

NATIONAL TRAUMA INSTITUTE

Financial Statements
As of and for the Years Ended
December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

To the Board of Directors
of National Trauma Institute
San Antonio, Texas:

We have audited the accompanying statements of financial position of National Trauma Institute (a nonprofit organization) as of December 31, 2011 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of National Trauma Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The statement of financial position as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended were audited by other auditors, whose report dated May 10, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 National Trauma Institute as of December 31, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses on pages 9 and 10 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 25, 2012
Austin, Texas

NATIONAL TRAUMA INSTITUTEStatements of Financial Position
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 3,014,010	\$ 2,043,694
Accounts receivable	4,939	386,852
Prepaid expenses and other	<u>13,921</u>	<u>11,235</u>
Total current assets	3,032,870	2,441,781
Property and equipment, net	<u>6,173</u>	<u>8,571</u>
Total assets	<u>\$ 3,039,043</u>	<u>\$ 2,450,352</u>
Liabilities and Net Assets		
Accounts payable	\$ 228,738	\$ 213,817
Accrued expenses	33,606	43,302
Deferred revenue	<u>2,151,806</u>	<u>1,264,267</u>
Total liabilities	<u>2,414,150</u>	<u>1,521,386</u>
Net assets		
Unrestricted	152,473	379,548
Temporarily restricted	<u>472,420</u>	<u>549,418</u>
Total net assets	<u>624,893</u>	<u>928,966</u>
Total liabilities and net assets	<u>\$ 3,039,043</u>	<u>\$ 2,450,352</u>

See accompanying notes and independent auditors' report.

NATIONAL TRAUMA INSTITUTE
Statements of Activities
Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Direct public	\$ 18,239	\$ -	\$ 18,239	\$ 4,322	\$ -	\$ 4,322
Symposium and conferences	-	-	-	163,546	-	163,546
Grant management services	-	-	-	130,000	-	130,000
Government grants	1,798,598	-	1,798,598	859,635	-	859,635
Interest income	4,512	-	4,512	2,546	-	2,546
Other income	28,805	-	28,805	23,062	-	23,062
Net assets released from restrictions	76,998	(76,998)	-	593,785	(593,785)	-
Total revenue and support	<u>1,927,152</u>	<u>(76,998)</u>	<u>1,850,154</u>	<u>1,776,896</u>	<u>(593,785)</u>	<u>1,183,111</u>
Expenses						
Program services	1,731,060	-	1,731,060	1,070,433	-	1,070,433
Management and general	409,579	-	409,579	506,739	-	506,739
Fundraising	13,588	-	13,588	105,244	-	105,244
Total expenses	<u>2,154,227</u>	<u>-</u>	<u>2,154,227</u>	<u>1,682,416</u>	<u>-</u>	<u>1,682,416</u>
Change in net assets	(227,075)	(76,998)	(304,073)	94,480	(593,785)	(499,305)
Net assets at beginning of year	379,548	549,418	928,966	285,068	1,143,203	1,428,271
Net assets at end of year	<u>\$ 152,473</u>	<u>\$ 472,420</u>	<u>\$ 624,893</u>	<u>\$ 379,548</u>	<u>\$ 549,418</u>	<u>\$ 928,966</u>

See accompanying notes and independent auditors' report.

NATIONAL TRAUMA INSTITUTE

Statements of Cash Flows

Years Ended

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (304,073)	\$ (499,305)
Adjustments to reconcile decrease in net assets to net cash provided by operations:		
Loss on disposal of assets	255	-
Depreciation	2,143	2,143
(Increase) decrease in operating assets:		
Accounts receivable	381,913	1,175,096
Prepaid expenses and other	(2,686)	28
Increase (decrease) in operating liabilities:		
Accounts payable	14,501	(188,796)
Accrued expenses	(9,276)	4,732
Deferred revenue	887,539	1,264,267
Net cash provided by operating activities	<u>970,316</u>	<u>1,758,165</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	970,316	1,758,165
Cash and cash equivalents at beginning of year	2,043,694	285,529
Cash and cash equivalents at end of year	<u>\$ 3,014,010</u>	<u>\$ 2,043,694</u>

See accompanying notes and independent auditors' report.

NATIONAL TRAUMA INSTITUTE

Notes to the Financial Statements

December 31, 2011 and 2010

NOTE 1 - ORGANIZATION

The National Trauma Institute (NTI) (the "Organization") is a Texas non-profit corporation established in January 2006. The Organization's primary mission 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 through the nation and world.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). For financial statement purposes, the Organization distinguishes between contributions of unrestricted assets and temporarily restricted assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with purchased maturities of 90 days or less.

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 accounts receivable, are individually analyzed for purposes of determining collectability at year end. At December 31, 2011 and 2010, all such contract amounts were deemed to be fully collectible.

Property and Equipment - Property and equipment purchased for or exceeding \$5,000 is recorded at cost. Property and equipment are depreciated over the useful lives (3-7 years) using the straight-line method.

As of December 31, 2011 and 2010, property and equipment consisted of furniture and equipment of \$14,405 and \$15,000 with related accumulated depreciation of \$8,232 and \$6,429, respectively. Depreciation expense was \$2,143 during each of the years ended December 31, 2011 and 2010.

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

Net Asset Classifications - In accordance with GAAP, the Organization classifies its net assets into three categories 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 - 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.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of December 31, 2011 and 2010.

