

# **Urology Care Foundation, Inc.**

Financial Report  
December 31, 2012

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## **Independent Auditor's Report**

To the Board of Directors  
Urology Care Foundation, Inc.  
Linthicum, Maryland

### **Report On The Financial Statements**

We have audited the accompanying financial statements of Urology Care Foundation, Inc. (formerly the American Urological Association Foundation, Inc.) (the Foundation) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility For The Financial Statements**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Urology Care Foundation, Inc. as of December 31, 2012 and 2011, 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.

*McGladrey LLP*

Baltimore, Maryland  
April 19, 2013

**Urology Care Foundation, Inc.**

**Statements Of Financial Position  
December 31, 2012 And 2011**

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current Assets		
Cash and cash equivalents	\$ 1,418,732	\$ 1,130,841
Accounts receivable, net of allowance for doubtful accounts (2012 – \$14,000; 2011 – \$30,000)	275,000	300,296
Pledges receivable – current, net (Note 3)	20,152	25,556
Prepaid expenses and other current assets	-	3,386
<b>Total current assets</b>	<b>1,713,884</b>	<b>1,460,079</b>
Noncurrent Assets		
Pledges receivable – noncurrent, net (Note 3)	2,598	24,000
Investments (Note 2)	20,102,760	16,265,026
<b>Total assets</b>	<b>\$ 21,819,242</b>	<b>\$ 17,749,105</b>
<b>Liabilities And Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 163,290	\$ 131,051
Due to related party (Note 8)	694,548	569,224
Deferred revenue	611,260	238,260
<b>Total current liabilities</b>	<b>1,469,098</b>	<b>938,535</b>
Commitments And Contingency (Note 4)		
Net Assets		
Unrestricted		
Operating	4,029,617	3,414,253
Board Designated	4,375,154	3,559,423
	<b>8,404,771</b>	<b>6,973,676</b>
Temporarily restricted (Note 5)	4,945,373	3,836,894
Permanently restricted (Note 5)	7,000,000	6,000,000
	<b>20,350,144</b>	<b>16,810,570</b>
<b>Total liabilities and net assets</b>	<b>\$ 21,819,242</b>	<b>\$ 17,749,105</b>

See Notes To Financial Statements.

**Urology Care Foundation, Inc.**

**Statements Of Activities**  
**Years Ended December 31, 2012 And 2011**

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue:				
Development	\$ 229,339	\$ -	\$ -	\$ 229,339
Special events	222,075	-	-	222,075
Education programs	-	-	-	-
Outreach and awareness campaigns	1,515,003	-	-	1,515,003
Research	17,500	-	-	17,500
Scholarship program (Note 5)	1,775,817	257,542	167,000	2,200,359
Grants from affiliate (Note 8)	-	-	-	-
Net dividend income	228,682	327,377	-	556,059
Change in donor intent (Note 5)	(833,000)	-	833,000	-
Assets released from restriction (Note 5)	475,737	(475,737)	-	-
	<b>3,631,153</b>	<b>109,182</b>	<b>1,000,000</b>	<b>4,740,335</b>
Expenses:				
Program services:				
General	347,796	-	-	347,796
Education programs	47,743	-	-	47,743
Outreach and awareness campaigns	865,196	-	-	865,196
Research	432,015	-	-	432,015
Scholarship program	568,591	-	-	568,591
Supporting services:				
Development	235,269	-	-	235,269
Special events	222,075	-	-	222,075
General, administrative and governance	173,731	-	-	173,731
	<b>2,892,416</b>	<b>-</b>	<b>-</b>	<b>2,892,416</b>
<b>Excess of operating revenue over expenses</b>	<b>738,737</b>	<b>109,182</b>	<b>1,000,000</b>	<b>1,847,919</b>
Net interest income	(5,923)	-	-	(5,923)
Net realized and unrealized (depreciation) appreciation of investments	698,281	999,297	-	1,697,578
<b>Change in net assets</b>	<b>1,431,095</b>	<b>1,108,479</b>	<b>1,000,000</b>	<b>3,539,574</b>
Net assets:				
Beginning	6,973,676	3,836,894	6,000,000	16,810,570
Ending	<b>\$ 8,404,771</b>	<b>\$ 4,945,373</b>	<b>\$ 7,000,000</b>	<b>\$ 20,350,144</b>

See Notes To Financial Statements.

