

MEDIC ONE FOUNDATION

FINANCIAL REPORT

DECEMBER 31, 2018

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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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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, 2018 and 2017, 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.

Emphasis of a Matter – Recent Accounting Pronouncement Adopted

As discussed in Note 1 to the financial statements, in 2018, the Foundation adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Peterson Sullivan LLP

June 10, 2019

MEDIC ONE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 880,932	\$ 441,490
Investments	2,769,661	2,770,121
Contributions and bequests receivable	136,066	156,786
Prepaid expenses and other assets	20,749	14,389
Total current assets	3,807,408	3,382,786
Endowment Investments	1,040,257	1,077,293
Gift Annuity Investments	21,008	21,249
Furniture and Computer Equipment, net of accumulated depreciation of \$34,551 and \$32,790 in 2018 and 2017, respectively	1,337	2,501
Beneficial Interest in Assets Held by the Seattle Foundation	60,676	67,936
Total assets	\$ 4,930,686	\$ 4,551,765
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 18,538	\$ 16,981
Grants payable	64,564	47,244
Accrued wages and benefits	38,800	44,600
Current portion of gift annuity contract liability	1,190	1,190
Deferred grant revenue		83,737
Total current liabilities	123,092	193,752
Gift Annuity Contract Liability, less current portion	3,292	4,481
Total liabilities	126,384	198,233
Net Assets		
Without donor restrictions	2,767,174	2,297,673
With donor restrictions	2,037,128	2,055,859
Total net assets	4,804,302	4,353,532
Total liabilities and net assets	\$ 4,930,686	\$ 4,551,765

See Notes to Financial Statements

MEDIC ONE FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 884,908	\$ 134,507	\$ 1,019,415	\$ 951,747	\$ 41,581	\$ 993,328
Bequests	863,882		863,882	2,056,286		2,056,286
Special events revenue	591,973		591,973	571,005		571,005
Special events - direct benefit to donors	(131,543)		(131,543)	(99,212)		(99,212)
Grants	63,103		63,103	18,208		18,208
In-kind contributions				29,167		29,167
Investment earnings (losses), net	495	(37,036)	(36,541)	116,400	17,015	133,415
Net assets released from restrictions	116,202	(116,202)		54,659	(54,659)	
Total support and revenue	2,389,020	(18,731)	2,370,289	3,698,260	3,937	3,702,197
Expenses						
Program expenses						
Paramedic training and continuing education	603,327		603,327	843,011		843,011
Community outreach	197,154		197,154	218,210		218,210
Community CPR	80,852		80,852			
EMS research	78,690		78,690	177,489		177,489
PulsePoint	63,146		63,146	63,046		63,046
EMS equipment	53,878		53,878	37,496		37,496
Resuscitation Academy	24,153		24,153	18,676		18,676
Total program expenses	1,101,200		1,101,200	1,357,928		1,357,928
Management and general	317,507		317,507	363,339		363,339
Fundraising	500,812		500,812	466,258		466,258
Total expenses	1,919,519		1,919,519	2,187,525		2,187,525
Change in net assets	469,501	(18,731)	450,770	1,510,735	3,937	1,514,672
Net Assets, beginning of year	2,297,673	2,055,859	4,353,532	786,938	2,051,922	2,838,860
Net Assets, end of year	<u>\$ 2,767,174</u>	<u>\$ 2,037,128</u>	<u>\$ 4,804,302</u>	<u>\$ 2,297,673</u>	<u>\$ 2,055,859</u>	<u>\$ 4,353,532</u>

