

American College of Emergency Physicians

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2016 and 2015



American College of Emergency Physicians
June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 10, 2016

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
	<u>\$ 40,530,441</u>	<u>\$ 281,836</u>	<u>\$ 40,812,277</u>
Total assets			
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
Notes payable to bank	501,631	-	501,631
	<u>22,468,089</u>	<u>51</u>	<u>22,468,140</u>
Total liabilities			
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 Financial Position
June 30, 2015

	2015		
	ACEP	NEMPAC	Total
Assets			
Cash and cash equivalents	\$ 7,193,365	\$ 315,499	\$ 7,508,864
Assets in 457b plan	885,421	-	885,421
Investments	19,755,226	-	19,755,226
Accounts receivable, less allowance for doubtful accounts of \$16,386	1,147,268	-	1,147,268
Inventories	336,472	-	336,472
Prepaid expenses	368,786	-	368,786
Deferred expenses	883,155	-	883,155
Property and equipment, net	6,775,765	-	6,775,765
Deposits	11,776	-	11,776
	<u>\$ 37,357,234</u>	<u>\$ 315,499</u>	<u>\$ 37,672,733</u>
Total assets			
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 1,285,500	\$ 15,705	\$ 1,301,205
Accrued compensation	1,547,406	-	1,547,406
Liability in 457b plan	885,421	-	885,421
Other accrued expenses	356,763	-	356,763
Deferred revenue	13,934,402	-	13,934,402
Amounts held on behalf of chapter affiliates	2,390,289	-	2,390,289
Notes payable to bank	1,000	-	1,000
	<u>20,400,781</u>	<u>15,705</u>	<u>20,416,486</u>
Total liabilities			
Unrestricted net assets	<u>16,956,453</u>	<u>299,794</u>	<u>17,256,247</u>
Total liabilities and net assets	<u>\$ 37,357,234</u>	<u>\$ 315,499</u>	<u>\$ 37,672,733</u>

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	2,642,346	-	2,642,346
Federal awards	778,702	-	778,702
Public affairs	831,501	956,459	1,787,960
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	6,176,926	-	6,176,926
Federal awards	778,700	-	778,700
Public affairs	6,072,238	974,472	7,046,710
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 Activities
Year Ended June 30, 2015

	2015		
	ACEP	NEMPAC	Total
Revenues			
Membership	\$ 14,957,366	\$ -	\$ 14,957,366
Educational, professional products and meetings	15,501,074	-	15,501,074
Policy	1,191,159	-	1,191,159
Federal awards	498,707	-	498,707
Public affairs	699,578	967,789	1,667,367
Leadership	82,722	-	82,722
Investment return	305,434	7	305,441
	<u>33,236,040</u>	<u>967,796</u>	<u>34,203,836</u>
Program and Service Expenses			
Membership	6,545,438	-	6,545,438
Educational, professional products and meetings	10,334,154	-	10,334,154
Policy	4,648,953	-	4,648,953
Federal awards	482,704	-	482,704
Public affairs	5,760,681	1,035,483	6,796,164
Leadership	2,997,873	-	2,997,873
	<u>30,769,803</u>	<u>1,035,483</u>	<u>31,805,286</u>
Administrative Expenses			
College administration	586,601	-	586,601
Bonus award program	757,744	-	757,744
	<u>1,344,345</u>	<u>-</u>	<u>1,344,345</u>
Total expenses	<u>32,114,148</u>	<u>1,035,483</u>	<u>33,149,631</u>
Change in Unrestricted Net Assets	1,121,892	(67,687)	1,054,205
Unrestricted Net Assets, Beginning of Year	<u>15,834,561</u>	<u>367,481</u>	<u>16,202,042</u>
Unrestricted Net Assets, End of Year	<u>\$ 16,956,453</u>	<u>\$ 299,794</u>	<u>\$ 17,256,247</u>

