

American College of Emergency Physicians

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2017 and 2016



American College of Emergency Physicians

June 30, 2017 and 2016

Contents

Independent Auditor's Report.....	1
-----------------------------------	---

Consolidated Financial Statements

Statements of Financial Position	3
Statements of Activities.....	5
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

Board of Directors
American College of Emergency Physicians
Irving, Texas

We have audited the accompanying consolidated financial statements of American College of Emergency Physicians (College) and National Emergency Medicine Political Action Committee (NEMPAC), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the College and NEMPAC 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

American College of Emergency Physicians
Consolidated Statements of Financial Position
June 30, 2017

	2017		
	ACEP	NEMPAC	Total
Assets			
Cash and cash equivalents	\$ 5,479,742	\$ 327,134	\$ 5,806,876
Assets in 457b plan	1,116,011	-	1,116,011
Investments	18,306,836	-	18,306,836
Accounts receivable	1,615,656	-	1,615,656
Inventories	554,747	-	554,747
Prepaid expenses	534,691	-	534,691
Deferred expenses	933,731	-	933,731
Property and equipment, net	18,151,911	-	18,151,911
Deposits	13,991	-	13,991
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 46,707,316</u>	<u>\$ 327,134</u>	<u>\$ 47,034,450</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 2,246,932	\$ 56	\$ 2,246,988
Accrued compensation	2,004,561	-	2,004,561
Liability in 457b plan	1,116,011	-	1,116,011
Other accrued expenses	342,521	-	342,521
Deferred revenue	12,568,423	-	12,568,423
Amounts held on behalf of chapter affiliates	2,296,010	-	2,296,010
Note payable to bank	4,751,154	-	4,751,154
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	25,325,612	56	25,325,668
Unrestricted net assets	<u>21,381,704</u>	<u>327,078</u>	<u>21,708,782</u>
Total liabilities and net assets	<u>\$ 46,707,316</u>	<u>\$ 327,134</u>	<u>\$ 47,034,450</u>

American College of Emergency Physicians
Consolidated Statements of Financial Position
June 30, 2016

	2016		
	ACEP	NEMPAC	Total
Assets			
Cash and cash equivalents	\$ 6,282,317	\$ 281,836	\$ 6,564,153
Assets in 457b plan	927,983	-	927,983
Investments	16,817,354	-	16,817,354
Accounts receivable, less allowance for doubtful accounts of \$5,179	963,860	-	963,860
Inventories	319,584	-	319,584
Prepaid expenses	469,209	-	469,209
Deferred expenses	1,135,153	-	1,135,153
Property and equipment, net	13,602,550	-	13,602,550
Deposits	12,431	-	12,431
Total assets	<u>\$ 40,530,441</u>	<u>\$ 281,836</u>	<u>\$ 40,812,277</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 3,036,072	\$ 51	\$ 3,036,123
Accrued compensation	1,409,614	-	1,409,614
Liability in 457b plan	927,983	-	927,983
Other accrued expenses	385,052	-	385,052
Deferred revenue	13,957,000	-	13,957,000
Amounts held on behalf of chapter affiliates	2,250,737	-	2,250,737
Note payable to bank	501,631	-	501,631
Total liabilities	22,468,089	51	22,468,140
Unrestricted net assets	<u>18,062,352</u>	<u>281,785</u>	<u>18,344,137</u>
Total liabilities and net assets	<u>\$ 40,530,441</u>	<u>\$ 281,836</u>	<u>\$ 40,812,277</u>

American College of Emergency Physicians
Consolidated Statements of Activities
Year Ended June 30, 2017