See Notes to Financial Statements

MEDIC ONE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Paramedic Training and Continuing Education	Community Outreach	Community CPR	EMS Research	PulsePoint	EMS Equipment	Resuscitation Academy	Total Program Services	Management and General	Fundraising	Total
Grants and allocations	\$ 594,898	\$ -	\$ -	\$ 78,690	\$ 13,000	\$ 53,878	\$ 24,153	\$ 764,619	\$ -	\$ -	\$ 764,619
Salaries and wages		116,004	40,022					156,026	114,338	180,363	450,727
Benefits and payroll taxes		33,766	26,477					60,243	52,321	72,419	184,983
Professional expenses	1,233	7,453	5,000		13,573			27,259	44,129	91,452	162,840
Marketing	2,000	10,484			36,500			48,984	4,806	48,616	102,406
Printing and publications	1,667	7,030	356		44			9,097	3,482	45,246	57,825
Event catering		7,107						7,107	818	47,414	55,339
Occupancy		11,568	4,820					16,388	12,533	19,281	48,202
Event facility costs										45,758	45,758
Purchased services									25,523	11,041	36,564
Equipment rental and maintenance									27,446	7,232	34,678
Postage		602						602	4,772	18,634	24,008
Conferences and meetings	23	73	2,545					2,641	3,080	12,207	17,928
Supplies			1,458					1,458	4,747	2,653	8,858
Telephone									8,661		8,661
Travel	2,331	5	74		29			2,439	1,399	3,486	7,324
Depreciation									1,761		1,761
Bad debt expense									1,300		1,300
Miscellaneous	1,175	3,062	100					4,337	6,391	26,553	37,281
	603,327	197,154	80,852	78,690	63,146	53,878	24,153	1,101,200	317,507	632,355	2,051,062
Less: special events - direct benefit to donors										(131,543)	(131,543)
Total expenses less special events - direct benefit to donors	\$ 603,327	\$ 197,154	\$ 80,852	\$ 78,690	\$ 63,146	\$ 53,878	\$ 24,153	\$ 1,101,200	\$ 317,507	\$ 500,812	\$ 1,919,519

See Notes to Financial Statements

MEDIC ONE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Paramedic Training and Continuing Education	Community Outreach	EMS Research	PulsePoint	EMS Equipment	Resuscitation Academy	Total Program Services	Management and General	Fundraising	Total
Grants and allocations	\$ 837,030	\$ 2,810	\$ 177,489	\$ 13,000	\$ 37,466	\$ 14,337	\$ 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	1,000	7,300		33,059			41,359	38,452	86,995	166,806
Marketing	40	4,444		16,411			20,895	12,321	33,158	66,374
Printing and publications	85			515			600	9,200	40,209	50,009
Event catering	279					3,436	3,715	771	45,372	49,858
Occupancy								54,539		54,539
Event facility costs									61,665	61,665
Purchased services								27,018	10,446	37,464
Equipment rental and maintenance								23,160	11,021	34,181
Postage	343	214					557	6,927	18,235	25,719
Conferences and meetings					30		30	4,165	1,550	5,745
Supplies	209	162				903	1,274	13,220	1,984	16,478
Telephone								3,736		3,736
Travel	1,569	55		61			1,685	4,464	664	6,813
Depreciation								2,246		2,246
Bad debt expense (recovery)								(5,205)		(5,205)
Miscellaneous	2,456	1,150					3,606	5,455	977	10,038
	<u>843,011</u>	<u>218,210</u>	<u>177,489</u>	<u>63,046</u>	<u>37,496</u>	<u>18,676</u>	<u>1,357,928</u>	<u>363,339</u>	<u>565,470</u>	<u>2,286,737</u>
Less: special events - direct benefit to donors									<u>(99,212)</u>	<u>(99,212)</u>
Total expenses less special events - direct benefit to donors	<u>\$ 843,011</u>	<u>\$ 218,210</u>	<u>\$ 177,489</u>	<u>\$ 63,046</u>	<u>\$ 37,496</u>	<u>\$ 18,676</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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 450,770	\$ 1,514,672
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Change in value of beneficial interest in assets held at the Seattle Foundation	7,260	(7,361)
Realized and unrealized (gain) loss on investments	109,998	(62,481)
Depreciation	1,761	2,246
Changes in operating assets and liabilities		
Contributions and bequests receivable	20,720	(111,443)
Prepaid expenses and other assets	(6,360)	(10,426)
Accounts payable	1,557	(3,918)
Grants payable	17,320	32,599
Deferred grant revenue	(83,737)	(18,208)
Gift annuity contract liability	(1,189)	(1,190)
Accrued wages and benefits	(5,800)	(10,100)
	512,300	1,324,390
Net cash flows from operating activities	512,300	1,324,390
Cash Flows from Investing Activities		
Purchases of investments	(770,870)	(1,811,023)
Sales of investments	698,609	172,000
Purchases of furniture and computer equipment	(597)	(652)
	(72,858)	(1,639,675)
Net cash flows from investing activities	(72,858)	(1,639,675)
Change in cash and cash equivalents	439,442	(315,285)
Cash and Cash Equivalents, beginning of year	441,490	756,775
Cash and Cash Equivalents, end of year	\$ 880,932	\$ 441,490

