

Urology Care Foundation, Inc.

Financial Report
December 31, 2013

Contents

Independent Auditor's Report On The Financial Statements	1 – 2
Financial Statements	
Statements Of Financial Position	3
Statements Of Activities	4 – 5
Statements Of Cash Flows	6
Notes To The Financial Statements	7 – 16
Independent Auditor's Report On The Supplementary Information	17
Supplementary Information	
Statement Of Activities – Supplemental	18 – 19



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. which comprise the statements of financial position as of December 31, 2013 and 2012, 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, 2013 and 2012, 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.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland
April 25, 2014

Urology Care Foundation, Inc.

**Statements Of Financial Position
December 31, 2013 And 2012**

Assets	2013	2012
Current Assets		
Cash and cash equivalents	\$ 1,058,095	\$ 1,418,732
Accounts receivable	3,159,423	275,000
Pledges receivable – current, net of allowance for doubtful accounts and present value discount (2013 – \$31,541; 2012 – \$13,650) (Note 3)	1,000	20,152
Due from related party (Note 8)	210,164	-
Prepaid expenses and other current assets	8,669	-
Total current assets	4,437,351	1,713,884
Noncurrent Assets		
Pledges receivable – noncurrent, net (Note 3)	1,859	2,598
Investments (Note 2)	25,961,707	20,102,760
Total assets	\$ 30,400,917	\$ 21,819,242
Liabilities And Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 15,410	\$ 163,290
Due to related party (Note 8)	-	694,548
Deferred revenue	2,012,760	611,260
Total current liabilities	2,028,170	1,469,098
Commitments And Contingency (Note 4)		
Net Assets		
Unrestricted		
Operating	4,498,653	4,029,617
Board Designated	5,602,486	4,375,154
	10,101,139	8,404,771
Temporarily restricted (Note 5)	6,771,608	4,945,373
Permanently restricted (Note 5)	11,500,000	7,000,000
	28,372,747	20,350,144
Total liabilities and net assets	\$ 30,400,917	\$ 21,819,242

See Notes To Financial Statements.

Urology Care Foundation, Inc.

**Statements Of Activities
Years Ended December 31, 2013 And 2012**

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue:				
Development	\$ 642,471	\$ -	\$ -	\$ 642,471
Special events	-	-	-	-
Education programs	71,100	-	-	71,100
Outreach and awareness campaigns	414,545	-	-	414,545
Research	31,500	-	-	31,500
Scholarship program (Note 5)	1,279,949	107,379	4,500,000	5,887,328
Net dividend income (Note 2)	327,172	447,681	-	774,853
Change in donor intent (Note 5)	-	-	-	-
Assets released from restriction (Note 5)	595,707	(595,707)	-	-
	3,362,444	(40,647)	4,500,000	7,821,797
Expenses:				
Program services:				
General	390,048	-	-	390,048
Education programs	152,179	-	-	152,179
Outreach and awareness campaigns	401,567	-	-	401,567
Research	431,500	-	-	431,500
Scholarship program (Note 4)	943,600	-	-	943,600
Supporting services:				
Development	541,254	-	-	541,254
Special events	-	-	-	-
General, administrative and governance	165,862	-	-	165,862
	3,026,010	-	-	3,026,010
Excess of operating revenue over expenses	336,434	(40,647)	4,500,000	4,795,787
Investment Income (Note 2)	1,359,934	1,866,882	-	3,226,816
Change in net assets	1,696,368	1,826,235	4,500,000	8,022,603
Net assets:				
Beginning	8,404,771	4,945,373	7,000,000	20,350,144
Ending	\$ 10,101,139	\$ 6,771,608	\$ 11,500,000	\$ 28,372,747

See Notes To Financial Statements.