2011

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 162,939	\$ -	\$ -	\$ 162,939
-	-	-	-
176,141	-	-	176,141
1,170,000	-	-	1,170,000
111,866	-	-	111,866
227,250	140,042	-	367,292
821,008	-	-	821,008
145,439	245,425	-	390,864
-	-	-	-
353,159	(353,159)	-	-
3,167,802	32,308	-	3,200,110
633,999	-	-	633,999
276,744	-	-	276,744
488,996	-	-	488,996
540,284	-	-	540,284
723,996	-	-	723,996
161,059	-	-	161,059
-	-	-	-
197,285	-	-	197,285
3,022,363	-	-	3,022,363
145,439	32,308	-	177,747
(4,735)	-	-	(4,735)
(104,716)	(176,709)	-	(281,425)
35,988	(144,401)	-	(108,413)
6,937,688	3,981,295	6,000,000	16,918,983
\$ 6,973,676	\$ 3,836,894	\$ 6,000,000	\$ 16,810,570

**Urology Care Foundation, Inc.**

**Statements Of Cash Flows**  
**Years Ended December 31, 2012 And 2011**

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 3,539,574	\$ (108,413)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (appreciation)		
depreciation of investments	(1,697,578)	281,425
Interest and dividend income reinvested	(550,136)	(403,210)
Decrease in allowance for doubtful accounts	(16,000)	(7,500)
Increase (decrease) in allowance for doubtful pledges and present value discount on pledges	1,140	(28,590)
Contributions received for long term endowment	(167,000)	-
Changes in assets and liabilities:		
Decrease in assets:		
Accounts receivable	41,296	138,439
Pledges receivable	25,666	150,524
Prepaid expenses and other current assets	3,386	37,860
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	32,239	34,120
Due to related party	125,324	359,534
Deferred revenue	373,000	(237,250)
<b>Net cash provided by operating activities</b>	<b>1,710,911</b>	<b>216,939</b>
Cash Flows From Investing Activities		
Proceeds from sale of investments	193,433	180,522
Purchases of investments	(1,783,453)	-
<b>Net cash (used in) provided by investing activities</b>	<b>(1,590,020)</b>	<b>180,522</b>
Cash Flows From Financing Activities		
Contributions received for long term endowment	167,000	-
<b>Net cash provided by financing activities</b>	<b>167,000</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>287,891</b>	<b>397,461</b>
Cash And Cash Equivalents:		
Beginning	1,130,841	733,380
Ending	<b>\$ 1,418,732</b>	<b>\$ 1,130,841</b>

See Notes To Financial Statements.



## Urology Care Foundation, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Urology Care Foundation, Inc. (formerly American Urological Association Foundation, Inc.) (the Foundation) is a non-profit foundation established to support and promote research, patient/public education and advocacy to improve prevention, detection and treatment of and, ultimately, cure urologic diseases. The Foundation was established in July 2005 as the official foundation of the American Urological Association, Inc. (AUA). The Foundation's unique relationship with the AUA, the professional organization of approximately 16,000 urologists, provides the Foundation with resources and professional expertise of the AUA and its members to address the information and education needs of patients, caregivers and the public. The Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statements of the Foundation are prepared on the accrual basis in accordance with the Non-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standard Codification, *Financial Statements of Not-for-Profit Organizations*.

As required by the Non-Profit Entities topic of the FASB Accounting Standard Codification, *Financial Statements of Not-for-Profit Organizations*, the Foundation reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets: Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

- Operating – Represents resources available for support of projects.
- Board Designated – Represents reserved funds designated by the Foundation's Board of Directors to support research scholars.

Temporarily restricted net assets: Temporarily restricted net assets result from 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 the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets: Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Foundation's actions.

Cash and cash equivalents: The Foundation considers certain cash and investments with an original maturity of three months or less to be cash equivalents.

## Urology Care Foundation, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying specific uncollectible accounts and by using historical experience. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Pledges receivable: Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as unrestricted. Pledges receivable are carried at the present value of expected future cash flows, net of unamortized discounts. Management determines the allowance for uncollectible pledges receivable by identifying specific uncollectible accounts and by using historical experience. Pledges receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Prepaid expenses: Cash outlays for direct expenses and direct expenses related to programs to be held in future years are included in prepaid expenses. These amounts are recognized as expense during the subsequent year when the programs are held.

