

**MEDIC ONE FOUNDATION**

FINANCIAL REPORT

DECEMBER 31, 2017

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Medic One Foundation  
Seattle, Washington

We have audited the accompanying financial statements of the Medic One Foundation ("the Foundation"), which comprise the statements of financial position as of December 31, 2017 and 2016, 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; 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. 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 the Foundation as of December 31, 2017 and 2016, 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.

*Peterson Sullivan LLP*

June 12, 2018

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**MEDIC ONE FOUNDATION**

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 441,490	\$ 756,775
Investments	2,770,121	1,060,877
Contributions and bequests receivable	156,786	45,343
Prepaid expenses and other assets	<u>14,389</u>	<u>3,963</u>
Total current assets	3,382,786	1,866,958
Endowment Investments	1,077,293	1,085,644
Gift Annuity Investments	21,249	20,638
Furniture and Computer Equipment, net of accumulated depreciation of \$32,790 and \$30,544 in 2017 and 2016, respectively	2,501	4,095
Beneficial Interest in Assets Held by the Seattle Foundation	<u>67,936</u>	<u>60,575</u>
Total assets	<u><u>\$ 4,551,765</u></u>	<u><u>\$ 3,037,910</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,981	\$ 20,899
Grants payable	47,244	14,645
Accrued wages and benefits	44,600	54,700
Current portion of gift annuity contract liability	1,190	1,190
Deferred grant revenue	<u>83,737</u>	<u>101,945</u>
Total current liabilities	193,752	193,379
Gift Annuity Contract Liability, less current portion	<u>4,481</u>	<u>5,671</u>
Total liabilities	198,233	199,050
Net Assets		
Unrestricted	2,297,673	786,938
Temporarily restricted	992,274	991,864
Permanently restricted	<u>1,063,585</u>	<u>1,060,058</u>
Total net assets	<u>4,353,532</u>	<u>2,838,860</u>
Total liabilities and net assets	<u><u>\$ 4,551,765</u></u>	<u><u>\$ 3,037,910</u></u>

See Notes to Financial Statements

**MEDIC ONE FOUNDATION**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>								
Contributions	\$ 951,747	\$ 41,581	\$ -	\$ 993,328	\$ 845,992	\$ 33,399	\$ 1,200	\$ 880,591
Bequests	2,056,286			2,056,286	413,091			413,091
Special events revenue	571,005			571,005	455,305			455,305
Special events - direct benefit to donors	(99,212)			(99,212)	(67,262)			(67,262)
Grants	18,208			18,208	35,255			35,255
In-kind contributions	29,167			29,167	40,000			40,000
Investment earnings, net	116,400	13,488	3,527	133,415	46,589	26,989	4,380	77,958
Net assets released from restrictions	54,659	(54,659)			410,208	(410,208)		
<b>Total support and revenue</b>	<b>3,698,260</b>	<b>410</b>	<b>3,527</b>	<b>3,702,197</b>	<b>2,179,178</b>	<b>(349,820)</b>	<b>5,580</b>	<b>1,834,938</b>
<b>Expenses</b>								
<b>Program expenses</b>								
Community outreach	218,210			218,210	240,354			240,354
Paramedic training and continuing education	843,011			843,011	683,308			683,308
PulsePoint	63,046			63,046	57,520			57,520
EMS equipment	37,496			37,496	7,481			7,481
Resuscitation Academy	18,676			18,676	3,768			3,768
EMS research	177,489			177,489				
<b>Total program expenses</b>	<b>1,357,928</b>			<b>1,357,928</b>	<b>992,431</b>			<b>992,431</b>
Management and general	363,339			363,339	313,269			313,269
Fundraising	466,258			466,258	409,782			409,782
<b>Total expenses</b>	<b>2,187,525</b>			<b>2,187,525</b>	<b>1,715,482</b>			<b>1,715,482</b>
<b>Change in net assets</b>	<b>1,510,735</b>	<b>410</b>	<b>3,527</b>	<b>1,514,672</b>	<b>463,696</b>	<b>(349,820)</b>	<b>5,580</b>	<b>119,456</b>
Net Assets, beginning of year	786,938	991,864	1,060,058	2,838,860	323,242	1,341,684	1,054,478	2,719,404
Net Assets, end of year	\$ 2,297,673	\$ 992,274	\$ 1,063,585	\$ 4,353,532	\$ 786,938	\$ 991,864	\$ 1,060,058	\$ 2,838,860