	2017		
	ACEP	NEMPAC	Total
Revenues			
Membership	\$ 16,474,716	\$ -	\$ 16,474,716
Educational, professional products and meetings	17,010,227	-	17,010,227
Policy	1,944,925	-	1,944,925
Federal awards	721,682	-	721,682
Public affairs	682,054	1,008,256	1,690,310
Quality	555,421	-	555,421
Leadership	172,014	-	172,014
Gain on disposal of equipment	2,164,314	-	2,164,314
Investment return	1,780,110	6	1,780,116
Total revenues	41,505,463	1,008,262	42,513,725
Program and Service Expenses			
Membership	6,860,613	-	6,860,613
Educational, professional products and meetings	9,860,343	-	9,860,343
Policy	5,840,083	-	5,840,083
Federal awards	739,656	-	739,656
Public affairs	5,031,032	962,969	5,994,001
Quality	3,666,258	-	3,666,258
Leadership	4,194,329	-	4,194,329
Total program and service expenses	36,192,314	962,969	37,155,283
Administrative Expenses			
College administration	1,119,403	-	1,119,403
Bonus award program	874,394	-	874,394
Total administrative expenses	1,993,797	-	1,993,797
Total expenses	38,186,111	962,969	39,149,080
Change in Unrestricted Net Assets	3,319,352	45,293	3,364,645
Unrestricted Net Assets, Beginning of Year	18,062,352	281,785	18,344,137
Unrestricted Net Assets, End of Year	\$ 21,381,704	\$ 327,078	\$ 21,708,782

American College of Emergency Physicians
Consolidated Statements of Activities
Year Ended June 30, 2016

	2016		
	ACEP	NEMPAC	Total
Revenues			
Membership	\$ 15,373,388	\$ -	\$ 15,373,388
Educational, professional products and meetings	15,644,498	-	15,644,498
Policy	2,442,346	-	2,442,346
Federal awards	778,702	-	778,702
Public affairs	831,501	956,459	1,787,960
Quality	200,000	-	200,000
Leadership	86,436	-	86,436
Investment return	(89,143)	4	(89,139)
	<u>35,267,728</u>	<u>956,463</u>	<u>36,224,191</u>
Program and Service Expenses			
Membership	7,116,955	-	7,116,955
Educational, professional products and meetings	9,236,098	-	9,236,098
Policy	5,865,495	-	5,865,495
Federal awards	778,700	-	778,700
Public affairs	5,094,145	974,472	6,068,617
Quality	1,289,524	-	1,289,524
Leadership	3,583,843	-	3,583,843
	<u>32,964,760</u>	<u>974,472</u>	<u>33,939,232</u>
Administrative Expenses			
College administration	635,304	-	635,304
Bonus award program	561,765	-	561,765
	<u>1,197,069</u>	<u>-</u>	<u>1,197,069</u>
Total expenses	<u>34,161,829</u>	<u>974,472</u>	<u>35,136,301</u>
Change in Unrestricted Net Assets	1,105,899	(18,009)	1,087,890
Unrestricted Net Assets, Beginning of Year	<u>16,956,453</u>	<u>299,794</u>	<u>17,256,247</u>
Unrestricted Net Assets, End of Year	<u>\$ 18,062,352</u>	<u>\$ 281,785</u>	<u>\$ 18,344,137</u>

American College of Emergency Physicians

Consolidated Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 3,364,645	\$ 1,087,890
Items not requiring (providing) cash		
Depreciation	1,181,686	670,880
Net unrealized and realized (gains) losses on investments	(1,303,399)	547,888
Gain on disposal of fixed assets	(2,164,314)	-
Changes in		
Accounts receivable, net	(651,796)	183,408
Inventories	(235,163)	16,888
Prepaid expenses	(67,042)	(101,078)
Deferred expenses	201,422	(251,998)
Accounts payable	(1,057,356)	(182,888)
Accrued compensation	594,947	(137,792)
Other accrued expenses	(42,531)	28,289
Deferred revenue	(1,388,577)	22,598
Amounts held on behalf of chapter affiliates	45,273	(139,552)
Net cash provided by (used in) operating activities	<u>(1,522,205)</u>	<u>1,744,533</u>
Investing Activities		
Purchases of investments	(5,923,095)	(3,625,469)
Proceeds from sales of investments	5,737,012	6,015,453
Purchases of property and equipment	(6,173,512)	(5,579,859)
Proceeds from sale of building	<u>2,875,000</u>	<u>-</u>
Net cash used in investing activities	<u>(3,484,595)</u>	<u>(3,189,875)</u>
Financing Activities		
Proceeds from issuance of note payable to bank	<u>4,249,523</u>	<u>500,631</u>
Net cash provided by financing activities	<u>4,249,523</u>	<u>500,631</u>
Decrease in Cash and Cash Equivalents	(757,277)	(944,711)
Cash and Cash Equivalents, Beginning of Year	<u>6,564,153</u>	<u>7,508,864</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,806,876</u></u>	<u><u>\$ 6,564,153</u></u>
Supplemental Cash Flows Information		
Accounts payable incurred for purchase of property and equipment	\$ 268,221	\$ 1,917,806

