

FINANCIAL REPORT
NATIONAL TRAUMA INSTITUTE
DECEMBER 31, 2009

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

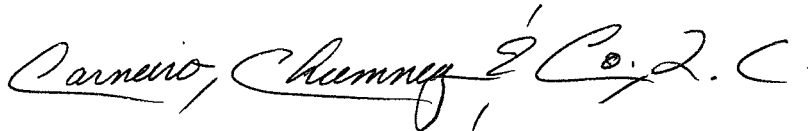
The Board of Directors
National Trauma Institute
San Antonio, Texas

We have audited the accompanying statements of financial position of the National Trauma Institute (NTI) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of NTI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NTI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Trauma Institute as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2010, on our consideration of the NTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



April 12, 2010

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NATIONAL TRAUMA INSTITUTE
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	285,529	692,757
Accounts receivable	749	--
Government contracts and grants receivable	1,561,199	1,200,000
Prepaid expenses	11,263	31,891
Equipment	15,000	15,000
Accumulated depreciation	<u>(4,286)</u>	<u>(2,143)</u>
Equipment - Net	<u>10,714</u>	<u>12,857</u>
TOTAL ASSETS	<u>1,869,454</u>	<u>1,937,505</u>
LIABILITIES AND NET ASSETS		
Accounts payable	22,613	17,184
Grants payable	380,000	310,000
Accrued payroll liabilities	<u>38,570</u>	<u>37,174</u>
Total Liabilities	<u>441,183</u>	<u>364,358</u>
Net Assets:		
Unrestricted	285,068	137,670
Temporarily restricted	<u>1,143,203</u>	<u>1,435,477</u>
Total Net Assets	<u>1,428,271</u>	<u>1,573,147</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,869,454</u>	<u>1,937,505</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL TRAUMA INSTITUTE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support:						
Grants from governmental agencies	698,306	143,389	841,695	--	3,800,000	3,800,000
Grants from corporations and foundations	--	4,800	4,800	--	122,000	122,000
Net assets released for grant activities	440,463	(440,463)	--	2,486,523	(2,486,523)	--
Symposium and conferences	86,646	--	86,646	--	--	--
Contributions	9,618	--	9,618	12,145	--	12,145
Grant management services	476,000	--	476,000	280,000	--	280,000
Interest income	3,127	--	3,127	7,467	--	7,467
Other income	24,735	--	24,735	3,153	--	3,153
Total Revenue, Gains, and Other Support	1,738,895	(292,274)	1,446,621	2,789,288	1,435,477	4,224,765
Expenses:						
Program services	1,017,290	--	1,017,290	2,036,523	--	2,036,523
Management and general	550,840	--	550,840	544,849	--	544,849
Fund raising	23,367	--	23,367	1,687	--	1,687
Total Expenses	1,591,497	--	1,591,497	2,583,059	--	2,583,059
Change in Net Assets	147,398	(292,274)	(144,876)	206,229	1,435,477	1,641,706
Net assets at beginning of year	137,670	1,435,477	1,573,147	(68,559)	--	(68,559)
NET ASSETS, END OF YEAR	285,068	1,143,203	1,428,271	137,670	1,435,477	1,573,147

The accompanying notes are an integral part of these financial statements.