See Notes to Financial Statements

**MEDIC ONE FOUNDATION**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Community Outreach	Paramedic Training and Continuing Education	PulsePoint	EMS Equipment	Resuscitation Academy	EMS Research	Total Program Services	Management and General	Fundraising	Total
Grants and allocations	\$ 2,810	\$ 837,030	\$ 13,000	\$ 37,466	\$ 14,337	\$ 177,489	\$ 1,082,132	\$ -	\$ -	\$ 1,082,132
Salaries and wages	146,651						146,651	111,126	179,735	437,512
Benefits and payroll taxes	55,424						55,424	51,744	73,459	180,627
Professional expenses	7,300	1,000	33,059				41,359	23,952	86,995	152,306
Marketing	4,444	40	16,411				20,895	12,321	33,158	66,374
Event facility costs									61,665	61,665
Occupancy								54,539		54,539
Printing and publications		85	515				600	9,200	40,209	50,009
Event catering		279			3,436		3,715	771	45,372	49,858
Purchased services								27,018	10,446	37,464
Equipment rental and maintenance								23,160	11,021	34,181
Postage	214	343					557	6,927	18,235	25,719
Supplies	162	209			903		1,274	13,220	1,984	16,478
Accounting fees								14,500		14,500
Travel	55	1,569	61				1,685	4,464	664	6,813
Conferences and meetings				30			30	4,165	1,550	5,745
Telephone								3,736		3,736
Depreciation								2,246		2,246
Bad debt expense (recovery)								(5,205)		(5,205)
Miscellaneous	1,150	2,456					3,606	5,455	977	10,038
	218,210	843,011	63,046	37,496	18,676	177,489	1,357,928	363,339	565,470	2,286,737
Less: special events - direct benefit to donors									(99,212)	(99,212)
Total expenses less special events - direct benefit to donors	<u>\$ 218,210</u>	<u>\$ 843,011</u>	<u>\$ 63,046</u>	<u>\$ 37,496</u>	<u>\$ 18,676</u>	<u>\$ 177,489</u>	<u>\$ 1,357,928</u>	<u>\$ 363,339</u>	<u>\$ 466,258</u>	<u>\$ 2,187,525</u>

See Notes to Financial Statements

**MEDIC ONE FOUNDATION**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Community Outreach	Paramedic Training and Continuing Education	PulsePoint	EMS Equipment	Resuscitation Academy	Total Program Services	Management and General	Fundraising	Total
Grants and allocations	\$ 11,801	\$ 656,658	\$ 25,208	\$ 7,481	\$ 3,768	\$ 704,916	\$ -	\$ -	\$ 704,916
Salaries and wages	157,844					157,844	104,021	179,057	440,922
Benefits and payroll taxes	60,658					60,658	43,791	73,063	177,512
Professional expenses	4,572		24,583			29,155	19,824	47,467	96,446
Marketing	1,287		2,247			3,534	5,589	8,456	17,579
Event facility costs								46,002	46,002
Occupancy							40,000		40,000
Printing and publications	297		4,407			4,704	2,545	49,899	57,148
Event catering								39,879	39,879
Purchased services	25		304			329	21,324	9,567	31,220
Equipment rental and maintenance	478					478	21,489	1,589	23,556
Postage	102					102	8,866	14,614	23,582
Supplies	922	22,810	153			23,885	4,742	1,996	30,623
Accounting fees							14,300		14,300
Travel	562	2,129	442			3,133	2,066	1,127	6,326
Conferences and meetings	796					796	5,767	3,266	9,829
Telephone							21		21
Depreciation							2,509		2,509
Bad debt expense							14,436		14,436
Miscellaneous	1,010	1,711	176			2,897	1,979	1,062	5,938
	<u>240,354</u>	<u>683,308</u>	<u>57,520</u>	<u>7,481</u>	<u>3,768</u>	<u>992,431</u>	<u>313,269</u>	<u>477,044</u>	<u>1,782,744</u>
Less: special events - direct benefit to donors								(67,262)	(67,262)
Total expenses less special events - direct benefit to donors	<u>\$ 240,354</u>	<u>\$ 683,308</u>	<u>\$ 57,520</u>	<u>\$ 7,481</u>	<u>\$ 3,768</u>	<u>\$ 992,431</u>	<u>\$ 313,269</u>	<u>\$ 409,782</u>	<u>\$ 1,715,482</u>