Investments: Investments are recorded at fair value. The Foundation invests in a professionally managed portfolio that contains equity and fixed income mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to the changes in value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the financial statements.

Revenue and deferred revenue: Registration fees and grants received in advance are included in deferred revenue and are recognized during the subsequent year when the programs are held.

Grants: Grants are recorded as grants payable when approved by the Board of Directors. If the needs of the grant programs are less than the amount approved, or if the grantee fails to meet routine requirements specified at the time of approval, the grants, in part or in whole, may be cancelled or refunded. These cancellations or refunds are recognized in the year in which they occur.

Contributed services: A number of unpaid volunteers have made contributions of their time to develop and administer the Foundation's programs. The value of this contributed time is not reflected in the financial statements because it does not meet the criteria for recognition as defined by accounting standards.

Income taxes: The Foundation is generally exempt from federal income tax under Section 501(c)(3) of the IRC. In addition, the Foundation qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as a Foundation that is not a private foundation under Section 509(a)(1). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

## Urology Care Foundation, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

The Foundation has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by tax authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addressed de-recognition classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009.

Credit risk: The Foundation has deposits in financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses on such accounts and management does not believe the Foundation is exposed to significant credit risk on cash.

Financial risk: Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the risk associated with the Foundation's investments, it is reasonably possible that changes in the values of the Foundation's investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Use of estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could vary from those estimates.

Subsequent events: The Foundation evaluated subsequent events through April 19, 2013, which is the date the financial statements were available to be issued.

#### Note 2. Investments

The Foundation maintains investment accounts with The Vanguard Group. The annual rate of return on long-term investments, including unrealized depreciation/appreciation, was 13.48% and .76% for the years ended December 31, 2012 and 2011, respectively.

Cost and fair values of the investments at December 31, 2012 and 2011, are as follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Investments				
Vanguard equity funds	\$ 12,321,646	\$ 13,252,092	\$ 11,257,524	\$ 10,606,368
Vanguard fixed income funds	6,515,451	6,850,668	5,421,752	5,658,658
	<u>\$ 18,837,097</u>	<u>\$ 20,102,760</u>	<u>\$ 16,679,276</u>	<u>\$ 16,265,026</u>

## Urology Care Foundation, Inc.

### Notes To Financial Statements

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#### Note 2. Investments (Continued)

Investment income from all sources including checking accounts consists of the following for the years ended December 31, 2012 and 2011:

	2012	2011
Net unrealized (depreciation) appreciation	\$ 1,678,038	\$ (382,631)
Net realized gain	19,540	101,206
	<u>1,697,578</u>	<u>(281,425)</u>
Interest and dividend income, net of fees	550,136	386,129
	<u>\$ 2,247,714</u>	<u>\$ 104,704</u>

#### Note 3. Pledges Receivable

Pledges receivable are due from donors to fund scholars programs and totaled \$36,400 and \$62,066 as of December 31, 2012 and 2011, respectively.

Pledges receivable are carried at the present value of expected future cash flows, net of a present value discount. As of December 31, 2012 and 2011, the present value discount was \$252 and \$1,406 respectively. As of December 31, 2012 and 2011, a reserve for uncollectible amounts of \$13,398 and \$11,104 respectively, was recorded based on management's evaluation of the collectability of pledges receivable.

The Foundation anticipates collection of the pledges receivable at December 31, 2012, as follows:

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Less than 1 year	\$ 33,400
1 – 5 years	3,000
	<u>36,400</u>
Less allowance for doubtful pledges	13,398
Less unamortized discount to net present value	252
<b>Pledges receivable, net</b>	<u><u>\$ 22,750</u></u>

#### Note 4. Commitments And Contingency

(a) Scholar commitments: The Research Scholars Program provides support to young men and women who are interested in pursuing a career in urologic research. The AUA started funding research in 1975 and the Research Scholars Program was administered by the American Foundation for Urologic Disease, Inc. from 1987 until 2005. Following reorganization in 2005, the AUA Foundation has administered the program. To date, over 500 researchers have been granted research scholarships and awards through a variety of programs and fellowships. Applicants can choose from one and two year fellowships for MDs and PhDs. Applicants must be within five years of completing residency or doctorate programs.

