

FINANCIAL REPORT
NATIONAL TRAUMA INSTITUTE
DECEMBER 31, 2010

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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, 2010 and 2009, 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, 2010 and 2009, and the changes in its net assets and 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 May 10, 2011, on our consideration of NTI's internal control over financial reporting, and on our tests of NTI's compliance with certain provisions of laws, regulations, contracts, 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 is important for assessing the results of our audit.



May 10, 2011

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NATIONAL TRAUMA INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 2,043,694	\$ 285,529
Accounts receivable	5,033	749
Government contracts and grants receivable	381,819	1,561,199
Prepaid expenses	11,235	11,263
Equipment	15,000	15,000
Accumulated depreciation	(6,429)	(4,286)
Equipment - Net	<u>8,571</u>	<u>10,714</u>
TOTAL ASSETS	<u><u>\$ 2,450,352</u></u>	<u><u>\$ 1,869,454</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 10,758	\$ 22,613
Grants payable	203,059	380,000
Accrued payroll liabilities	43,302	38,570
Deferred revenue - government contracts	1,264,267	--
Total Liabilities	<u>1,521,386</u>	<u>441,183</u>
Net Assets:		
Unrestricted	379,548	285,068
Temporarily restricted	549,418	1,143,203
Total Net Assets	<u>928,966</u>	<u>1,428,271</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,450,352</u></u>	<u><u>\$ 1,869,454</u></u>

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

NATIONAL TRAUMA INSTITUTE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support:						
Grants from governmental agencies	\$ 859,635	--	859,635	698,306	143,389	\$ 841,695
Grants from corporations and foundations	--	--	--	--	4,800	4,800
Symposium and conferences	163,546	--	163,546	86,646	--	86,646
Contributions	4,322	--	4,322	9,618	--	9,618
Grant management services	130,000	--	130,000	476,000	--	476,000
Interest income	2,546	--	2,546	3,127	--	3,127
Other income	23,062	--	23,062	24,735	--	24,735
Net assets released for grant activities	593,785	(593,785)	--	440,463	(440,463)	--
Total Revenue, Gains, and Other Support	1,776,896	(593,785)	1,183,111	1,738,895	(292,274)	1,446,621
Expenses:						
Program services	1,070,433	--	1,070,433	1,017,290	--	1,017,290
Management and general	506,739	--	506,739	550,840	--	550,840
Fundraising	105,244	--	105,244	23,367	--	23,367
Total Expenses	1,682,416	--	1,682,416	1,591,497	--	1,591,497
Change in Net Assets	94,480	(593,785)	(499,305)	147,398	(292,274)	(144,876)
Net assets, beginning of year	285,068	1,143,203	1,428,271	137,670	1,435,477	1,573,147
NET ASSETS, END OF YEAR	\$ 379,548	549,418	928,966	285,068	1,143,203	\$1,428,271

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

NATIONAL TRAUMA INSTITUTE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Change in net assets	\$ (499,305)	\$(144,876)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,143	2,143
(Increase) Decrease in:		
Accounts receivable	(4,284)	(749)
Government contracts and grants receivable	1,179,380	(361,199)
Prepaid expenses	28	20,628
(Decrease) Increase in:		
Accounts payable	(11,855)	5,429
Grants payable	(176,941)	70,000
Accrued payroll liabilities	4,732	1,396
Deferred revenue - government contracts	1,264,267	--
Total Adjustments	<u>2,257,470</u>	<u>(262,352)</u>
Net Cash Provided by (Used in) Operating Activities	1,758,165	(407,228)
Net Increase (Decrease) in Cash and Cash Equivalents	1,758,165	(407,228)
Cash and cash equivalents, beginning of year	<u>285,529</u>	<u>692,757</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$2,043,694</u></u>	<u><u>\$ 285,529</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, 2010

	Program Expenses				Support Services			
	State	Industry	Federal	Total Program Expenses	Management and General		Fund- raising	Total Expenses
Salaries	\$ 76,796	--	390,226	467,022	195,640	57,569	\$ 720,231	
Employee benefits	6,561	--	29,051	35,612	17,196	6,094	58,902	
Payroll taxes	5,881	--	28,571	34,452	16,662	4,797	55,911	
Total Salaries and Related Expenses	89,238	--	447,848	537,086	229,498	68,460	835,044	
Awards and grants	127,500	18,551	--	146,051	--	--	146,051	
Advertising	--	--	21,688	21,688	995	23,974	46,657	
Bank service charges	--	--	25	25	6,923	3,038	9,986	
Insurance	--	--	--	--	1,968	--	1,968	
Occupancy	7,837	--	39,288	47,125	29,546	--	76,671	
Professional and contract fees	953	--	68,288	69,241	169,473	350	239,064	
Rent and maintenance of equipment	--	--	29,492	29,492	5,074	--	34,566	
Supplies and hardware/software	--	--	76,010	76,010	12,958	2,497	91,465	
Telephone and telecommunications	2,414	--	12,987	15,401	12,618	6,249	34,268	
Training, conferences, and meetings	--	--	80,217	80,217	26,644	566	107,427	
Travel	--	--	48,097	48,097	8,899	110	57,106	
Total Expenses before Depreciation	227,942	18,551	823,940	1,070,433	504,596	105,244	1,680,273	
Depreciation	--	--	--	--	2,143	--	2,143	
TOTAL EXPENSES	\$ 227,942	18,551	823,940	1,070,433	506,739	105,244	\$ 1,682,416	