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 the Foundation has 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-renowned Michael K. Copass Paramedic Training Program. Through private support, we can ensure that the 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 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 cardiac arrest that is 2-3 times greater than other communities.

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.

Financial Statement Presentation/Contributions

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Support and revenue are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets with and without Donor Restrictions

Net assets without donor restrictions are available for support of the Foundation's operations.

Net assets with donor restrictions consist of unexpended contributions restricted for particular programs. If the Foundation receives restricted support and revenue and it meets the restrictions in the same year the support and revenue is received, then it records the support and revenue as support and revenue without donor restrictions. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs. Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Net assets with purpose restrictions		
Paramedic training		
General	\$ 125,000	\$ 2,240
Michael K. Copass, MD Fund for Paramedic Training	173,742	172,677
Emergency Equipment Fund		
General	45	1,390
W. Hunter Simpson Fund	517,147	615,026
Redmond Fire ALS Fund	108,289	107,014
Leonard A. Cobb, MD Fund	43,368	40,318
Chief Jack N. Richards Memorial Fund	29,280	28,680
Resuscitation Academy		11,441
	<u>996,871</u>	<u>978,786</u>
Net assets with endowment restrictions		
Perpetual endowment restrictions		
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	293,801	295,861
Medic One Foundation General Endowment Fund	169,058	169,058
Unappropriated endowment earnings (underwater endowments)		
Natcher & Clementine Casey Paramedic		
Scholarship Endowment Fund	(7,781)	2,643
Natcher & Clementine Casey		
Equipment Endowment Fund	(5,469)	4,954
Mary N. Stowe Endowment Fund for Paramedic Training	(2,351)	5,891
Medic One Foundation General Endowment Fund	(5,667)	
	<u>1,040,257</u>	<u>1,077,073</u>
	<u>\$ 2,037,128</u>	<u>\$ 2,055,859</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.

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.

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.

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>2018</u>	<u>2017</u>
Money market funds	\$ 2,094,661	\$ 2,039,728
Corporate bonds	998,387	855,439
Equity securities - domestic common stocks	432,662	529,343
Mutual funds - short-term bond	15,906	113,887
Balanced funds	16,155	16,855
Mutual funds - equities		
Small growth funds	22,613	23,997
Large growth funds	58,208	75,705
Small blend funds	36,953	42,537
Large blend funds	51,234	54,706
Foreign large growth funds	29,907	
Foreign large blend funds	27,887	26,177
Diversified emerging markets	25,345	26,782
Preferred stock		42,258
	<u>\$ 3,809,918</u>	<u>\$ 3,847,414</u>

Investments are reported in the statements of financial position as:

	<u>2018</u>	<u>2017</u>
Investments - current	\$ 2,769,661	\$ 2,770,121
Endowment investments	1,040,257	1,077,293
	<u>\$ 3,809,918</u>	<u>\$ 3,847,414</u>

Investment earnings (losses) consists of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 80,717	\$ 63,573
Realized and unrealized gains (losses)	(109,998)	62,481
Change in value of beneficial interest in assets held at the Seattle Foundation	(7,260)	7,361
	<u>\$ (36,541)</u>	<u>\$ 133,415</u>

Contributions and Bequests Receivable

Contributions and bequests receivable are primarily from individuals, businesses, and estates located in the Puget Sound region. Contributions and bequests receivable are expected to be collected within one year and 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, 2018 or 2017.

