NATIONAL TRAUMA INSTITUTE

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018

(With Comparative Totals for the Year ended December 31, 2017)
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INDEPENDENT AUDITORS’ REPORT

To the Board of Directors of
National Trauma Institute

Report on the Financial Statements

We have audited the accompanying financial statements of National Trauma Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 National Trauma Institute as of December 31, 2018 and 2017, 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.
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2019, on our consideration of National Trauma Institute’s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering National Trauma Institute’s internal control over financial reporting and compliance.

San Antonio, Texas
June 23, 2019
NATIONAL TRAUMA INSTITUTE  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2018  
(With Comparative Totals For December 31, 2017)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 828,123</td>
<td>$ 663,496</td>
</tr>
<tr>
<td>Accounts receivable - Other (Coalition for NTI)</td>
<td>-</td>
<td>23,600</td>
</tr>
<tr>
<td>Accounts receivable - Grants</td>
<td>107,288</td>
<td>14,844</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>26,919</td>
<td>4,853</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 962,330</strong></td>
<td><strong>$ 706,793</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 440,639</td>
<td>$ 286,332</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>65,770</td>
<td>82,758</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>605,772</td>
<td>648,779</td>
</tr>
<tr>
<td>Line of credit</td>
<td>106,950</td>
<td>106,950</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$ 1,219,131</strong></td>
<td><strong>$ 1,124,819</strong></td>
</tr>
<tr>
<td>Net Assets without Donor Restrictions</td>
<td>(256,801)</td>
<td>(418,026)</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$ 962,330</strong></td>
<td><strong>$ 706,793</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
# NATIONAL TRAUMA INSTITUTE
## STATEMENTS OF ACTIVITIES
### FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

The accompanying notes are an integral part of these financial statements.
# NATIONAL TRAUMA INSTITUTE

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

(With Comparative Totals for the Year Ended December 31, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Supportive Services - Management and General</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salaries</strong></td>
<td>$616,760</td>
<td>$259,651</td>
<td>$876,411</td>
</tr>
<tr>
<td><strong>Employee benefits</strong></td>
<td>105,171</td>
<td>40,248</td>
<td>145,419</td>
</tr>
<tr>
<td><strong>Payroll taxes</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td>721,931</td>
<td>299,899</td>
<td>1,021,830</td>
</tr>
<tr>
<td><strong>Awards and grants</strong></td>
<td>1,978,342</td>
<td>-</td>
<td>1,978,342</td>
</tr>
<tr>
<td><strong>Advertising</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Books and subscription</strong></td>
<td>5,915</td>
<td>4,035</td>
<td>9,950</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>-</td>
<td>2,526</td>
<td>2,526</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td>102</td>
<td>10,199</td>
<td>10,301</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>-</td>
<td>30,908</td>
<td>30,908</td>
</tr>
<tr>
<td><strong>Office supplies</strong></td>
<td>52,691</td>
<td>11,345</td>
<td>64,036</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Postage &amp; printing</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Professional and contract fees</strong></td>
<td>11,084</td>
<td>70,351</td>
<td>81,435</td>
</tr>
<tr>
<td><strong>Program Contractor/Vendor</strong></td>
<td>686,251</td>
<td>-</td>
<td>686,251</td>
</tr>
<tr>
<td><strong>Service Fees</strong></td>
<td>347</td>
<td>6,910</td>
<td>7,257</td>
</tr>
<tr>
<td><strong>Software Development</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Telephone and telecommunications</strong></td>
<td>9,742</td>
<td>16,335</td>
<td>26,077</td>
</tr>
<tr>
<td><strong>Training, conferences and meetings</strong></td>
<td>13,903</td>
<td>24,277</td>
<td>38,180</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>-</td>
<td>73,611</td>
<td>73,611</td>
</tr>
</tbody>
</table>

**Total Expenses**

$3,480,308  $550,396  $4,030,704  $2,363,356

The accompanying notes are an integral part of these financial statements.
### NATIONAL TRAUMA INSTITUTE

#### STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

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#### Cash Flows from Operating Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Assets</td>
<td>$ 161,225</td>
<td>$(246,861)</td>
</tr>
</tbody>
</table>

Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase) Decrease in Operating Assets:</td>
<td>(68,844)</td>
<td>(28,794)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(22,066)</td>
<td>(1,533)</td>
</tr>
</tbody>
</table>