**Urology Care Foundation, Inc.**

**Notes To Financial Statements**

**Note 4. Commitments And Contingency (Continued)**

The Foundation has incurred the following scholar commitments as of December 31, 2012:

Years Ending December 31,	
2013	\$ 934,000
2014	998,000
2015	770,000
2016	544,000
2017	904,000
<b>Total scholar commitments</b>	<b>\$ 4,150,000</b>

(b) On September 1, 2012, the Foundation entered into a Guaranty Agreement with a bank, whereby the Foundation was named as a joint guarantor, along with the American Urological Association, Inc., for revenue bonds payable of \$8,275,000 and a term note payable of \$4,326,780 by American Urological Association Education and Research, Inc. Under these agreements, the Guarantors absolutely and unconditionally, jointly and severally, guarantee to the bank the full and prompt payment of all indebtedness, when due, either by acceleration or otherwise.

**Note 5. Temporarily And Permanently Restricted Net Assets**

Temporarily restricted net assets consist of the following at December 31, 2012 and 2011:

	2012	2011
Innovative Research Fund	\$ 1,833,004	\$ 1,690,000
Prostate Fund	1,190,187	1,004,730
Sexual Dysfunction Fund	766,029	554,782
Victor Politano Award	369,490	305,560
AUA Section Research Scholar Fund Earnings	535,865	55,700
Pediatric Fund	250,798	226,122
	<b>\$ 4,945,373</b>	<b>\$ 3,836,894</b>

Permanently restricted net assets, the income from which is expendable to support the following, are as follows at December 31, 2012 and 2011:

	2012	2011
AUA Section Research Scholar Fund	<b>\$ 7,000,000</b>	<b>\$ 6,000,000</b>

## Urology Care Foundation, Inc.

### Notes To Financial Statements

#### Note 5. Temporarily And Permanently Restricted Net Assets (Continued)

During the year ended December 31, 2012, \$833,000 was reclassified from unrestricted board designated net assets to permanently restricted net assets due to a change in donor intention.

Net assets released from restrictions consisted of the following for the years ended December 31, 2012 and 2011:

	2012	2011
Innovative Research Fund	\$ 74,380	\$ 43,821
Prostate Fund	21,022	18,399
Sexual Dysfunction Fund	17,738	7,847
Victor Politano Award	7,323	7,114
AUA Section Research Scholar Fund	350,741	271,166
Pediatric Fund	4,533	4,812
	<u>\$ 475,737</u>	<u>\$ 353,159</u>

#### Note 6. Endowment

The FASB issued Financial Accounting Standards Codification, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The accounting standard provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), in Maryland. The accounting standard also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA.

Interpretation of relevant law: The Foundation has interpreted the state of Maryland's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund.
- b. The purposes of the Foundation and the donor-restricted endowment fund.
- c. General economic conditions.
- d. The possible effects of inflation and deflation.
- e. The expected total return from income and the appreciation of investments.
- f. Other resources of the Foundation.
- g. The investment policies of the Foundation.

**Urology Care Foundation, Inc.**

**Notes To Financial Statements**

**Note 6. Endowment (Continued)**

Return objective and risk parameters: The long-term goal of the Scholarship and Award endowments is to achieve appreciation of assets without exposure to undue risk. The portfolio is expected to support scholarship and award payments, cover an annual management fee, and provide additional growth to preserve the purchasing power of the endowments over time.

Spending policy: Releases from restrictions to cover scholarship and award payments are at the discretion of the Board of Directors and are reviewed in conjunction with the budget process. The prudence factors noted above are evaluated to aid in the determination of the amount to be expended.

Endowment net asset composition by type of fund is as follows as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated endowment funds	\$ -	\$ 4,945,373	\$ 7,000,000	\$ 11,945,373

Changes in endowment net assets are as follows for the fiscal year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ 3,836,894	\$ 6,000,000	\$ 9,836,894
Net investment income	-	1,326,674	-	1,326,674
Contributions	-	257,542	1,000,000	1,257,542
Endowment draw to operating	-	(475,737)	-	(475,737)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 4,945,373</b>	<b>\$ 7,000,000</b>	<b>\$ 11,945,373</b>