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

Nature of Operations

The consolidated financial statements of American College of Emergency Physicians (College) include the accounts of the College and National Emergency Medicine Political Action Committee (NEMPAC). The College has control of NEMPAC by appointment authority of a majority of the Board of Directors (Board). Economic interest only exists to the extent that the NEMPAC supports candidates for federal office who support positions that benefit emergency physicians. Under law, the funds available to NEMPAC may not be used by the College and are, as required, kept in a segregated fund for allowable NEMPAC activities.

The College is a Texas not-for-profit corporation that provides continuing education in emergency medicine through various programs, publications and updates on developments in emergency medicine. The College receives its primary funding from annual membership dues and charges for educational, professional products, and meetings. Additionally, the College provides administrative support for certain chapter activities. The College manages other organizations with related purposes for fees established by the Board.

Basis of Presentation

The accompanying consolidated financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America 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 College 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 College.
- **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 accompanying consolidated statements of activities as net assets released from restrictions. The College 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 purpose. The College has no permanently restricted net assets as of June 30, 2017 and 2016.

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Cash and Cash Equivalents

The College 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.

At June 30, 2017, the College's cash accounts exceeded federally insured limits by approximately \$4,300,000.

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.

Accounts Receivable

The College's accounts receivable are due from members, nonmembers, other organizations and institutions. Accounts receivable are due upon receipt of the invoice. Receivables are stated at amounts due net of an allowance for doubtful accounts. Accounts are considered past due after 30 days. The College determines its allowance based on past due accounts. The College reserves a percentage of accounts receivable in anticipation of disputed invoices based on historical experience. Significantly past due invoices are charged to the allowance for uncollectible accounts and payments subsequently received on such receivables are credited to the revenue accounts. Customers whose accounts are not current are not allowed to make additional purchases or to register for meetings.

Changes in the College's allowance for doubtful accounts for the years ended June 30, 2017 and 2016, were as follows:

	2017	2016
Beginning balance	\$ 5,179	\$ 6,816
Accounts written off, net of recoveries	<u>(5,179)</u>	<u>(1,637)</u>
Ending balance	<u><u>\$ -</u></u>	<u><u>\$ 5,179</u></u>

Inventories

Inventories consist primarily of publications held for sale and are valued at the lower of cost or market. Cost is determined using the average cost method.

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The College generally capitalizes all expenditures for property and equipment in excess of \$2,500.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	30 years
Furniture and equipment	3 – 10 years
Data processing software	2 – 5 years

Revenue and Expense Recognition

Membership revenues and expenses relate to the planning, production and implementation of membership recruitment and retention programs, including the provision of certain newsletters and other publications to the membership. Revenue from annual membership dues and subscriptions are recognized on a pro rata basis over the related membership and subscription terms.

Revenues and expenses from educational meetings relate to the development and implementation of educational programs. Revenues and expenses from educational and professional products relate to the development and production of publications and the operation of a bookstore during educational programs. Revenues and expenses relating to educational meetings and professional products are recognized at the time the meetings occur or publications are sold.

Revenues and expenses relating to certain projects not completed at the end of each year are deferred. Such revenues and expenses are subsequently recognized upon completion of the related projects.

Revenues from sponsorships are deferred until the sponsored event occurs. These revenues are included in the accompanying consolidated statements of activities in the educational meetings or policy revenue.

Revenues and expenses described as policy relate to emergency medical service issues, research in emergency medicine and aspects of emergency medicine practice at the state and federal levels.

Revenues and expenses described as public affairs relate to governmental relations and public affairs activities, contributions received from corporations for the benefit of NEMPAC and contributions in support of public policy research and related activities.