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

(Restated)

	Program Expenses			Total Program Expenses	Support Services		
	State	Industry	Federal		Management and General	Fund- raising	Total Expenses
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	139,074	2,375	204,360
Rent and maintenance of equipment	--	--	3,973	3,973	38,683	--	42,656
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
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 1: Reporting Entity

The National Trauma Institute (NTI) is a non-profit corporation that was established in January 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, increasing scientific knowledge related to trauma, burns and injury prevention, and changing 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 amounts, 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, 2010 and 2009, 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.

Deferred Revenue – Government Contracts

Deferred revenue represents advances received by NTI from government grants. When the corresponding expenditures have been made, the revenue will be recognized.

Net Assets

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

Unrestricted Net Assets – Represent resources available for support of NTI operations and 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. As such, NTI pays no federal income taxes. Contributions to NTI are deductible to the extent allowed by law. NTI adopted the provisions of FASB ASC topic 740-10-25, *Income Taxes - Overall - Recognition*, which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management of NTI believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

NATIONAL TRAUMA INSTITUTE
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 2: Significant Accounting Policies (Continued)

Estimates and Assumptions

The preparation of financial statements in conformity with United States generally accepted accounting principles (GAAP) 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.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification, (ASC) 820, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements to include how fair value is determined for assets and liabilities. ASC 820 clarifies that fair value is an exit price representing the amount that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The significant levels of inputs are as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

NTI's financial instruments consist primarily of cash and cash equivalents, trade receivables, and trade payables. As of December 31, 2010 and 2009, the carrying values of cash and cash equivalents, trade receivables, and trade payables are considered to be representative of their respective fair values.

Note 3: Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Creation of expert panel that will define clinically relevant end points	\$ --	\$ 18,550
Development of small rugged wireless portable vitals signs monitors	549,418	981,360
Development of an ICU registry for trauma patients	<u>--</u>	<u>143,293</u>
	<u>\$ 549,418</u>	<u>\$ 1,443,203</u>

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

Creation of expert panel that will define clinically relevant end points	\$ 18,550	\$ 57,800
Development of small rugged wireless portable vitals signs monitors	431,942	363,640
Development of an ICU registry for trauma patients	143,293	96
Industry support for the Annual Trauma Symposium	<u>--</u>	<u>18,927</u>
	<u>\$ 593,785</u>	<u>\$ 440,463</u>

NATIONAL TRAUMA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 4: Concentrations

Financial instruments which potentially subject NTI to a concentration of credit risk consist principally of cash.

NTI maintains multiple bank accounts in San Antonio, Texas. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing accounts, and without limit for noninterest-bearing transaction accounts. At various times during the year, there were balances in the bank that were over the FDIC limit. Cash and cash equivalents at the years ended December 31, 2010 and 2009 exceeded federally insured limits by \$1,455,187 and \$2,635, respectively.

During the years ended December 31, 2010 and 2009, NTI recognized revenue from one major funding source in the amounts of \$859,635 and \$732,000, respectively. The 2010 and 2009 funding were sub-awards of the United States Department of Defense through the University of Texas Health Science Center. At December 31, 2010 and 2009, receivables from the sub-awards were \$386,852 and \$361,199, respectively. At December 31, 2009, \$1,200,000 was receivable under the State Emerging Technology Funds (ETF) grant recognized in 2008.

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 (included in cash and cash equivalents), 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, 2010, there was no balance outstanding on this line of credit.

Note 6: Operating Leases

NTI leases certain office facilities and equipment under operating leases which expire in 2013. Total rent expense paid by NTI during the years ended December 31, 2010 and 2009 was \$80,465 and \$57,618, respectively.

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

2011	\$ 81,006
2012	35,964
2013	<u>948</u>
	\$ <u>117,918</u>

Note 7: Retirement Plan

In January 2010, NTI established a defined contribution retirement plan covering all full-time employees. NTI makes matching contributions to participating employee's retirement accounts up to three percent of their annual compensation, and an additional 50% of the employee's next two percent of compensation. NTI contributed \$17,976 and \$0 to the plan during the years ended December 31, 2010 and 2009, respectively.

Note 8: Subsequent Events

Subsequent events were evaluated through the date of this report, which is the date the financial statements were available to be issued.