See Notes to Financial Statements

## MEDIC ONE FOUNDATION

### STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 1,514,672	\$ 119,456
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contribution to endowment		(1,200)
Change in value of beneficial interest in assets held at the Seattle Foundation	(7,361)	(2,084)
Realized and unrealized gain on investments	(62,481)	(1,895)
Depreciation	2,246	2,509
Changes in operating assets and liabilities		
Contributions and bequests receivable	(111,443)	(4,936)
Prepaid expenses and other assets	(10,426)	(3,963)
Accounts payable	(3,918)	5,584
Grants payable	32,599	(102,612)
Deferred grant revenue	(18,208)	101,945
Gift annuity contract liability	(1,190)	(1,190)
Accrued wages and benefits	(10,100)	(3,400)
	1,324,390	108,214
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Purchases of investments	(1,811,023)	(83,287)
Sales of investments	172,000	400,000
Purchases of furniture and computer equipment	(652)	(1,161)
	(1,639,675)	315,552
Net cash flows from investing activities		
Cash Flows from Financing Activity		
Contribution to endowment		1,200
		1,200
<b>Change in cash and cash equivalents</b>	<b>(315,285)</b>	<b>424,966</b>
Cash and Cash Equivalents, beginning of year	756,775	331,809
	756,775	331,809
Cash and Cash Equivalents, end of year	\$ 441,490	\$ 756,775

See Notes to Financial Statements



## NOTES TO FINANCIAL STATEMENTS

### Note 1. Organization and Significant Accounting Policies

#### **Organization**

The Medic One Foundation ("the Foundation") is located in Bellevue and is an independent, not-for-profit corporation. The mission of the Foundation is to save lives by improving pre-hospital emergency care, and we have been doing it successfully for more than 40 years. Contributions to the Foundation provide the necessary resources to train paramedics to the highest level possible, research new methods of treatment that may save more lives, and purchase emergency medical equipment for use by first responders.

Charitable contributions to the Foundation are the sole source of support for the world-renown Michael K. Copass Paramedic Training Program. Through private support, we can ensure that our region's paramedics, who are among the best in the world, receive an exceptional education that far exceeds national standards.

Beyond training today's life-saving paramedics, the Foundation funds the research and development of tomorrow's lifesaving ideas to improve care and prevent sudden cardiac arrest. These ideas become Medic One lifesaving treatments, from our early advances in response time to our role in bringing CPR training to our region's residents.

Each year, the Foundation identifies communities and fire departments where assistance is needed to purchase critical patient care and training equipment that will improve the quality of care and help save more lives.

The Foundation's critical support of world-class paramedic training program, together with innovative research in new methods of patient care, is one of the primary reasons why Medic One paramedics achieve a survival rate for witnessed, shockable sudden cardiac arrest that is second to none.

#### **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 that 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.

### **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.

Support and revenue is recorded as unrestricted, temporarily restricted, or permanently restricted 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:

	<u>2017</u>	<u>2016</u>
Program restrictions		
Paramedic training		
General	\$ 2,240	\$ 13,795
Michael K. Copass, MD Fund for Paramedic Training	172,677	167,032
Natcher & Clementine Casey Paramedic Scholarship Fund	2,642	9,314
Mary N. Stowe Fund for Paramedic Training	5,891	8,661
Emergency Equipment Fund		
General	1,390	
Natcher & Clementine Casey Equipment Fund	4,954	9,351
W. Hunter Simpson Fund	615,026	587,416
Redmond Fire ALS Fund	107,014	113,242
Leonard A. Cobb, MD Fund	40,318	37,193
Chief Jack N. Richards Memorial Fund	28,680	28,180
Resuscitation Academy	11,442	15,781
EMS Research		1,899
	<u>\$ 992,274</u>	<u>\$ 991,864</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.