## Urology Care Foundation, Inc.

### Notes To Financial Statements

#### Note 6. Endowment (Continued)

Endowment net asset composition by type of fund is as follows as of December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated endowment funds	\$ -	\$ 3,836,894	\$ 6,000,000	\$ 9,836,894

Changes in endowment net assets are as follows for the fiscal year ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ 3,981,295	\$ 6,000,000	\$ 9,981,295
Net investment income	-	68,716	-	68,716
Contributions	-	140,042	-	140,042
Endowment draw to operating	-	(353,159)	-	(353,159)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 3,836,894</b>	<b>\$ 6,000,000</b>	<b>\$ 9,836,894</b>

#### Note 7. Fair Value Measurements

The Foundation adopted guidance issued by the FASB which defines fair value as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions that market participants would use in pricing an asset or liability. In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities, mutual funds, and certificates of deposit.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds and over-the-counter derivatives. A significant adjustment to Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.



**Urology Care Foundation, Inc.**

**Notes To Financial Statements**

**Note 7. Fair Value Measurements (Continued)**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by the Foundation:

Level 1 – Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation.

Level 2 – The Foundation has no Level 2 investments as of December 31, 2012 and 2011.

Level 3 – The Foundation has no Level 3 investments as of December 31, 2012 and 2011.

The following tables present the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	<b>2012</b>		
	<b>Fair Value Measurements Using</b>		
	<b>Quoted Prices In Active Markets For Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
Vanguard Equity Funds			
Total Stock Market Index	\$ 5,202,204	\$ -	\$ -
PRIMECAP Fund Admiral	1,835,203	-	-
Windsor II Fund Admiral	1,810,336	-	-
Explorer Fund Admiral	791,067	-	-
Strategic Equity Fund	801,896	-	-
Institutional Developed Markets Index	2,085,875	-	-
Emerging Markets Stock Index Signal	725,511	-	-
Vanguard Fixed Income Funds			
Total Bond Market Index	3,420,803	-	-
Intermediate-Term Invest-Grade Admiral	2,057,370	-	-
Short-Term Invest-Grade Admiral	1,372,495	-	-
	<b>\$ 20,102,760</b>	<b>\$ -</b>	<b>\$ -</b>

**Urology Care Foundation, Inc.**

**Notes To Financial Statements**

**Note 7. Fair Value Measurements (Continued)**

	2011		
	Fair Value Measurements Using		
	Quoted Prices In Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Vanguard Equity Funds</b>			
Total Stock Market Index	\$ 4,439,469	\$ -	\$ -
PRIMECAP Fund Admiral	1,500,299	-	-
Windsor II Fund Admiral	1,567,347	-	-
Explorer Fund Admiral	638,041	-	-
Strategic Equity Fund	655,847	-	-
Institutional Developed Markets Index	1,360,421	-	-
Emerging Markets Stock Index Signal	444,943	-	-
<b>Vanguard Fixed Income Funds</b>			
Total Bond Market Index	2,843,908	-	-
Intermediate-Term Invest-Grade Admiral	1,699,255	-	-
Short-Term Invest-Grade Admiral	1,115,496	-	-
	<u>\$ 16,265,026</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 8. Related Parties**

The Foundation has a cost-sharing agreement with American Urological Association Educational Research, Inc. (AUAER) whereby joint costs are allocated between AUAER and the Foundation based on factors approved by the Board of Directors. This agreement was amended in 2007 and established a general and administrative expense (G&A) that is reported in the statements of activities. These expenses are allocated to the Foundation based on its share of the program expenses.

Prior to January 1, 2012, the amended agreement also provided a cross-subsidization to the Foundation with an annual grant from AUAER. The grant ensures that the Foundation meets its cost of operation without regard to revenue generated for restricted endowment purposes. The amount of the cross-subsidization was \$821,008 for the year ended December 31, 2011, and is included in unrestricted contribution in the statements of activities. There was no repayment term for the grants provided under the cross-subsidization. Effective January 1, 2012, the research department moved from the Foundation to AUAER, at which time, the cost share agreement was amended and the cross-subsidization was discontinued. There was no cross subsidization revenue for the year ended December 31, 2012.



## Independent Auditor's Report On The Supplementary Information

To the Board of Directors  
Urology Care Foundation, Inc.  
Linthicum, Maryland

We have audited the financial statements of Urology Care Foundation, Inc. (the Foundation) as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon which contained an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is 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 audits 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 statement or to the financial statement 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.