Revenues and expenses described as quality relate to facilitating emergency care research through the identification of practice patterns, trends and outcomes in emergency care which will allow for physician groups and hospitals to identify areas of improvement. Quality performance measures have also been developed which involves identifying the clinical area to evaluate, evidence to support the measure (i.e. literature), variations in care/gaps in quality, feasibility and testing.

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Revenues and expenses from leadership relate to the continued development and refinement of emergency medicine and foster interchange of information with its members.

Functional Allocation of Expense

The costs of supporting the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the actual usage or estimate of usage applicable and other methods.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The College receives valuable donated services from member volunteers who provide teaching and writing on specific topics; however, these are not reflected in the accompanying consolidated statements of activities since these services do not create or enhance nonfinancial assets.

Deferred Revenue

Revenue from various sources is deferred and recognized over the periods to which the revenue relates.

Government Grants

Support funded by grants is recognized as the College performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the College and NEMPAC, whose governing body is appointed by the College. All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Income Taxes

The College is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC). However, the College is subject to federal income tax on any unrelated business taxable income. NEMPAC is a separate segregated fund of the College and is therefore, subject to tax as a political organization under Section 527(f)(3).

The College and NEMPAC file tax returns in the U.S. federal jurisdiction.

With a few exceptions, the College is no longer subject to U.S. federal examinations by tax authorities for years before 2014.

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:

	2017	2016
Exchange traded funds	\$ 10,799,503	\$ 8,049,472
Corporate debentures	7,507,333	7,398,536
Certificates of deposit	-	300,654
Mutual funds	-	1,068,692
	<u>\$ 18,306,836</u>	<u>\$ 16,817,354</u>

Total investment return is comprised of the following:

	2017	2016
Interest and dividend income	\$ 476,717	\$ 414,142
Net unrealized gain (loss) on investments reported at fair value	1,205,425	(547,888)
Net realized gain on investments reported at fair value	97,974	44,607
	<u>\$ 1,780,116</u>	<u>\$ (89,139)</u>

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Note 3: Property and Equipment

Property and equipment at June 30 consists of:

	2017	2016
Land	\$ 2,667,142	\$ 3,171,790
Headquarters building	11,613,907	3,243,703
Building fixtures	45,312	566,478
Furniture and equipment	3,541,940	4,602,875
Data processing software	3,608,031	4,075,046
Quality measures	264,045	-
Construction in progress – Building	-	7,769,887
Construction in progress – Data Processing	268,221	-
	<u>22,008,598</u>	<u>23,429,779</u>
Less accumulated depreciation	<u>(3,856,687)</u>	<u>(9,827,229)</u>
	<u><u>\$ 18,151,911</u></u>	<u><u>\$ 13,602,550</u></u>

Note 4: Deferred Revenues

Deferred revenue at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Membership dues	\$ 6,584,093	\$ 7,038,392
Emergency Medicine Action Fund	694,212	1,043,601
Scientific assembly revenues	3,084,133	3,045,225
Subscription revenue	654,299	832,506
Fellow application fees	43,750	35,230
Publication and meeting revenues	382,451	487,510
Sponsorships and other	1,125,485	1,474,536
	<u>\$ 12,568,423</u>	<u>\$ 13,957,000</u>

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Note 5: Amounts Held on Behalf of Chapter Affiliates

The College collects dues on behalf of chapter affiliates. The College's chapter affiliates may elect to have the College pay expenses on their behalf or have funds disbursed to the chapter. The College was holding a total of \$2,296,010 and \$2,250,737 for such purposes at June 30, 2017 and 2016, respectively. Chapters were paid interest on the balances maintained by the College at an average annual rate of 0.47% and 0.18% during the years ended June 30, 2017 and 2016, respectively. Interest is computed monthly using the 90-day T-bill rate in accordance with the Board policy.

Note 6: Notes Payable to Bank

The College had a \$1,000,000 revolving line of credit with iBERIABANK that expired on May 26, 2017. Effective May 26, 2017, the line of credit was extended until May 26, 2019. At June 30, 2017 and 2016, there was \$0 borrowed against this line of credit. The line was collateralized by substantially all of the College's assets. The interest rate was the Wall Street Journal Prime Rate.