Unappropriated earnings from the Natcher & Clementine Casey Paramedic Scholarship Endowment Fund, the Natcher & Clementine Casey Equipment Endowment Fund, and the Mary N. Stowe Endowment Fund for Paramedic Training are temporarily restricted under UPMIFA (see Note 2) until appropriated. These unappropriated earnings are purpose-restricted for the purposes listed in the schedule above and totaled \$15,763 and \$27,326 at December 31, 2017 and 2016, respectively.

### **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:

	<u>2017</u>	<u>2016</u>
Natcher & Clementine Casey Paramedic Scholarship Endowment Fund	\$ 299,333	\$ 299,333
Natcher & Clementine Casey Equipment Endowment Fund	299,333	299,333
Mary N. Stowe Endowment Fund for Paramedic Training	295,861	292,334
Medic One Foundation Endowment	169,058	169,058
	<u>\$ 1,063,585</u>	<u>\$ 1,060,058</u>

### **Cash and Cash Equivalents**

Cash includes cash in bank accounts and money market funds (other than money market funds classified with investments). Occasionally, cash and cash equivalents may exceed 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:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 2,039,728	\$ 612,497
Corporate bonds	855,439	857,194
Equity securities - domestic common stocks	529,343	456,472
Mutual funds - short-term bond	113,887	98,644
Balanced funds	16,855	
Mutual funds - equities		
Small growth funds	23,997	
Large growth funds	75,705	29,931
Small blend funds	42,537	
Large blend funds	54,706	45,823
Foreign large blend funds	26,177	
Medium blend funds		3,138
Diversified emerging markets	26,782	
Preferred stock	42,258	42,822
	<u>\$ 3,847,414</u>	<u>\$ 2,146,521</u>

Investments are reported in the statements of financial position as:

	2017	2016
Investments - current	\$ 2,770,121	\$ 1,060,877
Endowment investments	1,077,293	1,085,644
	<u>\$ 3,847,414</u>	<u>\$ 2,146,521</u>

Investment income consists of the following for the years ended December 31:

	2017	2016
Interest and dividends	\$ 63,573	\$ 73,979
Realized and unrealized gains	62,481	1,895
Change in value of beneficial interest in assets held at the Seattle Foundation	7,361	2,084
	<u>\$ 133,415</u>	<u>\$ 77,958</u>

### **Contributions and Bequests Receivable**

Contributions and bequests receivable are primarily from individuals, businesses, and estates located in the greater Seattle area. Contributions and bequests receivable within a year are recorded at the net realizable value. 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, 2017 or 2016.

One contribution receivable represented 64% of total contributions and bequests receivable at December 31, 2017. There were no concentrations of contributions and bequests receivable at December 31, 2016.

### **Charitable Gift Annuity**

In 2010, the Foundation entered into a charitable gift annuity agreement with a donor. Under the terms of this agreement, the donor contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount to the donor for the donor's lifetime.

The assets held for the charitable gift annuity are reported in gift annuity investments on the statements of financial position and are stated at fair value. Gift annuity investments were composed of \$146 of cash equivalents and \$21,103 of short-term bond funds as of December 31, 2017. Gift annuity investments were composed of \$228 of cash equivalents and \$20,410 of short-term bond funds as of December 31, 2016. The liability for the expected annuity payments is reported at the estimated present value of future cash outflows based on appropriate discount rates and mortality tables, and is reported as a gift annuity contract liability on the statements of financial position.

### **Furniture and Computer Equipment**

Furniture and computer equipment are recorded at cost if purchased, or at fair 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 unconditional award is made. Grants payable represents payments to be made on education, research, and equipment grant awards.

### **Contribution and Bequest Revenue**

Contribution revenues are recognized when the pledge is made and all conditions have been met. Bequests are recognized when the Foundation is notified by the executor as to the amount to be received and the estate has cleared probate.

Three bequests represented 49% of total support and revenue for 2017. One bequest represented 13% of total support and revenue for 2016.

### **Special Event Revenue Recognition**

Special event revenues are recognized at the time the event occurs. Special event payments received prior to the occurrence of the meeting or event are recognized as deferred revenue.