Increase (Decrease) in Operating Liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>154,307</td>
<td>150,606</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(16,988)</td>
<td>13,595</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(43,007)</td>
<td>62,090</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized Gain in IBOC Stock</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other reconciling items</td>
<td>-</td>
<td>13,790</td>
</tr>
</tbody>
</table>

Net Cash Provided (Used) by Operating Activities: 164,627 (37,107)

#### Cash Flows from Financing Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments towards Line of Credit</td>
<td>-</td>
<td>(15,000)</td>
</tr>
</tbody>
</table>

Net Cash Provided (Used) by Financing Activities: - (15,000)

Net Increase (Decrease) In Cash & Cash Equivalents: 164,627 (52,107)

Beginning Cash & Cash Equivalents: 663,496 715,603

Ending Cash & Cash Equivalents: $828,123 $663,496

**Supplemental disclosure of cash flow information:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$ 5,936</td>
<td>$7,129</td>
</tr>
</tbody>
</table>

---

The accompanying notes are an integral part of these financial statements.
Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The National Trauma Institute (“NTI” or the “Organization”) is a Texas not-for-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. NTI’s primary source of revenue is grants from the federal government.

In 2014, NTI along with American Association for the Surgery of Trauma, Eastern Association for the Surgery of Trauma and Western Trauma Association formed the Coalition for National Trauma Research (“CNTR”). CNTR is engaged in advocacy work at the congressional and national agency level to achieve federal funding for trauma research, build trauma research infrastructure and develop a centralized research agenda to prioritize work in the discipline.

Summary of Significant Accounting Policies

Income Taxes

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. Management of NTI believes it has no material uncertain tax positions which require recognition or disclosure in the financial statements and notes, and accordingly, it has not recognized any liability for unrecognized tax benefits. The Organization’s management believes it is no longer subject to income tax examinations for years prior to 2013. NTI is also exempt from state and local income taxes.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Net Asset Classifications

In accordance with GAAP, the Organization classifies its net assets into two categories as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grants. Some donor restrictions are temporary in nature; those restrictions would be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. The Organization did not report net assets with donor restrictions as of December 31, 2018.
Estimates
The preparation of financial statements in conformity with GAAP requires the use of management’s estimates. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believed that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

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. As of December 31, 2018, and 2017, all such contract amounts were deemed to be fully collectible.

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

Functional Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Additionally, the financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Organization considers cash held in bank deposit accounts and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments
The carrying amounts of the Organization’s financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate their fair values due to their short maturities. Based on borrowing rates currently available to the Organization for lines of credit with similar terms, the carrying value of the Organization’s line of credit approximates fair value.
Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Compensated Absences

The Organization allows employees with less than 10 years of service to carry over a maximum of 200 hours into the following year. Employees with 10 or more years of service can carry over a maximum of 280 hours into the following years. The Organization’s policy is to pay employees for their unused vacation if they are terminated, leaves employment, or converts to a part-time or contract basis as of the date of the change from full-time employment status provided the employee has completed 90 days of full-time service.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except as permitted by the ASU, the Organization has taken the option to omit certain disclosures about liquidity and availability of resources for any comparative periods originally presented before the period of adoption.

Note 2 – Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its program activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates under a budget and anticipates collecting sufficient revenue to cover its general expenditures.

The following represents the Organization’s financial assets at December 31, 2018:

Financial assets at year-end:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 828,123</td>
</tr>
<tr>
<td>Accounts Receivable - Grants</td>
<td>$ 107,288</td>
</tr>
</tbody>
</table>

Financial assets available to meet cash needs for general expenditures over the next twelve months

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 935,411</td>
</tr>
</tbody>
</table>
Note 3 – Lease arrangements

Beginning in November 2015, the Organization entered into a non-cancelable operating lease that terminates on December 31, 2018. The operating lease was amended effective January 1, 2019 to extend the term for thirty-six months, commencing on January 1, 2019 and ending on December 31, 2021. Future minimum lease payments under the amended lease as of December 31, 2018 are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>33,682</td>
</tr>
<tr>
<td>2020</td>
<td>34,317</td>
</tr>
<tr>
<td>2021</td>
<td>34,953</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>102,952</strong></td>
</tr>
</tbody>
</table>

Rent expense on the Organization’s operating leases was approximately $29,942 and $36,530 for the years ended December 31, 2018 and 2017, respectively.