The College had a \$10,000,000 Construction Note with iBERIABANK for the construction of the new headquarters facility. This construction note was converted to a term loan in March 2017. At June 30, 2017 and 2016, there was \$4,751,154 and \$501,631, respectively, borrowed against this note. The note is collateralized by the new property and building. The interest rate is fixed at 3.5% maturing May 26, 2025. In connection with this note payable to bank, the College is required, among other things, to maintain certain financial conditions, including unrestricted liquid assets of at least \$3,000,000.

Annual maturities of the note as of June 30 is as follows:

2018	\$ 1,362,534
2019	410,742
2020	425,292
2021	440,897
2022	455,586
Thereafter	<u>1,656,103</u>
	<u>\$ 4,751,154</u>

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017

Note 7: Retirement Plans

The College has a 401(k) profit-sharing plan covering substantially all employees. Under this plan, there is no fixed dollar amount of retirement benefits. Actual retirement benefits depend on the amount of the participant's account at the time of their retirement. Eligibility for participation in the plan is immediate upon employment. The following types of contributions are made to the participant's account:

- **College (Profit-sharing)** – The College makes a contribution to all participants' accounts. A safe harbor contribution equal to 3% of the participant's compensation and a discretionary contribution equal to 7% of the participant's compensation are made.
- **Participant (401(k))** – A participant may elect to defer 1–75% of annual compensation, subject to limitations imposed by the IRC. The College matches 10% of each dollar that the participant contributes up to 6% of eligible compensation.

The participant is 100% vested in their contribution. Vesting in the College's discretionary and matching contributions occurs at the rate of 20% after each year of service (a consecutive 12-month period from January 1 – December 31, during which the participant completes at least 1,000 hours of service).

The participant is 100% vested in the safe harbor contribution upon two years of service (a consecutive 12-month period from January 1 – December 31, during which the participant completes at least 1,000 hours of service). No vesting of the safe harbor contribution occurs prior to two years of service. Expenses related to this plan were \$1,169,108 and \$1,088,948 which include safe harbor, profit sharing and 401(k) matching during fiscal years ended June 30, 2017 and 2016, respectively, and are allocated within each functional area in the accompanying consolidated statements of activities.

Note 8: Deferred Compensation Agreement

The College has a nonqualified 457b deferred compensation plan (Plan) established for a select group of management or highly compensated employees. The assets and liabilities of the Plan are recorded at market value as deferred compensation in the assets and liabilities in the accompanying consolidated statements of financial position. Participants will direct the investment of their accounts in a variety of funds offered by the Plan, including stock, mutual and fixed income funds. The investments of the Plan are measured at fair value on a recurring basis and are measured as Level 1, using quoted prices in active markets for identical assets, within the fair value hierarchy at June 30, 2017 and 2016.

Note 9: Bonus Award Program

The College maintains (upon annual approval by the Board) a bonus award program for personnel employed by the College. All staff, except the executive director, who are employed by the College by the first working day of the calendar year and continuing through June 30 are eligible.

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017

Those staff employed by the College for longer than six months and less than 12 months receive a pro-rated bonus (1/12 of the total amount for each full month worked). Unless changed by the Board, 40% of the excess of revenues over expenses for a fiscal year that exceeds an objective established by the Board is available as bonus compensation for employees who meet certain performance criteria. Any budget variance attributable to realized or unrealized gain or loss on investments or dividend and interest income shall not be included in the calculation of the staff bonus plan. The College met the objectives established for fiscal years 2017 and 2016 and expenses related to this plan were \$874,394 and \$561,765, respectively.

Note 10: Management Service Agreements

Emergency Medicine Foundation (EMF)

The College provides management services at no cost to EMF. During the years ended June 30, 2017 and 2016, the College provided services to the EMF valued at \$227,678 and \$214,746, respectively. Additionally, the College made contributions to EMF in the amount of \$200,000 per year during the years ended June 30, 2017 and 2016. These expenses are reflected in the accompanying consolidated statements of activities of the College as membership expenses. The activities of EMF are not designed, restricted nor intended to benefit the College or its members.