NATIONAL TRAUMA INSTITUTE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Change in net assets	(144,876)	1,641,706
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,143	2,143
(Increase) Decrease in:		
Accounts receivable	(749)	--
Grants receivable	(361,199)	(1,200,000)
Prepaid expenses	20,628	(31,891)
Increase (Decrease) in:		
Accounts payable	5,429	327,184
Grants payable	70,000	
Accrued liabilities	1,396	37,174
Net Cash (Used in) Provided by Operating Activities	<u>(407,228)</u>	<u>776,316</u>
Cash Flows from Investing Activities -		
Purchase of equipment	--	(15,000)
Net Cash (Used in) Investing Activities	<u>--</u>	<u>(15,000)</u>
Cash Flows from Financing Activities -		
Payments made on loans	--	(69,384)
Net Cash (Used in) Investing Activities	<u>--</u>	<u>(69,384)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(407,228)	691,932
Cash and cash equivalents at beginning of year	<u>692,757</u>	<u>825</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>285,529</u></u>	<u><u>692,757</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL TRAUMA INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Expenses			Total Program Expenses	Support Services			Total
	State	Industry	Federal		Management and General	Fund-raising		
Salaries	86,190	1,908	326,040	414,138	217,191	18,526		649,855
Employee benefits	4,031	145	15,837	20,013	7,469	--		27,482
Payroll taxes	7,333	148	23,826	31,307	13,612	1,198		46,117
Total Salaries and Related Expenses	97,554	2,201	365,703	465,458	238,272	19,724		723,454
Awards and grants	252,500	--	20,000	272,500	--	--		272,500
Bank service charges	--	--	--	--	868	--		868
Entertainment	--	--	--	--	483	--		483
Insurance	--	--	--	--	996	--		996
Miscellaneous	--	11,907	1,592	13,499	9,926	--		23,425
Occupancy	7,102	--	24,222	31,324	28,561	--		59,885
Organizational	--	--	500	500	3,977	430		4,907
Professional and contract fees	1,629	28	61,254	62,911	169,868	2,375		235,154
Rent and maintenance of equipment	--	--	3,973	3,973	7,889	--		11,862
Scholarships	--	--	--	--	11,000	--		11,000
Supplies and hardware/software	371	62	27,045	27,478	22,148	838		50,464
Telephone and telecommunications	2,984	--	12,750	15,734	20,360	--		36,094
Training, conferences, and meetings	1,500	23,470	49,880	74,850	13,205	--		88,055
Travel	--	26,959	22,104	49,063	21,144	--		70,207
Total Expenses before Depreciation	363,640	64,627	589,023	1,017,290	548,697	23,367		1,589,354
Depreciation	--	--	--	--	2,143	--		2,143
TOTAL EXPENSES	363,640	64,627	589,023	1,017,290	550,840	23,367		1,591,497

The accompanying notes are an integral part of these financial statements.

NATIONAL TRAUMA INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Program Expenses		Support Services		Total
	State	Industry	Management and General	Fund-raising	Expenses
Salaries	--	--	295,838	--	295,838
Employee benefits	--	--	30,448	--	30,448
Payroll taxes	--	--	29,467	--	29,467
Total Salaries and Related Expenses	--	--	355,753	--	355,753
Awards and grants	2,015,000	21,523	--	--	2,036,523
Advertising	--	--	2,747	--	2,747
Bank service charges	--	--	1,061	--	1,061
Entertainment	--	--	6,010	--	6,010
Insurance	--	--	1,304	--	1,304
Miscellaneous	--	--	25,632	--	25,632
Occupancy	--	--	840	--	840
Organizational	--	--	11,100	--	11,100
Professional and contract fees	--	--	48,073	1,687	49,760
Rent and maintenance of equipment	--	--	3,368	--	3,368
Scholarships	--	--	9,835	--	9,835
Supplies and hardware/software	--	--	35,253	--	35,253
Telephone and telecommunications	--	--	16,084	--	16,084
Training, conferences, and meetings	--	--	5,075	--	5,075
Travel	--	--	20,571	--	20,571
Total Expenses before Depreciation	2,015,000	21,523	542,706	1,687	2,580,916
Depreciation	--	--	2,143	--	2,143
TOTAL EXPENSES	2,015,000	21,523	544,849	1,687	2,583,059

The accompanying notes are an integral part of these financial statements.

NATIONAL TRAUMA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

Note 1: Reporting Entity

The National Trauma Institute (NTI) is a non-profit corporation that was established in January of 2006, and began operations in January 2008.

The mission of NTI is to reduce injury, death, and disability by elevating trauma on the national research agenda, increase scientific knowledge related to trauma, burns and injury prevention, and change clinical practice throughout the nation and world.

Note 2: Significant Accounting Policies

Cash

For purposes of the statements of cash flows, NTI considers cash on hand and cash deposited in financial institutions with an initial maturity of less than three months to be cash equivalents.

Government Contracts and Grants Receivable

All government contracts and grants receivable are carried at original contract or grant award amount, less any collections through the balance sheet date. Governmental contracts and grants, which are included in receivables, are individually analyzed for purposes of determining collectability at year end. At December 31, 2009 and 2008, all such contract amounts were deemed to be fully collectable.