NATIONAL TRAUMA INSTITUTE

Notes to the Financial Statements

December 31, 2011 and 2010

(Continued)

Functional Expenses - The expense information contained in the statements of activities and functional expenses is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management's estimates.

Advertising Expense - The Organization expenses advertising costs as they are 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. The Organization has adopted the provisions of FASB ASC 740, 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 has not recognized any liability for unrecognized tax benefits.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Fair Value of Financial Instruments - The Organization has adopted the provisions of ASC 820, which 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.

The Organization's financial instruments consist primarily of cash and cash equivalents, trade receivables, and trade payables. As of December 31, 2011 and 2010, the carrying values of these accounts approximated their respective fair values, based upon their short term nature.

NOTE 3 - LINE OF CREDIT

During 2009, the Organization entered into a bank line of credit providing for advances up to \$150,000. This line of credit was secured by a \$150,000 certificate of deposit held as of December 31, 2010. During 2011, the line of credit expired and the certificate of deposit, as included as a cash equivalent, was closed.

NATIONAL TRAUMA INSTITUTE

Notes to the Financial Statements

December 31, 2011 and 2010

(Continued)

During 2011, the Organization entered into a bank line of credit providing for advances up to \$175,000. The Organization did not draw down any funds under this line of credit during the year ended December 31, 2011.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

The part of the net assets of a not-for-profit organization resulting from contributions whose use by the Organization is limited by donor-imposed restrictions that either expire by passage of time or the purpose of which is fulfilled are considered temporarily restricted net assets.

Temporarily restricted net assets consisted of the following at December 31, 2011 and 2010:

Description	2011	2010
Development of small rugged wireless portable vital signs monitors	\$ 472,420	\$ 549,418

Net assets released from temporary restrictions during 2011 and 2010 were as follows:

Description	2011	2010
Creation of expert panel to define clinically relevant end points	\$ 76,998	\$ 18,550
Development of small rugged wireless portable vital signs monitors	-	431,942
Development of an ICU registry for trauma patients	-	143,293
Total	\$ 76,998	\$ 593,785

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Leases - During December 2011, the Organization entered into a six month office lease, which includes a month to month renewal option beginning in June 2012. Monthly rent payments are \$1,000.

Contracts with Grantors - The Organization is funded by contracts that are subject to review and audit by grantor agencies. These contracts have certain compliance requirements and if audits by the grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs. Management believes the Organization has complied with applicable requirements.

NOTE 6 - CONCENTRATIONS

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents.

The Organization 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 years ended December 31, 2011 and 2010, there were balances in the bank that were over the FDIC limit. Cash and cash equivalents at December 31, 2011 and 2010 exceeded federally insured limits by \$1,615,520 and \$1,455,187, respectively.

During the years ended December 31, 2011 and 2010, NTI recognized \$1,798,598 and \$859,635 of revenue from sub-awards of the United States Department of Defense through the University of Texas

NATIONAL TRAUMA INSTITUTE

Notes to the Financial Statements

December 31, 2011 and 2010

(Continued)

Health Science Center, respectively. As of December 31, 2011 and 2010, \$2,151,806 and \$1,264,267, respectively, of deferred revenue was outstanding under this sub-award.

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 \$17,000 and \$17,976 to the plan during the years ended December 31, 2011 and 2010, respectively.

NOTE 8 - SUBSEQUENT EVENTS

The Organization evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's financial statements are issued. For the financial statements as of and for the year ending December 31, 2011, this date was June 25, 2012.

NATIONAL TRAUMA INSTITUTE
Supplemental Schedule - Statement of Functional Expenses
For the Year Ended December 31, 2011

	Program Expenses			Support Services		
	State	Federal	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries	\$ 5,279	469,052	474,331	173,340	3,789	\$ 651,460
Employee benefits	438	34,398	34,836	16,217	1,010	52,063
Payroll taxes	287	33,170	33,457	11,575	446	45,478
Total salaries and related expenses	6,004	536,620	542,624	201,132	5,245	749,001
Awards and grants	70,000	952,681	1,022,681	-	-	1,022,681
Advertising	-	4,185	4,185	41,682	-	45,867
Bank service charges	-	6	6	952	460	1,418
Insurance	-	-	-	1,981	-	1,981
Occupancy	210	49,263	49,473	24,934	-	74,407
Professional and contract fees	200	72,619	72,819	90,932	6,114	169,865
Rent and maintenance of equipment	9	3,046	3,055	8,190	-	11,245
Supplies and hardware and software	54	2,232	2,286	12,476	1,189	15,951
Telephone and telecommunications	162	14,266	14,428	10,686	580	25,694
Training, conferences, and meetings	8	8,945	8,953	2,347	-	11,300
Travel	349	10,201	10,550	12,124	-	22,674
Total expenses before depreciation	76,996	1,654,064	1,731,060	407,436	13,588	2,152,084
Depreciation	-	-	-	2,143	-	2,143
TOTAL EXPENSES	\$ 76,996	1,654,064	1,731,060	409,579	13,588	\$ 2,154,227

See accompanying notes and independent auditors' report.

NATIONAL TRAUMA INSTITUTE
Supplemental Schedule - Statement of Functional Expenses
For the Year Ended December 31, 2010

	Program Expenses				Support Services		
	State	Industry	Federal	Total Program Expenses	Management and General	Fundraising	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 and 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

See accompanying notes and independent auditors' report.