

MEDIC ONE FOUNDATION

FINANCIAL REPORT

JULY 31, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Medic One Foundation
Seattle, Washington

We have audited the accompanying statements of financial position of the Medic One Foundation ("the Foundation") as of July 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medic One Foundation as of July 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ PETERSON SULLIVAN PLLC

August 31, 2006

MEDIC ONE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

July 31, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and cash equivalents	\$ 214,830	\$ 286,095
Investments	540,816	865,006
Current portion of contributions receivable	145,699	88,944
Deposits	<u>15,000</u>	
Total current assets	916,345	1,240,045
Contributions Receivable, net of current portion	616,765	426,667
Endowment Investments	816,160	200,912
Computer Equipment, net of accumulated depreciation of \$39,455 and \$32,839 in 2006 and 2005, respectively	16,115	23,132
Beneficial Interest in Assets Held by the Seattle Foundation	<u>54,133</u>	<u>54,133</u>
Total assets	<u>\$ 2,419,518</u>	<u>\$ 1,944,889</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 35,638	\$ 12,550
Grants payable	<u>146,849</u>	<u>73,502</u>
Total current liabilities	182,487	86,052
Net Assets		
Unrestricted - general	7,764	657,637
Unrestricted - board designated	<u>290,209</u>	<u>202,376</u>
Total unrestricted net assets	297,973	860,013
Temporarily restricted	1,122,898	797,912
Permanently restricted	<u>816,160</u>	<u>200,912</u>
Total net assets	<u>2,237,031</u>	<u>1,858,837</u>
Total liabilities and net assets	<u>\$ 2,419,518</u>	<u>\$ 1,944,889</u>

See Notes to Financial Statements

MEDIC ONE FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended July 31, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions	\$ 383,836	\$ 274,624	\$ 17,032	\$ 675,492	\$ 98,402	\$ 585,099	\$ 77,412	\$ 760,913
Bequests	227,769	40,000	598,216	865,985	313,734			313,734
Special events, net of direct expenses of \$5,404 and \$55,662 in 2006 and 2005, respectively		92,696		92,696		55,303		55,303
In-kind contributions	32,300			32,300				
Investment income	48,957			48,957	49,655			49,655
Other income	4,962			4,962	7,278			7,278
Change in value of trust receivable		10,681		10,681		47,457		47,457
Net assets released from restriction	93,015	(93,015)			476,639	(476,639)		
Total support and revenue	790,839	324,986	615,248	1,731,073	945,708	211,220	77,412	1,234,340
Expenses								
Program expenses								
Paramedic training	126,959			126,959	52,430			52,430
Continuing education	163,974			163,974	170,997			170,997
Quality assurance	255,842			255,842	279,980			279,980
Center for Pre-hospital Emergency Care	50,000			50,000				
Competitive research	115,632			115,632	25,321			25,321
EMS equipment	29,932			29,932	65,542			65,542
Other grants	31,317			31,317	34,603			34,603
Total program expenses	773,656			773,656	628,873			628,873
Management and general	316,745			316,745	224,894			224,894
Fundraising	262,478			262,478	227,521			227,521
Total expenses	1,352,879			1,352,879	1,081,288			1,081,288
Change in net assets	(562,040)	324,986	615,248	378,194	(135,580)	211,220	77,412	153,052
Net Assets, beginning of year	860,013	797,912	200,912	1,858,837	995,593	586,692	123,500	1,705,785
Net Assets, end of year	<u>\$ 297,973</u>	<u>\$ 1,122,898</u>	<u>\$ 816,160</u>	<u>\$ 2,237,031</u>	<u>\$ 860,013</u>	<u>\$ 797,912</u>	<u>\$ 200,912</u>	<u>\$ 1,858,837</u>

See Notes to Financial Statements

MEDIC ONE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Change in net assets	\$ 378,194	\$ 153,052
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Loss (gain) on investments	8,699	(31,790)
Depreciation	11,110	10,035
Contributions restricted for long-term investment	(615,248)	(77,412)
Change in operating assets and liabilities		
Contribution receivable	(246,853)	(5,713)
Deposit	(15,000)	
Accounts payable	23,088	(13,540)
Grants payable	73,347	(87,450)
	(382,663)	(52,818)
Net cash flows from operating activities	(382,663)	(52,818)
Cash Flows from Investing Activities		
Purchases of computer equipment	(4,093)	(11,084)
Purchases of investments	(1,686,195)	(2,122,022)
Sales of investments	1,386,438	1,988,822
	(303,850)	(144,284)
Net cash flows from investing activities	(303,850)	(144,284)
Cash Flows from Financing Activity		
Proceeds from contributions restricted for long-term investment	615,248	77,412
	615,248	77,412
Decrease in cash	(71,265)	(119,690)
Cash and cash equivalents, beginning of year	286,095	405,785
	286,095	405,785
Cash and cash equivalents, end of year	\$ 214,830	\$ 286,095

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Medic One Foundation ("the Foundation") is an independent not-for-profit corporation organized to collect, administer, and disburse donated funds to provide and support training, evaluation, and research related to out-of-hospital emergency medical services to the general public.