Equipment

Equipment is stated at cost. NTI follows the practice of capitalizing all purchases of equipment in excess of \$5,000. Equipment is depreciated over the estimated useful lives (3 - 7 years) using the straight-line method.

Net Assets

The classes of net assets of the NTI included in the accompanying financial statements are defined as follows:

Unrestricted net assets: represent resources available for support of NTI operations and for charitable purposes that are not subject to donor imposed restrictions.

Temporarily restricted net assets: are the result of contributions whose use is limited by donor-imposed stipulations that either expire by passage of time, or can be fulfilled and removed by actions of NTI pursuant to those stipulations.

Advertising Expense

It is NTI's policy to expense advertising costs as incurred.

Federal Tax Status

NTI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation, and as such, pays no federal income taxes. Contributions to NTI are deductible to the extent allowed by law. NTI has not taken any positions in filing its tax returns that involve uncertainties or questions of interpretation that require disclosure or recognition in the financial statements or footnotes.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NATIONAL TRAUMA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

Note 3: Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Creation of expert panel that will define clinically relevant end points	18,550	90,477
Development of small rugged wireless portable vitals signs monitors	981,360	1,345,000
Development of an ICU registry for trauma patients	<u>143,293</u>	<u>--</u>
	<u>1,143,203</u>	<u>1,435,477</u>

Net assets released from temporarily restricted net assets are as follows:

Creation of expert panel that will define clinically relevant end points	57,800	31,253
Development of small rugged wireless portable vitals signs monitors	363,640	2,455,000
Development of an ICU registry for trauma patients	96	--
Industry support for the Annual Trauma Symposium	<u>18,927</u>	<u>--</u>
	<u>440,463</u>	<u>2,486,523</u>

Note 4: Concentrations

Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. On October 3, 2008, the federal government temporarily increased this FDIC limit to \$250,000 per depositor through December 31, 2013. On October 14, 2008, the FDIC announced its temporary Transaction Account Guarantee Program, which provides full coverage for non-interest bearing transaction deposit accounts at FDIC insured institutions that agree to participate in the program. The transaction account guarantee applies to all personal and business checking deposit accounts that do not earn interest at participating institutions. This unlimited insurance coverage is temporary and will remain in effect for participating institutions until June 30, 2010. Deposit amounts in excess of the insured limits totaled \$2,635 and \$430,000 at December 31, 2009 and 2008, respectively.

During the years ended December 31, 2009 and 2008, NTI recognized revenue from two major funding sources in the amounts of \$732,000 and \$3,800,000, respectively. The 2009 funding was a sub award of the United States Department of Defense through the University of Texas Health Science Center, and the 2008 amount was from a State Emerging Technology Funds (ETF) grant. At December 31, 2009 and 2008, receivables from the sub award and grant were \$361,199 and \$1,200,000 respectively. At December 31, 2009 and 2008, \$1,200,000 was receivable under the ETF grant.

Note 5: Bank Line of Credit

During 2009 NTI entered into a bank line of credit providing for advances of up to \$150,000. This line of credit is secured by a \$150,000 certificate of deposit, which is currently earning 0.20% per annum. The interest rate on the line of credit is the CD rate plus 2.0%. As of December 31, 2009, there was no balance outstanding on this line of credit.

NATIONAL TRAUMA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

Note 6: Operating Leases

NTI leases certain office facilities and equipment under operating leases which expire through 2013. Total rent expense paid by NTI during the years ended December 31, 2009 and 2008, was \$1,655 and \$58,847, respectively.

The following is a schedule of the total non-cancelable future minimum lease payments required:

2010	79,148
2011	79,148
2012	35,189
2013	<u>948</u>
	<u>194,433</u>

Note 7: Related Party Transactions

To begin operations NTI received two start-up interest-free loans in 2007. One from a member of the Board of Directors in the amount of \$26,000, and a second from a related non-profit organization in the amount of \$43,384. At December 31, 2008, the loans were paid in full.

Note 8: Reclassification

Certain prior year balances have been reclassified to conform to current year presentation.

Note 9: Subsequent Events

In January of 2010, NTI established a defined contribution retirement plan covering all full time employees. NTI will make matching contributions to participating employee's retirement accounts up to 3% of their annual compensation, and an additional 50% of the employee's next 2% of compensation contributed.

Subsequent events were evaluated through the date of this report.