

Emergency Medicine Foundation

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017



Emergency Medicine Foundation
June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 27, 2018

Emergency Medicine Foundation
Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	\$ 796,661	\$ 744,976
Investments	5,939,166	5,742,205
Accounts receivable	167,268	241,085
Property and equipment, net	98,869	-
Prepaid expenses	16,032	14,250
	<u>\$ 7,017,996</u>	<u>\$ 6,742,516</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 159,362	\$ 111,326
Grants payable	634,128	565,000
Deferred revenue	232,031	275,307
	<u>1,025,521</u>	<u>951,633</u>
Unrestricted – board-designated	3,338,249	2,952,548
Unrestricted – undesignated	2,654,226	2,838,335
	<u>5,992,475</u>	<u>5,790,883</u>
Total unrestricted net assets	<u>5,992,475</u>	<u>5,790,883</u>
Total liabilities and net assets	<u>\$ 7,017,996</u>	<u>\$ 6,742,516</u>

Emergency Medicine Foundation
Statements of Activities
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Contributions	\$ 1,894,680	\$ 2,319,363
Investment return	428,286	562,847
	<u>2,322,966</u>	<u>2,882,210</u>
Program and Service Expenses		
Fellowship and research grants	1,220,449	1,599,925
Program support	348,127	211,277
Contributed program support	3,306	2,467
	<u>1,571,882</u>	<u>1,813,669</u>
Administrative Expenses		
Fundraising	179,940	631,481
General administration	132,723	105,701
Contributed fundraising	224,007	209,912
Contributed general administration	12,822	15,299
	<u>549,492</u>	<u>962,393</u>
Total administrative expenses		
	<u>2,121,374</u>	<u>2,776,062</u>
Change in Unrestricted Net Assets	201,592	106,148
Unrestricted Net Assets, Beginning of Year	<u>5,790,883</u>	<u>5,684,735</u>
Unrestricted Net Assets, End of Year	<u>\$ 5,992,475</u>	<u>\$ 5,790,883</u>

Emergency Medicine Foundation
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in unrestricted net assets	\$ 201,592	\$ 106,148
Items not requiring (providing) cash		
Depreciation	7,062	-
Net unrealized gain on investments	(231,287)	(434,095)
Net realized gain on investments	(42,813)	(1,189)
Changes in		
Receivables	73,817	(61,807)
Prepaid expenses	(1,782)	28,772
Accounts payable	48,036	76,507
Grants payable	69,128	350,208
Deferred revenue	(43,276)	(257,303)
	<u>80,477</u>	<u>(192,759)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchases of investments	(1,284,573)	(603,102)
Proceeds from sales of investments	1,361,712	726,768
Purchases of property and equipment	(105,931)	-
	<u>(28,792)</u>	<u>123,666</u>
Net cash provided by (used in) used in investing activities		
Increase (Decrease) in Cash and Cash Equivalents	51,685	(69,093)
Cash and Cash Equivalents, Beginning of Year	<u>744,976</u>	<u>814,069</u>
Cash and Cash Equivalents, End of Year	<u>\$ 796,661</u>	<u>\$ 744,976</u>

Emergency Medicine Foundation

Notes to Financial Statements

June 30, 2018 and 2017

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, 2018 and 2017.
- **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, 2018 and 2017.

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, 2018 and 2017, cash equivalents consisted primarily of money market accounts. At June 30, 2018, the Foundation's cash accounts exceeded federally insured limits by approximately \$344,000.

Emergency Medicine Foundation

Notes to Financial Statements

June 30, 2018 and 2017

Investments and Investment Return

Investments in exchange traded funds, mutual funds, and 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. The allowance for doubtful accounts was \$0 at both June 30, 2018 and 2017.

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. Contributions initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted support.

Deferred Revenue

Revenue from event sponsorships 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
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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, 2018 and 2017, 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, 2018 and 2017. With a few exceptions, the Foundation is no longer subject to U.S. federal examination by tax authorities for years before 2015.

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: Investments and Investment Return

Investments consist of the following at June 30:

	2018	2017
Exchange traded funds and mutual funds	\$ 4,661,723	\$ 4,606,984
Corporate bonds	1,180,055	1,034,902
Certificates of deposit	97,388	100,319
	\$ 5,939,166	\$ 5,742,205

Emergency Medicine Foundation
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Total investment return is comprised of the following for the fiscal years ended June 30:

	2018	2017
Net unrealized gain on investments reported at fair value	\$ 231,287	\$ 434,095
Net realized gain on investments reported at fair value	42,813	1,189
Interest and dividends	154,186	127,563
	\$ 428,286	\$ 562,847

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, 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 was as follows at June 30:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment funds	\$ 3,338,249	\$ -	\$ -	\$ 3,338,249
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 2,952,548	\$ -	\$ -	\$ 2,952,548

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Changes in endowment net assets were as follows for the years ended June 30:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 2,952,548	\$ -	\$ -	\$ 2,952,548
Investment return				
Investment income	62,799	-	-	62,799
Net appreciation	170,683	-	-	170,683
Total investment return	233,482	-	-	233,482
Contributions	156,219	-	-	156,219
Appropriation of endowment assets for expenditure	(4,000)	-	-	(4,000)
Endowment net assets, end of year	\$ 3,338,249	\$ -	\$ -	\$ 3,338,249

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	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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

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.

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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

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, 2018 and 2017.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Exchange traded funds and mutual funds	\$ 4,661,723	\$ 4,661,723	\$ -	\$ -
Corporate bonds	1,180,055	-	1,180,055	-
Certificates of deposit	97,388	-	97,388	-
	<u>\$ 5,939,166</u>	<u>\$ 4,661,723</u>	<u>\$ 1,277,443</u>	<u>\$ -</u>

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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
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	-
Total investments	<u>\$ 5,742,205</u>	<u>\$ 4,606,984</u>	<u>\$ 1,135,221</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 years ended June 30, 2018 and 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 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.

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, 2018 and 2017, ACEP provided services to the Foundation valued at \$240,135 and \$227,678,

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respectively. Additionally, ACEP made contributions to the Foundation in the amount of \$100,000 and \$200,000 for the years ended June 30, 2018 and 2017, respectively. These services and contributions are reflected in the accompanying statements of activities as contributed general administration, program support, 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 for the fiscal years ended June 30:

	2018	2017
Individuals	\$ 749,555	\$ 664,645
Corporations, including ACEP	782,337	1,401,541
Foundations	100,403	2,000
Groups	22,250	23,499
In-kind contributions from ACEP	240,135	227,678
	\$ 1,894,680	\$ 2,319,363

Note 6: Commitments

In addition to grants payable included in the accompanying statements of financial position as of June 30, 2018, the Foundation has identified potential award recipients, subject to certain conditions, for funding in the fiscal year ending June 30, 2018, in the awarded amount of \$484,171. 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 accompanying financial statements at June 30, 2018.

Note 7: Subsequent Events

Subsequent events have been evaluated through September 27, 2018, which is the date the financial statements were available to be issued.