2012

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 229,339	\$ -	\$ -	\$ 229,339
222,075	-	-	222,075
-	-	-	-
1,515,003	-	-	1,515,003
17,500	-	-	17,500
1,775,817	257,542	167,000	2,200,359
228,682	327,377	-	556,059
(833,000)	-	833,000	-
475,737	(475,737)	-	-
<u>3,631,153</u>	<u>109,182</u>	<u>1,000,000</u>	<u>4,740,335</u>
347,796	-	-	347,796
47,743	-	-	47,743
865,196	-	-	865,196
432,015	-	-	432,015
568,591	-	-	568,591
235,269	-	-	235,269
222,075	-	-	222,075
173,731	-	-	173,731
<u>2,892,416</u>	<u>-</u>	<u>-</u>	<u>2,892,416</u>
738,737	109,182	1,000,000	1,847,919
692,358	999,297	-	1,691,655
1,431,095	1,108,479	1,000,000	3,539,574
6,973,676	3,836,894	6,000,000	16,810,570
<u>\$ 8,404,771</u>	<u>\$ 4,945,373</u>	<u>\$ 7,000,000</u>	<u>\$ 20,350,144</u>

Urology Care Foundation, Inc.

Statements Of Cash Flows
Years Ended December 31, 2013 And 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 8,022,603	\$ 3,539,574
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized appreciation of investments	(3,231,229)	(1,697,578)
Interest and dividend income reinvested	(786,930)	(550,136)
Decrease in allowance for doubtful accounts	-	(16,000)
Increase in allowance for doubtful pledges and present value discount on pledges	19,000	1,140
Contributions received for long term endowment	(4,500,000)	(167,000)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,384,423)	41,296
Pledges receivable	891	25,666
Due from related party	595,288	125,324
Prepaid expenses and other current assets	(8,669)	3,386
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(147,880)	32,239
Deferred revenue	1,401,500	373,000
Net cash (used in) provided by operating activities	(19,849)	1,710,911
Cash Flows From Investing Activities		
Proceeds from sale of investments	173,196	193,433
Purchases of investments	(2,013,984)	(1,783,453)
Net cash used in investing activities	(1,840,788)	(1,590,020)
Cash Flows From Financing Activities		
Contributions received for long term endowment	1,500,000	167,000
Net cash provided by financing activities	1,500,000	167,000
Net (decrease) increase in cash and cash equivalents	(360,637)	287,891
Cash And Cash Equivalents:		
Beginning	1,418,732	1,130,841
Ending	\$ 1,058,095	\$ 1,418,732

See Notes To Financial Statements.

Urology Care Foundation, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Urology Care 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

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

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 addresses 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 2010.

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 25, 2014, 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 19.55% and 13.14% for the years ended December 31, 2013 and 2012, respectively.

Cost and fair values of the investments at December 31, 2013 and 2012, are as follows:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Investments				
Vanguard equity funds	\$ 12,739,647	\$ 17,199,011	\$ 12,321,646	\$ 13,252,092
Vanguard fixed income funds	8,776,741	8,762,696	6,515,451	6,850,668
	<u>\$ 21,516,388</u>	<u>\$ 25,961,707</u>	<u>\$ 18,837,097</u>	<u>\$ 20,102,760</u>

Urology Care Foundation, Inc.

Notes To Financial Statements

Note 2. Investments (Continued)

Investment income from all sources including checking accounts consists of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Net unrealized appreciation	\$ 3,222,909	\$ 1,678,038
Net realized gain	8,320	19,540
	<u>3,231,229</u>	<u>1,697,578</u>
Interest and dividend income, net of fees	770,440	550,136
	<u>\$ 4,001,669</u>	<u>\$ 2,247,714</u>

Note 3. Pledges Receivable

Pledges receivable are due from donors to fund scholars programs and totaled \$34,400 and \$36,400 as of December 31, 2013 and 2012, respectively.

Pledges receivable are carried at the present value of expected future cash flows, net of a present value discount. As of December 31, 2013 and 2012, the present value discount was \$141 and \$252, respectively. As of December 31, 2013 and 2012, a reserve for uncollectible amounts of \$31,400 and \$13,398, respectively, was recorded based on management's evaluation of the collectability of pledges receivable.