American College of Emergency Physicians
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	\$ 1,087,890	\$ 1,054,205
Items not requiring (providing) cash		
Depreciation	670,880	675,253
Net unrealized (gains) losses on investments	547,888	92,893
Changes in		
Accounts receivable, net	183,408	(344,351)
Inventories	16,888	3,616
Prepaid expenses	(101,078)	191,866
Deferred expenses	(251,998)	(330,248)
Accounts payable	(182,888)	(201,683)
Accrued compensation	(137,792)	303,874
Other accrued expenses	28,289	146,847
Deferred revenue	22,598	546,045
Amounts held on behalf of chapter affiliates	(139,552)	146,804
Net cash provided by operating activities	1,744,533	2,285,121
Investing Activities		
Purchases of investments	(3,625,469)	(3,166,314)
Proceeds from sales of investments	6,015,453	4,445,801
Purchases of property and equipment	(5,579,859)	(3,495,712)
Net cash used in investing activities	(3,189,875)	(2,216,225)
Financing Activities		
Proceeds from issuance of notes payable to bank	500,631	1,000
Net cash provided by financing activities	500,631	1,000
Increase (Decrease) in Cash and Cash Equivalents	(944,711)	69,896
Cash and Cash Equivalents, Beginning of Year	7,508,864	7,438,968
Cash and Cash Equivalents, End of Year	\$ 6,564,153	\$ 7,508,864
Supplemental Cash Flows Information		
Accounts payable incurred for purchase of property and equipment	\$ 1,917,806	\$ -

American College of Emergency Physicians
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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. 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, 2016 and 2015.
- **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, 2016 and 2015.

American College of Emergency Physicians
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015, cash equivalents consisted primarily of cash and money market accounts.

At June 30, 2016, the College's cash accounts exceeded federally insured limits by approximately \$5,567,244.

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 allowance for doubtful 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, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 6,816	\$ 16,386
Accounts written off, net of recoveries	<u>(1,637)</u>	<u>(9,570)</u>
Ending balance	<u>\$ 5,179</u>	<u>\$ 6,816</u>

American College of Emergency Physicians
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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.

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.

American College of Emergency Physicians
Notes to Consolidated Financial Statements
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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. This also includes Quality Measures and the QCDR Registry.

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.

American College of Emergency Physicians
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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.

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 2013.

Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

	<u>2016</u>	<u>2015</u>
Exchange traded funds	\$ 8,049,472	\$ 9,933,897
Corporate debentures	7,398,536	7,585,920
Certificates of deposit	300,654	887,606
Mutual funds	<u>1,068,692</u>	<u>1,347,803</u>
	<u>\$ 16,817,354</u>	<u>\$ 19,755,226</u>

American College of Emergency Physicians
Notes to Consolidated Financial Statements
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Total investment return is comprised of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 414,142	\$ 423,638
Net unrealized gain (loss) on investments reported at fair value	(547,888)	(92,893)
Net realized gain (loss) on investments reported at fair value	<u>44,607</u>	<u>(25,304)</u>
	<u>\$ (89,139)</u>	<u>\$ 305,441</u>

Note 3: Property and Equipment

Property and equipment at June 30 consists of:

	<u>2016</u>	<u>2015</u>
Land	\$ 3,171,790	\$ 3,171,790
Headquarters building	3,243,703	3,243,703
Building fixtures	566,478	566,478
Furniture and equipment	4,602,875	4,236,588
Data processing software	4,075,046	4,064,544
Construction in progress – Building	7,769,887	541,830
Construction in progress – Registry	-	111,421
	<u>23,429,779</u>	<u>15,936,354</u>
Less accumulated depreciation	<u>(9,827,229)</u>	<u>(9,160,589)</u>
	<u>\$ 13,602,550</u>	<u>\$ 6,775,765</u>

Note 4: Deferred Revenues

Deferred revenue at June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Membership dues	\$ 7,038,392	\$ 7,040,538
Emergency Medicine Action Fund	1,043,601	1,724,576
Scientific assembly revenues	3,045,225	2,740,028
Subscription revenue	832,506	1,014,570
Fellow application fees	35,230	30,030
Publication and meeting revenues	487,510	280,766
Sponsorships and other	<u>1,474,536</u>	<u>1,103,894</u>
	<u>\$ 13,957,000</u>	<u>\$ 13,934,402</u>

American College of Emergency Physicians
Notes to Consolidated Financial Statements
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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 \$2,250,737 and \$2,390,289 for such purposes at June 30, 2016 and 2015, respectively. Chapters were paid interest on the balances maintained by the College at an average annual rate of 0.18% and 0.02% during the years ended June 30, 2016 and 2015, 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 bank line of credit with Amegy Bank that expired February 25, 2016. At June 30, 2015, there was \$0, borrowed against this line. The line was collateralized by substantially all of the College's assets. The interest rate was the Wall Street Journal Prime Rate.