### **Grant Revenue**

Revenue from conditional grants is recorded when the service is provided or the related qualified expenditure is incurred (when the conditions have been met). Conditional grants received in advance are recognized as deferred revenue until the conditions are met.

### **In-Kind Contributions**

In-kind contributions recognized in these financial statements include office space received without charge for rent from Harborview Medical Center in Seattle. The estimated value of the space for the year ended December 31, 2017, is \$29,167. The estimated value of the space for the year ended December 31, 2016, is \$40,000. The reason for the decrease in value is because the Foundation moved to a new office in Bellevue, Washington in August 2017 (see Note 5).

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.

### **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.

### **Income Taxes**

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

## **Reclassifications**

Certain previous year balances have been reclassified to conform to the current year presentation.

## **Subsequent Events**

The Foundation has evaluated subsequent events through the date these financial statements were available to be issued, which was June 12, 2018.

## **Note 2. Endowment**

The Foundation's endowment consists of four 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 Washington 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. In addition, under the terms of the endowment agreement, 20% of the total earnings (if any) from the Mary N. Stowe Endowment Fund for Paramedic Training are classified as permanently restricted net assets. The remaining portion of the donor-restricted endowment earnings are 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 Board of Directors considers 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, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 15,763	\$ 1,061,310	\$ 1,077,073
Board-designated quasi-endowment funds	220			220
<b>Total funds</b>	<b>\$ 220</b>	<b>\$ 15,763</b>	<b>\$ 1,061,310</b>	<b>\$ 1,077,293</b>

  

	December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 27,326	\$ 1,057,783	\$ 1,085,109
Board-designated quasi-endowment funds	535			535
<b>Total funds</b>	<b>\$ 535</b>	<b>\$ 27,326</b>	<b>\$ 1,057,783</b>	<b>\$ 1,085,644</b>

Changes in endowment net assets are as follows for the years ended December 31, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	\$ 50,209	\$ 337	\$ 1,054,478	\$ 1,105,024
Contributions			1,200	1,200
Interest and dividends	1,404	24,842	1,938	28,184
Realized and unrealized gains	122	2,147	167	2,436
Withdrawals	(51,200)			(51,200)
Endowment net assets, December 31, 2016	535	27,326	1,057,783	1,085,644
Interest and dividends	(2,192)	25,110	3,527	26,445
Realized and unrealized gains	1,877	35,327		37,204
Amounts appropriated and distributed		(72,000)		(72,000)
Endowment net assets, December 31, 2017	<b>\$ 220</b>	<b>\$ 15,763</b>	<b>\$ 1,061,310</b>	<b>\$ 1,077,293</b>

### **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% (depending on the needs of the Foundation, this appropriation may be higher or lower) of the endowment net assets, 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, 2017 or 2016.

### **Note 3. 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, 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 grants. The total amount granted to these organizations during the years ended December 31, 2017 and 2016, was \$1,014,519 and \$685,000, respectively. The total amount payable to these organizations as of December 31, 2017 and 2016, was \$22,057 and \$9,125, respectively.

### **Note 4. 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 and is therefore unrestricted. 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 3 inputs) of the underlying assets (cash and marketable securities) held by the Foundation. At December 31, 2017 and 2016, the value recognized by the Foundation was \$67,936 and \$60,575, respectively.



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, 2017 and 2016, the value of this portion of the Fund (the portion not recognized) was \$62,710 and \$55,916, respectively.

Changes in the beneficial interest in assets held by the Seattle Foundation valued using Level 3 inputs for the years ended December 31 2017 and 2016, are as follows:

Balance at December 31, 2015	\$ 58,491
Investment earnings	6,094
Distributions	<u>(4,010)</u>
Balance at December 31, 2016	60,575
Investment earnings	11,385
Distributions	<u>(4,024)</u>
Balance at December 31, 2017	<u><u>\$ 67,936</u></u>

#### **Note 5. Leases**

In 2017, the Foundation entered into a lease agreement for office space in Bellevue. The lease agreement expires on September 30, 2022. Rental expense under this lease was \$25,372 in 2017.

Future minimum payments under the lease are as follows for the years ending December 31:

2018	\$ 51,311
2019	53,149
2020	54,987
2021	56,825
2022	<u>43,728</u>
	<u><u>\$ 260,000</u></u>