The scheduled collection of the pledges receivable at December 31, 2013, is as follows:

Less than 1 year	\$ 32,400
1 – 5 years	2,000
	<u>34,400</u>
Less allowance for doubtful pledges	(31,400)
Less unamortized discount to net present value	(141)
Pledges receivable, net	<u>\$ 2,859</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, 2013:

Years Ending December 31,	
2014	\$ 1,196,000
2015	1,155,000
2016	1,069,000
2017	983,000
2018	771,000
Total scholar commitments	\$ 5,174,000

(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. (collectively, the Guarantors), 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. At December 31, 2013, the indebtedness of the American Urological Association Education and Research, Inc. for the revenue bonds and term note amounted to \$7,795,000 and \$3,926,342, respectively.

Note 5. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2013 and 2012:

	2013	2012
Innovative Research Fund	\$ 2,050,846	\$ 1,833,004
AUA Section Research Scholar Fund Earnings	1,605,654	535,865
Prostate Fund	1,512,552	1,190,187
Sexual Dysfunction Fund	884,760	766,029
Victor Politano Award	429,161	369,490
Pediatric Fund	288,635	250,798
	\$ 6,771,608	\$ 4,945,373

Permanently restricted net assets, the income from which is expendable to support the following, are as follows at December 31, 2013 and 2012:

	2013	2012
AUA Section Research Scholar Fund	\$ 7,000,000	\$ 7,000,000
Rising Star in Urology Research Award Program	3,000,000	-
AUAER/Society of Urologic Oncology Research Scholar Fund	1,500,000	-
	\$ 11,500,000	\$ 7,000,000

Urology Care Foundation, Inc.

Notes To Financial Statements

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

During the year ended December 31, 2013, American Urological Association Education and Research, Inc. (AUAER) provided contributions of \$2,750,000 that were used as matching funds for the Rising Star in Urology Research Award Program and the AUAER/Society of Urologic Oncology Research Scholar Fund.

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 in order to provide matching funds for the AUA Section Research Scholar Fund.

Net assets released from restrictions consisted of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Innovative Research Fund	\$ 132,313	\$ 74,380
AUA Section Research Scholar Fund	386,926	350,741
Prostate Fund	24,278	21,022
Sexual Dysfunction Fund	28,937	17,738
Victor Politano Award	12,407	7,323
Pediatric Fund	10,846	4,533
	<u>\$ 595,707</u>	<u>\$ 475,737</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, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated endowment funds	\$ -	\$ 6,771,608	\$ 11,500,000	\$ 18,271,608

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 years ended December 31, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2012	\$ -	\$ 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)
Endowment net assets, December 31, 2012	-	4,945,373	7,000,000	11,945,373
Net investment income	-	2,314,563	-	2,314,563
Contributions	-	107,379	4,500,000	4,607,379
Endowment draw to operating	-	(595,707)	-	(595,707)
Endowment net assets, December 31, 2013	\$ -	\$ 6,771,608	\$ 11,500,000	\$ 18,271,608

Urology Care Foundation, Inc.

Notes To Financial Statements

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 a 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.

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, 2013 and 2012.

Level 3 – The Foundation has no Level 3 investments as of December 31, 2013 and 2012.

Urology Care Foundation, Inc.

Notes To Financial Statements

Note 7. Fair Value Measurements (Continued)

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, 2013 and 2012:

	2013			
	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Vanguard Equity Funds				
Total Stock Market Index	\$ 6,944,578	\$ 6,944,578	\$ -	\$ -
PRIMECAP Fund Admiral	2,500,415	2,500,415	-	-
Windsor II Fund Admiral	2,367,829	2,367,829	-	-
Explorer Fund Admiral	1,063,017	1,063,017	-	-
Strategic Equity Fund	1,090,185	1,090,185	-	-
Institutional Developed Markets Index	2,543,689	2,543,689	-	-
Emerging Markets Stock Index Signal	689,298	689,298	-	-
Vanguard Fixed Income Funds				
Total Bond Market Index	4,378,257	4,378,257	-	-
Intermediate-Term Invest-Grade Admiral	2,626,737	2,626,737	-	-
Short-Term Invest-Grade Admiral	1,757,702	1,757,702	-	-
	\$ 25,961,707	\$ 25,961,707	\$ -	\$ -

Urology Care Foundation, Inc.

