. Under the Foundation’s policies, endowment assets are invested in a manner that is intended to produce results that exceed the rate of inflation while assuming a lower level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 6% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5%, up to \$125,000, of its endowment fund’s ending balance preceding the year in which expenditure is planned. As of June 30, 2017 and 2016, investment return of \$302,044 and \$4,600, respectively, is reflected in the unrestricted board-designated net assets in the accompanying statements of financial position.

**Note 4: Allocation of Joint Costs**

During the years ended June 30, 2017 and 2016, the Foundation conducted direct mail campaigns that included requests for contributions and incurred joint costs of \$1,801 and \$20,343, respectively. These costs, which are not specifically attributable to particular components of the campaigns, were allocated as follows:

|                 | <b>2017</b> | <b>2016</b> |
|-----------------|-------------|-------------|
| Program support | \$ 540      | \$ 2,794    |
| Fundraising     | 1,261       | 17,549      |
|                 | \$ 1,801    | \$ 20,343   |

**Emergency Medicine Foundation**  
**Notes to Financial Statements**  
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**Note 5: 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

***Recurring Measurements***

The following tables presents the fair value measurements of assets 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, 2017 and 2016.

|  | Fair Value          | Fair Value Measurements Using   |   |  |
|--|---------------------|---|---|--|
|  |                     | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>June 30, 2017</b>                   |                     |   |   |  |
| Exchange traded funds and mutual funds | \$ 4,606,984        | \$ 4,606,984  | \$ -  | \$ -   |
| Corporate bonds                        | 1,034,902           | -   | 1,034,902   | -  |
| Certificates of deposit                | 100,319             | -   | 100,319   | -  |
|  | <u>\$ 5,742,205</u> | <u>\$ 4,606,984</u>   | <u>\$ 1,135,221</u>                                       | <u>\$ -</u>  |

**Emergency Medicine Foundation**  
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|  | Fair Value          | Fair Value Measurements Using   |   |  |
|--|---------------------|---|---|--|
|  |                     | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>June 30, 2016</b>                   |                     |   |   |  |
| Exchange traded funds and mutual funds | \$ 4,046,430        | \$ 4,046,430  | \$ -  | \$ -   |
| Corporate bonds                        | 1,283,795           | -   | 1,283,795   | -  |
| Certificates of deposit                | 100,362             | -   | 100,362   | -  |
| Total investments                      | <u>\$ 5,430,587</u> | <u>\$ 4,046,430</u>   | <u>\$ 1,384,157</u>                                       | <u>\$ -</u>  |

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. There have been no significant changes in the valuation techniques during the year ended June 30, 2017.

**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 exchange traded funds and mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. 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 3 investments.

**Note 6: 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.

In addition to receiving cash contributions, the Foundation receives in-kind contributions of management services from the American College of Emergency Physicians (ACEP). The Foundation is provided management services at no cost by ACEP and has certain common, representing a minority of, board members with the Foundation. During the years ended June 30, 2017 and 2016, ACEP provided services to the Foundation valued at \$227,678 and \$214,746,

**Emergency Medicine Foundation**  
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respectively. Additionally, ACEP made contributions to the Foundation in the amount of \$200,000 for the years ended June 30, 2017 and 2016. These services and contributions are reflected in contributed general administration and fundraising expenses and contributions revenue.

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 is no commitment placed on ACEP to guarantee debt of the Foundation, but is contracted to provide management services and other support.

Contributions to the Foundation consisted of the following:

|                                 | <b>2017</b>  | <b>2016</b>  |
|---------------------------------|--------------|--------------|
| Individuals                     | \$ 664,645   | \$ 893,365   |
| Corporations, including ACEP    | 1,401,541    | 1,019,988    |
| Foundations                     | 2,000        | 2,000        |
| Groups                          | 23,499       | 16,500       |
| In-kind contributions from ACEP | 227,678      | 214,746      |
|                                 | \$ 2,319,363 | \$ 2,146,599 |

**Note 7: Commitments**

In addition to grants payable included in the accompanying statements of financial position as of June 30, 2017, the Foundation has identified potential award recipients, subject to certain conditions, for funding in the fiscal year ending June 30, 2017, in the awarded amount of \$691,351. 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, 2017.

**Note 8: Subsequent Events**

Subsequent events have been evaluated through October 23, 2017, which is the date the financial statements were available to be issued.