The College has a \$1,000,000 revolving line of credit with iBERIABANK expiring on May 26, 2017. At June 30, 2016 and 2015, there was \$0 and \$0, respectively, borrowed against this line of credit. The line is collateralized by substantially all of the College's assets. The interest rate is the Wall Street Journal Prime Rate.

The College has a \$10,000,000 Construction Note with iBERIABANK for the construction of the new headquarters facility. At June 30, 2016 and 2015, there was \$501,631 and \$1,000, respectively, borrowed against this note. The line is collateralized by the new property and building. The interest rate is fixed at 3.5% maturing May 26, 2035. 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.

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.

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Notes to Consolidated Financial Statements

June 30, 2016 and 2015

- **Participant (401(k))** – A participant may elect to defer 1–75% of annual compensation, subject to limitations imposed by the IRC.
- **Matching** – 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 \$1,088,948 and \$1,103,751 which include safe harbor, profit sharing and 401(k) matching during fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015.

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. 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 2016 and 2015 and expenses related to this plan were \$561,765 and \$757,744, respectively.

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Notes to Consolidated Financial Statements
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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, 2016 and 2015, the College provided services to the EMF valued at \$214,745 and \$158,727, respectively. Additionally, the College made contributions to EMF in the amount of \$200,000 during the years ended June 30, 2016 and 2015. 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 (1) guarantee debt of the EMF or (2) to provide funds or services to the EMF. 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 and \$270,000 in 2016 and 2015, respectively. The College collected dues on behalf of EMRA. For the years ended June 30, 2016 and 2015, the amounts of \$247,252 and \$159,265 were due to EMRA, respectively.

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. Additionally, the College provides other support, primarily as part of its liaison relationships, to SEMPA for which it is not reimbursed. The College does not have either control or economic interest.

Amounts due from SEMPA to the College were \$3,739 and \$10,569 at June 30, 2016 and 2015, respectively. There are no direct or indirect restrictions placed on the College to provide unreimbursed services to SEMPA. Such allocations of the College's resources are considered annually as part of its budgeting process.

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June 30, 2016 and 2015

Council of Emergency Medicine Residency Directors Association (CORD)

The College provides management services under contract to CORD. Additionally, the College provides other support, primarily as part of its liaison relationships, to CORD for which it is not reimbursed. The College does not have either control or economic interest in CORD.

During the years ended June 30, 2016 and 2015, the College provided services to CORD valued at \$163,055 and \$82,147, 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 \$3,730 and \$25,256 at June 30, 2016 and 2015, respectively. There are no direct or indirect restrictions placed on the College to provide unreimbursed services to CORD. Such allocations of the College's resources are considered annually as part of its budgeting process.

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, 2016, are:

2017	\$ 363,906
2018	367,985
2019	376,849
2020	385,945
2021	<u>157,188</u>
Total minimum lease payments	<u>\$ 1,651,873</u>

Expenses recorded under operating leases for the years ended June 30, 2016 and 2015, were \$390,767 and \$393,982, respectively.

The College leases facilities in connection with its assemblies. As of June 30, 2016, cancellation clauses, if activated, for future facility rental contracts through October 2027 are estimated at \$9,500,000.

The College has certain commitments under employment agreements.

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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 and liabilities 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, 2016 and 2015:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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>\$ 17,745,337</u>	<u>\$ -</u>	<u>\$ -</u>

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	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2015				
Exchange traded funds	\$ 9,933,897	\$ 9,933,897	\$ -	\$ -
Corporate debentures	7,585,920	7,585,920	-	-
Certificates of deposit	887,606	887,606	-	-
Mutual funds	1,347,803	1,347,803	-	-
Mutual funds - 457b Plan	885,421	885,421	-	-
	<u>\$ 20,640,647</u>	<u>\$ 20,640,647</u>	<u>\$ -</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, 2016.

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 2 or Level 3 investments at June 30, 2016 and 2015.

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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:

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

New Headquarters Building

Subsequent to year-end, construction of the College's new headquarters was completed. The College intends to transfer the existing building to a buyer within the next year.

Subsequent events have been evaluated through October 10, 2016, which is the date the consolidated financial statements were available to be issued.