Notes To Financial Statements

Note 7. Fair Value Measurements (Continued)

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

Note 8. Related Parties

The Foundation has a cost-sharing agreement with 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. At December 31, 2013, the Foundation was owed \$210,164 from AUAER. At December 31, 2012, the Foundation owed \$694,548 to AUAER.

As described in Note 5, AUAER contributed \$2,750,000 to the Foundation during the year ended December 31, 2013.



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. as of and for the years ended December 31, 2013 and 2012, 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 25, 2014

Urology Care Foundation, Inc.

**Statement Of Activities – Supplemental
Year Ended December 31, 2013
(With Comparative Totals For December 31, 2012)**

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue:					
Contributions and other	\$ 1,062,587	\$ 5,913	\$ 4,500,000	\$ 5,568,500	\$ 2,323,825
Grants	1,376,978	101,466	-	1,478,444	1,860,451
Investment income	327,172	447,681	-	774,853	556,059
Net assets released from restrictions	595,707	(595,707)	-	-	-
	3,362,444	(40,647)	4,500,000	7,821,797	4,740,335
Expenses:					
Compensation and benefits	751,666	-	-	751,666	590,938
Stipends and awards	1,375,100	-	-	1,375,100	1,000,606
Contract services	196,826	-	-	196,826	604,508
Travel	123,246	-	-	123,246	109,641
Professional fees	92,128	-	-	92,128	94,522
Occupancy	9,541	-	-	9,541	8,764
Office expenses	311,641	-	-	311,641	309,706
General, administrative, and governance	165,862	-	-	165,862	173,731
	3,026,010	-	-	3,026,010	2,892,416
Excess of operating revenue over expenses	336,434	(40,647)	4,500,000	4,795,787	1,847,919
Investment Income	1,359,934	1,866,882	-	3,226,816	1,691,655
Change in net assets	1,696,368	1,826,235	4,500,000	8,022,603	3,539,574
Net assets:					
Beginning	8,404,771	4,945,373	7,000,000	20,350,144	16,810,570
Ending	\$ 10,101,139	\$ 6,771,608	\$ 11,500,000	\$ 28,372,747	\$ 20,350,144

Urology Care Foundation, Inc.

**Statement Of Activities – Supplemental
Year Ended December 31, 2012**

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue:				
Contributions and other	\$ 1,899,283	\$ 257,542	\$ 167,000	\$ 2,323,825
Grants	1,860,451	-	-	1,860,451
Investment income	228,682	327,377	-	556,059
Change in donor intent	(833,000)	-	833,000	-
Net assets released from restrictions	475,737	(475,737)	-	-
	<u>3,631,153</u>	<u>109,182</u>	<u>1,000,000</u>	<u>4,740,335</u>
Expenses:				
Compensation and benefits	590,938	-	-	590,938
Stipends and awards	1,000,606	-	-	1,000,606
Contract services	604,508	-	-	604,508
Travel	109,641	-	-	109,641
Professional fees	94,522	-	-	94,522
Occupancy	8,764	-	-	8,764
Office expenses	309,706	-	-	309,706
General, administrative, and governance	173,731	-	-	173,731
	<u>2,892,416</u>	<u>-</u>	<u>-</u>	<u>2,892,416</u>
Excess of operating revenue over expenses	738,737	109,182	1,000,000	1,847,919
Investment Income	692,358	999,297	-	1,691,655
Change in net assets	1,431,095	1,108,479	1,000,000	3,539,574
Net assets:				
Beginning	6,973,676	3,836,894	6,000,000	16,810,570
Ending	<u>\$ 8,404,771</u>	<u>\$ 4,945,373</u>	<u>\$ 7,000,000</u>	<u>\$ 20,350,144</u>