One contribution and one bequest represented approximately \$848,000 of total contributions and bequests for the year ended July 31, 2006. Two contributions represented \$326,000 of total contributions for the year ended July 31, 2005.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation/Contributions

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular programs or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted program or the time restrictions are met. Temporarily restricted net assets consist of the following at July 31:

	<u>2006</u>	<u>2005</u>
For future use	\$ 415,746	\$ 434,618
Program restrictions		
Equipment fund – general	37,646	58,757
Seattle EMS	75,000	75,000
Redmond Medic One	221,453	219,818
Medic One Foundation Endowed Chair	1,000	1,000
Lifesaver's Luncheon		8,719
W. Hunter Simpson Fund	279,925	
Special Events	92,128	
	<u>\$ 1,122,898</u>	<u>\$ 797,912</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions, the principal of which is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Permanently restricted net assets consist of the following amounts and related restrictions on income at July 31:

	<u>2006</u>	<u>2005</u>
General operations	\$ 217,944	\$ 200,912
Paramedic training scholarships	299,108	
Medical equipment	299,108	
	<u>\$ 816,160</u>	<u>\$ 200,912</u>

Cash and Cash Equivalents

Cash includes cash in bank accounts and money market funds. The Foundation has amounts deposited with a financial institution in excess of federally insured limits.

Investments

Investments are recorded at market value and consist of the following:

	<u>2006</u>	<u>2005</u>
Preferred stock mutual funds	\$ 1,050,000	\$ 975,000
Equity securities	<u>306,976</u>	<u>90,918</u>
	<u>\$ 1,356,976</u>	<u>\$ 1,065,918</u>

Investments are reported in the statements of financial position as:

	<u>2006</u>	<u>2005</u>
Investments	\$ 540,816	\$ 865,006
Endowment investments	<u>816,160</u>	<u>200,912</u>
	<u>\$ 1,356,976</u>	<u>\$ 1,065,918</u>

Investment income consists of the following:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 57,656	\$ 17,865
Realized and unrealized gains (losses), net	<u>(8,699)</u>	<u>31,790</u>
	<u>\$ 48,957</u>	<u>\$ 49,655</u>

Contributions Receivable

Contribution revenues are recognized when the pledge is made. Contributions from two donors represent approximately \$565,000 of contributions receivable in 2006. Contributions from three donors represent approximately \$415,000 of contributions receivable in 2005.

Computer Equipment

Computer equipment is recorded at cost, if purchased, or at fair market value at the date of receipt, if donated. The Foundation capitalizes all fixed assets with a cost in excess of \$500 and a useful life longer than one year. Depreciation is computed using the straight-line method over the estimated lives of the assets.

Grants Payable

Grant awards, although not legally binding, are reported as an expense and liability when awarded. Grants payable represents payments to be made on research and equipment grant awards.

In-Kind Contributions

In-kind contributions recognized in these financial statements consist of office space received without charge for rent. The amount is recorded on an annual basis and the estimated value of the space for the year ended July 31, 2006, is \$32,300. There was no reasonably estimated value for in-kind rent received in prior years, so no amount was recorded. There were no other donated materials or services recognized in these financial statements.

A number of volunteers have also donated time to the Foundation's programs and fundraising activities. The services of those volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Note 2. Contributions Receivable

Contributions receivable are primarily from individuals and businesses located in the greater Seattle area. Collateral is not required and interest is not charged on contributions receivable. Management periodically reviews receivables and establishes an allowance for accounts that may not be collectible. Any amounts written off are charged against the allowance. Management has determined that no allowance was necessary at July 31, 2006 and 2005.

Contributions receivable consist of the following at July 31:

	<u>2006</u>	<u>2005</u>
Receivables due in less than one year	\$ 145,699	\$ 88,944
Receivables due in one to five years	293,665	114,015
Receivables due in greater than five years	<u>323,100</u>	<u>312,652</u>
	<u>\$ 762,464</u>	<u>\$ 515,611</u>

Contributions receivable includes a 15% beneficial remainder interest in a trust amounting to \$315,333 and \$304,652 in 2006 and 2005, respectively, all of which is not expected to be collected for at least five years. The Foundation receives no current income of the trust interest, and its 15% is distributed at the time the current income beneficiary dies. The receivable is valued at 15% of the fair value of the trust assets discounted at a 6% rate over the estimated life expectancy of the income beneficiary resulting in a discount of \$106,654 at July 31, 2006. Other contributions receivable are not discounted to present value as the discount would not be material.

The Foundation is a beneficiary of an estate and has been notified that it will receive from the estate the proceeds from the sale of a single-family residence. The Foundation is also the beneficiary of a trust. In August 2006, the Foundation received \$40,000 as a partial distribution of the trust. This amount has been included in contributions receivable at July 31, 2006. Additional proceeds are expected to be received by the Foundation. However, the estate and trust are currently under dispute and due to a lack of additional information, no additional amounts have been recognized in these financial statements as the potential amount to be received is not reasonably estimatable.

Note 3. Related Party Transactions

The Board of Directors of the Foundation includes certain employees of the University of Washington School of Medicine, Harborview Medical Center and the Seattle Fire Department. Contributions are made to the University of Washington and the Seattle Fire Department in the form of grants or contracts for paramedic training, continuing medical education, Medic One Quality Improvement, research grants, and other specific projects in support of the goals and activities of the Foundation. The Board of Directors of the Foundation authorizes the contributions. The total amount contributed to these organizations during the year ended July 31, 2006 and 2005, was approximately \$627,554 and \$488,899.

Note 4. Beneficial Interest in Assets Held by the Seattle Foundation

The Foundation is the beneficiary of an endowment fund ("the Fund") deposited with the Seattle Foundation. The Fund was established by the Foundation. The Seattle Foundation was given variance power that allows it to modify the distributions of the Fund (either in amount or beneficiary) if the Seattle Foundation's Board of Trustees determines that the distribution is unnecessary, incapable of fulfillment, or inconsistent with the charitable purpose of the Seattle Foundation. However, the Foundation expects to annually receive the income generated by the Fund each year estimated at 4.5% of the market value of the Fund.

In addition, unrelated donors may contribute to the Fund. The portion of the Fund from unrelated donors is not recognized by the Foundation. At June 30, 2006 and 2005, the value of this portion of the Fund was \$53,306 and \$47,349, respectively.