The primary beneficiaries of these activities are those members of the general public which seek medical care in emergency medicine facilities. The College includes as one of its purposes, the support of research in emergency medicine. The College has determined that it can best achieve part of this objective by providing services in support of certain activities of EMF. There are no direct or indirect requirements placed on the EMF to provide services to the College in return for this support. The College has no commitment to guarantee debt of the EMF, but is contracted to provide management services and other support. Such allocations of the College's resources are considered annually as a part of its budgeting process. Additionally, the resources of the EMF are not required to be used for the exempt purposes of ACEP. Accordingly, EMF is not required to be consolidated as the College does not have both control and economic interest. ACEP does not have control of EMF's board. Management of ACEP does not believe that ACEP has an economic interest in EMF because the College is not required to provide financial support to EMF.

Emergency Medicine Resident Association (EMRA)

The College has common membership with EMRA, but does not have either control or economic interest. The College provides management services under contract to EMRA. Additionally, the College provides other support, primarily as part of its liaison relationships, to EMRA in the amount of \$270,000 in both 2017 and 2016. The College collected dues on behalf of EMRA. For the years ended June 30, 2017 and 2016, the amounts of \$241,232 and \$247,252 were due to EMRA, respectively. EMRA paid the College \$752,526 and \$771,247, for management services and labor for years ending June 30, 2017 and 2016, respectively.

American College of Emergency Physicians
Notes to Consolidated Financial Statements
June 30, 2017

Society of Emergency Physicians Association (SEMPA)

The College provides management services under contract to SEMPA and these expenses are reflected in the accompanying consolidated statements of activities of the College as membership expenses. The College does not have either control or economic interest. Amounts due from SEMPA to the College were \$48,051 and \$3,739 at June 30, 2017 and 2016, respectively. SEMPA paid the College \$223,600 and \$204,800 for management services for years ending June 30, 2017 and 2016, respectively.

Council of Emergency Medicine Residency Directors Association (CORD)

The College provides management services under contract to CORD. The College does not have either control or economic interest in CORD.

During the years ended June 30, 2017 and 2016, the College provided services to CORD valued at \$101,401 and \$163,055, respectively. These expenses are reflected in the accompanying consolidated statements of activities of the College as membership expenses. Amounts due from CORD to the College were \$35,841 and \$3,730 at June 30, 2017 and 2016, respectively. CORD paid the College \$174,800 and \$151,500, for management services for years ending June 30, 2017 and 2016, respectively.

Note 11: Operating Leases and Commitments

Noncancellable operating leases for office space and equipment expire in various years through November 2020. One lease contains a renewal option for five years and requires the College to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments under operating leases at June 30, 2017, are:

2018	\$ 367,985
2019	376,849
2020	385,945
2021	<u>157,188</u>
Total minimum lease payments	<u>\$ 1,287,967</u>

Expenses recorded under operating leases for the years ended June 30, 2017 and 2016, were \$369,431 and \$390,767, respectively.

The College contracts out facilities in connection with its assemblies. As of June 30, 2017, cancellation clauses, if activated, for future facility rental contracts through October 2027 are estimated at \$15,750,000.

The College has certain commitments under employment agreements.

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017

Note 12: 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 table presents the fair value measurements of assets recognized in the accompanying consolidated 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 Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2017				
Exchange traded funds	\$ 10,799,503	\$ 10,799,503	\$ -	\$ -
Corporate debentures	7,507,333	-	7,507,333	-
Mutual funds - 457b Plan	1,116,011	1,116,011	-	-
	<u>\$ 19,422,847</u>	<u>\$ 11,915,514</u>	<u>\$ 7,507,333</u>	<u>\$ -</u>

American College of Emergency Physicians

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2016				
Exchange traded funds	\$ 8,049,472	\$ 8,049,472	\$ -	\$ -
Corporate debentures	7,398,536	-	7,398,536	-
Certificates of deposit	300,654	-	300,654	-
Mutual funds	1,068,692	1,068,692	-	-
Mutual funds - 457b Plan	927,983	927,983	-	-
	<u>\$ 17,745,337</u>	<u>\$ 10,046,147</u>	<u>\$ 7,699,190</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 consolidated 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. 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 College had no Level 3 investments at June 30, 2017 and 2016.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

American College of Emergency Physicians
Notes to Consolidated Financial Statements
June 30, 2017

Investments

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Note 14: Subsequent Events

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