



FINANCIAL REPORT

DECEMBER 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS
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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 December 31, 2010 and 2009, 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 December 31, 2010 and 2009, 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.

Peterson Sullivan LLP

September 1, 2011

MEDIC ONE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 930,315	\$ 1,801,529
Investments	1,448,711	680,770
Current portion of contributions receivable	128,153	383,119
Donated goods from estate bequest, held for sale	35,000	35,000
Prepaid expenses	<u>15,721</u>	
Total current assets	2,557,900	2,900,418
Contributions Receivable, net of current portion	50,257	85,558
Endowment Investments	856,963	796,908
Computer Equipment, net of accumulated depreciation of \$65,051 and \$62,919 at 2010 and 2009, respectively	4,050	6,182
Beneficial Interest in Assets Held by the Seattle Foundation	<u>54,133</u>	<u>54,133</u>
Total assets	<u><u>\$ 3,523,303</u></u>	<u><u>\$ 3,843,199</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 62,064	\$ 24,468
Grants payable	<u>144,031</u>	<u>87,698</u>
Total current liabilities	206,095	112,166
Net Assets		
Unrestricted - general	632,501	709,895
Unrestricted - board designated	<u>500,000</u>	<u>500,000</u>
Total unrestricted net assets	1,132,501	1,209,895
Temporarily restricted	1,418,423	1,755,303
Permanently restricted	<u>766,284</u>	<u>765,835</u>
Total net assets	<u>3,317,208</u>	<u>3,731,033</u>
Total liabilities and net assets	<u><u>\$ 3,523,303</u></u>	<u><u>\$ 3,843,199</u></u>

See Notes to Financial Statements

MEDIC ONE FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Contributions	\$ 561,271	\$ 190	\$ 449	\$ 561,910	\$ 425,759	\$ 540,520	\$ -	\$ 966,279
Bequests	247,819			247,819	295,126			295,126
Special events revenue	466,086	109,250		575,336	382,589	96,196		478,785
Special events expense	(248,138)			(248,138)	(226,465)			(226,465)
In-kind contributions	32,260			32,260	32,427			32,427
Investment earnings	165,361	35,782		201,143	164,623	29,416		194,039
Net assets released from restriction	482,102	(482,102)			283,105	(283,105)		
Total support and revenue	1,706,761	(336,880)	449	1,370,330	1,357,164	383,027		1,740,191
Expenses								
Program expenses								
Paramedic training	506,283			506,283	335,044			335,044
Continuing education	173,244			173,244	193,692			193,692
Quality assurance	242,936			242,936	248,730			248,730
EMS research	52,008			52,008	106,291			106,291
EMS equipment	44,365			44,365	61,082			61,082
Other grants	38,429			38,429	80,542			80,542
Total program expenses	1,057,265			1,057,265	1,025,381			1,025,381
Management and general	380,575			380,575	302,419			302,419
Fundraising	346,315			346,315	420,560			420,560
Total expenses	1,784,155			1,784,155	1,748,360			1,748,360
Change in net assets	(77,394)	(336,880)	449	(413,825)	(391,196)	383,027		(8,169)
Net assets, beginning of year	1,209,895	1,755,303	765,835	3,731,033	1,601,091	1,372,276	765,835	3,739,202
Net assets, end of year	<u>\$ 1,132,501</u>	<u>\$ 1,418,423</u>	<u>\$ 766,284</u>	<u>\$ 3,317,208</u>	<u>\$ 1,209,895</u>	<u>\$ 1,755,303</u>	<u>\$ 765,835</u>	<u>\$ 3,731,033</u>

See Notes to Financial Statements

MEDIC ONE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ (413,825)	\$ (8,169)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Change in value of discount on contributions receivable		(60,249)
Realized and unrealized gains on investments	(104,134)	(152,874)
Endowment contributions	(449)	
Depreciation	2,132	4,656
Change in operating assets and liabilities		
Contributions receivable	290,267	(37,651)
Prepaid expenses	(15,721)	
Accounts payable	37,596	(20,667)
Grants payable	56,333	5,422
	(147,801)	(269,532)
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Purchases of computer equipment		(1,058)
Purchases of investments	(1,586,856)	(688,907)
Sales of investments	862,994	920,542
	(723,862)	230,577
Net cash flows from investing activities		
Cash Flows from Financing Activity		
Proceeds from endowment contributions	449	
	(871,214)	(38,955)
Decrease in cash		
Cash and cash equivalents, beginning of year	1,801,529	1,840,484
Cash and cash equivalents, end of year	\$ 930,315	\$ 1,801,529

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 raise money to support excellence in pre-hospital emergency care through innovative research, paramedic training, and medical review.