Note 4 - Risk Management

The Organization is subject to various claims and liabilities in the ordinary course of business. The Organization maintains various forms of insurance that the Organization’s management believes are adequate to reduce the exposure to these risks to an acceptable level.

Note 5 – Contingencies

Potential for Government Reviews and Audits

The Organization is funded by contracts and grants that have certain compliance requirements and are subject to possible review and audit by Federal and local authorities. These agencies determine compliance with terms, conditions, laws and regulations governing these grants given to the Organization in the current and prior years, and if audits by the grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs and the disallowed claims may constitute a liability of the applicable funds.

Note 6 – Concentrations

Concentration of Credit Risk

The Organization maintains multiple bank accounts with a bank that is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 as of December 31, 2018. Cash and cash equivalents at December 31, 2018 exceeded federally insured limits by $578,222.
Note 6 – Concentrations (continued)

Current Vulnerability Due to Certain Concentrations

The Organization receives a substantial portion of its revenue from Federal grants. Since appropriations are determined at the federal level, decreases in the amounts funded could have an adverse effect on the Organization.

Note 7 - Line of Credit

In September 2014, the Organization entered into a bank line of credit for up to $350,000 at an interest of 6.35% annually. The bank line of credit matured in August 2018 and on such date, the Organization entered into a new bank line of credit for up to $150,000. The bank line of credit matures in October 2019 and bears interest at 7.0% annually. At December 31, 2018 and 2017, the bank lines of credit had an outstanding balance of $106,950 and $106,950, respectively.

Note 8 – Retirement Plan

In January 2010, NTI established a defined contribution retirement plan covering all full-time employees. NTI makes matching contributions to participating employees’ retirement accounts up to three percent of their annual compensation, and an additional 50% of the employees’ next two percent of compensation. NTI contributed $31,350 and $28,785 to the plan during the years ended December 31, 2018 and 2017, respectively.

Note 9 – Prior Period Adjustment

For FY 2017, a prior period adjustment of $13,790 was made to correct account balances from prior years and to reconcile prior year ending net assets.

Note 10 – Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by functional expense allocation. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Note 11 – Subsequent Events

Management has evaluated subsequent events through June 23, 2019 the date the financial statements were available to be issued.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
National Trauma Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of National Trauma Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Trauma Institute’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Trauma Institute’s internal control. Accordingly, we do not express an opinion on the effectiveness of National Trauma Institute’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Trauma Institute’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of National Trauma Institute in a separate letter dated June 23, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Antonio, Texas
June 23, 2019
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
National Trauma Institute

Report on Compliance for Each Major Federal Program

We have audited National Trauma Institute’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of National Trauma Institute’s major federal programs for the year ended December 31, 2018. National Trauma Institute’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of National Trauma Institute’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Trauma Institute’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Trauma Institute’s compliance.

Opinion on Each Major Federal Program

In our opinion, National Trauma Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.
Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal program is not modified with respect to these matters.

National Trauma Institute’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. National Trauma Institute’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of National Trauma Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Trauma Institute’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Trauma Institute’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Antonio, Texas
June 23, 2019
**NATIONAL TRAUMA INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2018**

<table>
<thead>
<tr>
<th>Federal Grantor/Passthrough Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Grant/Contract Award Number</th>
<th>Passed-through to Subrecipients</th>
<th>Total Expenditures of Federal Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and Development Cluster:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. DEPARTMENT OF DEFENSE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct Programs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| United States Army Medical Research Acquisition Activity  
Military Medical Research and Development - National Trauma Coordinating Center | 12.420 | W81XWH-15-2-0089 | $131,408 | $1,369,697 |
| United States Army Medical Research Acquisition Activity  
Military Medical Research and Development - National Trauma Coordinating Center | 12.420 | W81XWH-15-2-0039 | $129,943 | 171,222 |
| United States Army Medical Research Acquisition Activity  
Military Medical Research and Development - National Trauma Coordinating Center | 12.420 | W81XWH-15-1-0709 | $199,339 | 253,106 |
| United States Army Medical Research Acquisition Activity  
Military Medical Research and Development - National Trauma Coordinating Center | 12.420 | W81XWH-17-2-0010 | $450,562 | 892,301 |
| United States Army Medical Research Acquisition Activity  
Military Medical Research and Development - National Trauma Coordinating Center | 12.420 | W81XWH-17-1-0673 | $1,067,078 | 1,183,400 |
| United States Army Medical Research Acquisition Activity  
Military Medical Research and Development - National Trauma Coordinating Center | 12.420 | W81XWH-18-C-0179 | 11 | 133,320 |
| **Passed through American Burn Association:**      |                     |                            |                                |                                     |
| Military Medical Research and Development - National Trauma Coordinating Center | 12.420 | W81XWH-09-2-0194 | - | 51,721 |
| **Total U.S. Department of Defense**               |                     |                            |                                | 4,054,767 |
| **Total Research and Development Cluster**         |                     |                            |                                | 4,054,767 |
| **Total Expenditures of Federal Awards**           |                     |                            |                                | 4,054,767 |