*McGladrey LLP*

Baltimore, Maryland  
April 19, 2013

**Urology Care Foundation, Inc.**

**Statement Of Activities – Supplemental  
Year Ended December 31, 2012  
(With Comparative Totals For December 31, 2011)**

	2012				2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Revenue:</b>					
Contribution and other	\$ 1,899,283	\$ 257,542	\$ 167,000	\$ 2,323,825	\$ 1,398,238
Grants	1,860,451	-	-	1,860,451	1,408,508
Registration fees for special events	-	-	-	-	2,500
Investment income	228,682	327,377	-	556,059	390,864
Change in donor intent	(833,000)	-	833,000	-	-
Net assets released from restrictions	475,737	(475,737)	-	-	-
	<b>3,631,153</b>	<b>109,182</b>	<b>1,000,000</b>	<b>4,740,335</b>	<b>3,200,110</b>
<b>Expenses:</b>					
Compensation and benefits	590,938	-	-	590,938	1,082,643
Stipends and awards	1,000,606	-	-	1,000,606	769,039
Contract services	604,508	-	-	604,508	460,746
Travel	109,641	-	-	109,641	180,865
Professional fees	94,522	-	-	94,522	128,567
Occupancy	8,764	-	-	8,764	11,327
Office expenses	309,706	-	-	309,706	191,891
General, administrative, and governance	173,731	-	-	173,731	197,285
	<b>2,892,416</b>	<b>-</b>	<b>-</b>	<b>2,892,416</b>	<b>3,022,363</b>
<b>Excess of operating revenue over expenses</b>	<b>738,737</b>	<b>109,182</b>	<b>1,000,000</b>	<b>1,847,919</b>	<b>177,747</b>
Net interest and dividend income	(5,923)	-	-	(5,923)	(4,735)
Net realized and unrealized appreciation of investments	698,281	999,297	-	1,697,578	(281,425)
<b>Change in net assets</b>	<b>1,431,095</b>	<b>1,108,479</b>	<b>1,000,000</b>	<b>3,539,574</b>	<b>(108,413)</b>
<b>Net assets:</b>					
Beginning	6,973,676	3,836,894	6,000,000	16,810,570	16,918,983
Ending	<b>\$ 8,404,771</b>	<b>\$ 4,945,373</b>	<b>\$ 7,000,000</b>	<b>\$ 20,350,144</b>	<b>\$ 16,810,570</b>

**Urology Care Foundation, Inc.**

**Statement Of Activities – Supplemental  
Year Ended December 31, 2011**

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue:</b>				
Contribution and other	\$ 1,258,196	\$ 140,042	\$ -	\$ 1,398,238
Grants	1,408,508	-	-	1,408,508
Registration fees for special events	2,500	-	-	2,500
Investment income	145,439	245,425	-	390,864
Net assets released from restrictions	353,159	(353,159)	-	-
	<u>3,167,802</u>	<u>32,308</u>	<u>-</u>	<u>3,200,110</u>
<b>Expenses:</b>				
Compensation and benefits	1,082,643	-	-	1,082,643
Stipends and awards	769,039	-	-	769,039
Contract services	460,746	-	-	460,746
Travel	180,865	-	-	180,865
Professional fees	128,567	-	-	128,567
Occupancy	11,327	-	-	11,327
Office expenses	191,891	-	-	191,891
General, administrative, and governance	197,285	-	-	197,285
	<u>3,022,363</u>	<u>-</u>	<u>-</u>	<u>3,022,363</u>
<b>Excess of operating revenue over expenses</b>	145,439	32,308	-	177,747
Net interest and dividend income	(4,735)	-	-	(4,735)
Net realized and unrealized appreciation of investments	(104,716)	(176,709)	-	(281,425)
	<u>(104,716)</u>	<u>(176,709)</u>	<u>-</u>	<u>(281,425)</u>
<b>Change in net assets</b>	35,988	(144,401)	-	(108,413)
<b>Net assets:</b>				
Beginning	6,937,688	3,981,295	6,000,000	16,918,983
Ending	<u>\$ 6,973,676</u>	<u>\$ 3,836,894</u>	<u>\$ 6,000,000</u>	<u>\$ 16,810,570</u>