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.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The Foundation reports its investments and its beneficial interest in assets held by the Seattle Foundation at fair value.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation's tax returns are open to examination for the last three years.

Support and Revenue Concentrations

Three bequests represented 83% of total bequests for the year ended December 31, 2010. One bequest represented 79% of total bequests for the year ended December 31, 2009. No single donor represented more than 10% of total contributions for the year ended December 31, 2010. One contribution represented 21% of total contributions for the year ended December 31, 2009.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements 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. If the Foundation receives a temporarily restricted contribution and it meets the restrictions in the same year the contribution is received, then it records the contribution as unrestricted revenue. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted programs or as the time restrictions are met. Temporarily restricted net assets consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
For future use	\$ 35,224	\$ 253,527
Program restrictions		
Equipment fund		
General Equipment Fund		9,143
Paramedic training		
Michael K. Copass, MD Fund for Paramedic Training	375,334	604,721
Paramedic Training Room Equipment Fund	2,906	3,691
W. Hunter Simpson Fund	761,478	652,228
Redmond Fire ALS Fund	119,996	138,770
Unappropriated general endowment earnings	65,198	29,416
Leonard A. Cobb, MD Fund	31,090	30,900
Chief Jack N. Richards Memorial Fund	27,197	27,197
Lights Sirens Auction Event		5,710
	<u>\$ 1,418,423</u>	<u>\$ 1,755,303</u>

The Michael K. Copass, MD Fund is restricted to establish an endowment fund at the University of Washington to benefit the Paramedic Training Program at Harborview Medical Center.

The W. Hunter Simpson Fund is restricted to benefit research and development in pre-hospital emergency care. The Leonard A. Cobb, MD Fund is restricted to benefit medical oversight and research. The Chief Jack N. Richards Memorial Fund is restricted to give awards to outstanding paramedics. The Lights Sirens Auction Event funds are restricted to benefit paramedic training and equipment.

Unappropriated endowment earnings are temporarily restricted under UPMIFA (see Note 3) until appropriated.

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 December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Medic One Foundation Endowment	\$ 167,619	\$ 167,619
Natcher & Clementine Casey Paramedic Scholarship Fund	299,333	299,108
Natcher & Clementine Casey Equipment Fund	<u>299,332</u>	<u>299,108</u>
	<u>\$ 766,284</u>	<u>\$ 765,835</u>

Cash and Cash Equivalents

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

Investments

Investments are reported at their fair value using quoted prices in an active market (Level 1 inputs such as quoted prices on national exchanges) in the statements of financial position and consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 71,288	\$ 406,310
Equity securities - domestic common stocks	944,095	820,463
Mutual funds - short-term bond	707,606	205,034
Corporate bonds	<u>582,685</u>	<u>45,871</u>
	<u>\$ 2,305,674</u>	<u>\$ 1,477,678</u>

Investments are reported in the statements of financial position as:

	<u>2010</u>	<u>2009</u>
Investments - current	\$ 1,448,711	\$ 680,770
Endowment investments	856,963	796,908
	<u>\$ 2,305,674</u>	<u>\$ 1,477,678</u>

Investment income consists of the following for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 97,009	\$ 41,165
Realized and unrealized gains, net	104,134	152,874
	<u>\$ 201,143</u>	<u>\$ 194,039</u>

Contributions Receivable

Contribution revenues are recognized when the pledge is made. A contribution from one donor represented 28% of contributions receivable at December 31, 2010. Contributions from two donors represented approximately 74% of contributions receivable at December 31, 2009.

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 the award is made. Grants payable represents payments to be made on education, research, and equipment grant awards.

In-Kind Contributions

In-kind contributions recognized in these financial statements include office space received without charge for rent. The amount is recorded on an annual basis and the estimated value of the space for the years ended December 31, 2010 and 2009, is \$32,260 and \$32,427, respectively.

In a prior year, the Foundation received certain in-kind contributions as part of a bequest. These items include a jade collection and two paintings. These assets are included in donated goods from estate bequest, held for sale on the statements of financial position.

In addition, a number of volunteers have 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.