See accompanying notes to the schedule of expenditures of federal awards.
NOTE A - BASIS OF PRESENTATION

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of National Trauma Institute (NTI) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NTI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of NTI.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

NTI has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported for the year ended December 31, 2017.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number: 2017-001

Federal Program: Research and Development Cluster Military Medical Research and Development

CFDA Number: 12.420

Current Status: This finding has been corrected.
I. Summary of the Auditors’ Results:

1. The auditors’ report expresses an unmodified opinion on whether the financial statements of the Organization were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses were identified during the audit of the financial statements of the Organization.

3. No instances of noncompliance material to the financial statements of the Organization.

4. No significant deficiencies or material weaknesses in internal control over major programs were identified during the audit.

5. The auditors’ report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.

6. The audit disclosed one audit finding that was required to be reported in accordance with 2 CFR section 200.516 (a).

7. The program tested as a major program was:

<table>
<thead>
<tr>
<th>Name of Federal Program</th>
<th>CFDA Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development Cluster</td>
<td>CFDA Number</td>
</tr>
<tr>
<td>Military Medical Research and Development</td>
<td>12.420</td>
</tr>
</tbody>
</table>

8. The dollar threshold used to distinguish between Type A and Type B was $750,000.

9. The Organization was determined to be a low risk auditee.

II. Findings-Financial Statement Audit - None

III. Findings and Questioned Costs – Major Federal Award Programs Audit –
See Finding 2018-001
REFERENCE NUMBER: 2018-001  
FEDERAL PROGRAM: Military Medical Research and Development  
CFDA NUMBER: 12.420  
NAME OF FEDERAL AGENCY: U.S. Department of Defense (DoD)  
COMPLIANCE REQUIREMENT: Cash Management

Criteria

According to the cash management compliance requirement under Uniform Guidance, regarding grants received by an Organization, payment methods should minimize the time elapsing between the transfer of Federal funds from the U.S. Treasury and the disbursement by the Organization.

Additionally, NTI's current Cash Receipts Policy in its Finance and Accounting Policies, states the following: In accordance with 2 CFR 200.305, NTI requests advances limited to the estimated cash necessary to carry 60-90 days of award expenses. Funds are disbursed as expensed and due.

Statement of Condition

Review of Deferred Revenue - For four grants that had deferred revenue balances at 12/31/2018, based on review of transactions in cash accounts related to each grant in the general ledger, we noted that for the last draw made as of 12/31/2018, there was a balance of funds apparently not disbursed within 90 days for each of the grants. The total amount of draws not paid within 90 days is $412,658.25 for all four grants combined.

Review of Advance Draws - For 4 out of a sample of 10 draws tested, based on review of transactions in cash accounts related to each grant in the general ledger, we noted there were balances of funds drawn that were apparently not disbursed within 90 days. The balances ranged from $75,893.44 to $223,538.17

Potential Effect

As of December 31, 2018 and during FY 2018, for a sample of draws tested, NTI's general ledger reflected cash balances in excess of the draw amount after a period of 90 days.

Questioned Costs - None

Recommendation

In order to ensure that NTI remains in compliance with requirements under Uniform Guidance with respect to cash management, we recommend that NTI improve its procedures for requesting funds and the subsequent disbursements of such funds to ensure it is minimizing the time elapsing between the transfer of funds from Department of Defense and disbursement. Any revisions to its current written cash management policy that are made to improve compliance with the cash management requirement should be documented.

View of Responsible Official - NTI agrees with the finding.
**Finding No.**  2018-001

**Corrective Action:**

In an effort to reduce deferred balances not being spent in 60-90 day range as indicated in our policies, NTI will start making smaller, more frequent draws as needed.

**Anticipated Completion Date:**

12/31/2019

**Contact Information:**

Amy Flores, Controller  
National Trauma Institute  
9901 IH 10 West, Suite 720  
San Antonio, TX 78230