Reclassification

Certain items from the December 31, 2009, financial statements have been reclassified to conform to current presentation. These reclassifications had no impact on net assets or change in net assets as previously reported.

Subsequent Events

The Foundation has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the independent auditors' report.

Note 2. Board Designation of Unrestricted Net Assets

The Board of Directors of the Foundation has a policy to designate amounts of unrestricted net assets for specified purposes. Designated unrestricted net assets at December 31, 2010 and 2009, consisted of \$500,000, designated for the purpose of a strategic core reserve.

Note 3. Endowment

The Foundation's endowment consists of three individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments ("quasi-endowments"). As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("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, plus (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 in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trustees consider the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net assets consisted of the following at:

	December 31, 2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 65,198	\$ 766,284	\$ 831,482
Board-designated quasi-endowment funds	25,481			25,481
Total funds	<u>\$ 25,481</u>	<u>\$ 65,198</u>	<u>\$ 766,284</u>	<u>\$ 856,963</u>

	December 31, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 29,416	\$ 765,835	\$ 795,251
Board-designated quasi-endowment funds	1,657			1,657
Total funds	<u>\$ 1,657</u>	<u>\$ 29,416</u>	<u>\$ 765,835</u>	<u>\$ 796,908</u>

Changes in endowment net assets are as follows for the years ended December 31, 2010 and 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2008	\$ (30,151)	\$ -	\$ 765,835	\$ 735,684
Investment income	8,289			8,289
Net appreciation (realized and unrealized)	<u>23,519</u>	<u>29,416</u>		<u>52,935</u>
Endowment net assets, December 31, 2009	1,657	29,416	765,835	796,908
Contributions			449	449
Investment income	27,447			27,447
Net appreciation (realized and unrealized)	<u>(3,623)</u>	<u>35,782</u>		<u>32,159</u>
Endowment net assets, December 31, 2010	<u>\$ 25,481</u>	<u>\$ 65,198</u>	<u>\$ 766,284</u>	<u>\$ 856,963</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as quasi-endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce returns comparable to the Standard & Poor's 500 and U.S. Treasury Intermediate-Lehman Brothers Index while assuming a prudent level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating approximately 4% of the beginning market value based on a three-year rolling average. In establishing this policy, the Foundation considered the long-term expected return on its endowment as the objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2010 or 2009.

Note 4. Contributions Receivable

Contributions receivable are primarily from individuals and businesses located in the greater Seattle area. 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 December 31, 2010 or 2009.

Contributions receivable consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Receivables due in less than one year	\$ 128,153	\$ 383,119
Receivables due in one to five years	45,086	80,558
Receivables due in greater than five years	5,171	5,000
	<u>\$ 178,410</u>	<u>\$ 468,677</u>

Contributions receivable are reported in the statements of financial position as:

	<u>2010</u>	<u>2009</u>
Current portion of contributions receivable	\$ 128,153	\$ 383,119
Contributions receivable, net of current portion	50,257	85,558
	<u>\$ 178,410</u>	<u>\$ 468,677</u>

Contributions receivable includes a 15% beneficial remainder interest in a trust amounting to \$296,034 at December 31, 2009, of which \$281,672 was collected in 2010, and the remaining amount is expected to be collected in 2011.

Contributions receivable are not discounted to present value as the discount would not be material.

Note 5. Related Party Transactions

The Board of Directors of the Foundation includes representation from the University of Washington School of Medicine, Harborview Medical Center, King County EMS, and the Seattle Fire Department. Contributions are made to these related parties 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 December 31, 2010 and 2009, was \$889,533 and \$618,546, respectively. The Foundation also receives free rent from Harborview Medical Center (which is considered an in-kind contribution).

The Foundation also has a pledge receivable from a company, and a Foundation board member is a high-ranking employee of this company. The receivable balance was \$50,000 at both December 31, 2010 and 2009. The amount receivable originates from a \$250,000 pledge made in January 2006.

Note 6. Beneficial Interest in Assets Held by the Seattle Foundation

The Foundation is the beneficiary of a 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. The Fund is stated at fair value (using Level 2 inputs) of the underlying assets (cash and marketable securities) held by the Foundation.

In addition, unrelated donors may contribute to the Fund. The portion of the Fund from unrelated donors is not recognized by the Foundation. At December 31, 2010 and 2009, the value of this portion of the Fund (the portion not recognized) was \$49,298 and \$46,133 respectively.