One contribution receivable represents 73% and 64% of total contributions and bequests receivable at December 31, 2018 and 2017, respectively.

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 \$21,008 of cash equivalents as of December 31, 2018. Gift annuity investments were composed of \$146 of cash equivalents and \$21,103 of short-term bond funds as of December 31, 2017. 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.

One bequest represented 26% of total support and revenue for 2018. Three bequests represented 49% of total support and revenue for 2017.

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

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 and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Occupancy is allocated based on estimates of the square footage of space supporting those functions. Personnel expenses, professional fees, marketing, printing and publications, event catering, purchased services, and other are allocated based on estimates of time and effort.

Income Taxes

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

Recent Accounting Pronouncement Adopted

During the year ended December 31, 2018, the Foundation adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and availability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability of resources note (see Note 2).

Subsequent Events

The Foundation has evaluated subsequent events through the date these financial statements were available to be issued, which was June 10, 2019.

Note 2. Liquidity and Availability of Resources

The Foundation strives to maintain liquid financial assets and reserves sufficient to cover at least 60 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and marketable securities with original maturities of less than one year.

Financial assets not available include investments held for endowments, a gift annuity, and net assets with donor restrictions for specific purposes.

The following table reflects the Foundation's financial assets as of December 31, 2018, available to meet general expenditures within one year of the financial position date:

Financial assets at year-end:	
Cash and cash equivalents	\$ 880,932
Investments	3,830,926
Contributions and bequests receivable	136,066
	<hr/>
	4,847,924
Less amounts not available to be used within one year:	
Endowment investments	(1,040,257)
Gift annuity investments	(21,008)
Net assets with purpose restrictions	(996,871)
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,789,788</u>

Note 3. 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 net assets with perpetual endowment restrictions as (a) the original value of gifts donated to the endowment, plus (b) the original value of subsequent gifts to the 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 endowment net assets with perpetual restrictions. The remaining portion of the donor-restricted endowment earnings are classified as unappropriated endowment earnings 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:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,040,257	\$ 1,040,257
Board-designated quasi-endowment funds			
Total funds	<u>\$ -</u>	<u>\$ 1,040,257</u>	<u>\$ 1,040,257</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,077,073	\$ 1,077,073
Board-designated quasi-endowment funds	220		220
Total funds	<u>\$ 220</u>	<u>\$ 1,077,073</u>	<u>\$ 1,077,293</u>

Changes in endowment net assets are as follows for the years ended December 31, 2018 and 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ 535	\$ 1,085,109	\$ 1,085,644
Interest and dividends	(2,192)	28,637	26,445
Realized and unrealized gains	1,877	35,327	37,204
Amounts appropriated and distributed		<u>(72,000)</u>	<u>(72,000)</u>
Endowment net assets, December 31, 2017	220	1,077,073	1,077,293
Interest and dividends		28,092	28,092
Realized and unrealized losses		(65,128)	(65,128)
Transfers	<u>(220)</u>	<u>220</u>	
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 1,040,257</u>	<u>\$ 1,040,257</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 the 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. As discussed below, during 2018, the Foundation suspended spending from the endowment until the underwater endowment has been recovered.

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 were \$21,268 at December 31, 2018, and were reported in net assets with donor restrictions (see also Note 1). There were no endowment funds with deficiencies at December 31, 2017. The Foundation has suspended spending appropriations on the endowment funds and expects future returns on investments to recover the deficiencies.

Note 4. 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, 2018 and 2017, was \$669,800 and \$1,014,519, respectively. The total amount payable to these organizations as of December 31, 2018 and 2017, was \$61,800 and \$22,057, respectively.

Note 5. 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, 2018 and 2017, the value recognized by the Foundation was \$60,676 and \$67,936, 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, 2018 and 2017, the value of this portion of the Fund (the portion not recognized) was \$56,009 and \$62,710, respectively.

Changes in the beneficial interest in assets held by the Seattle Foundation valued using Level 3 inputs for the years ended December 31 2018 and 2017, are as follows:

Balance at December 31, 2016	\$	60,575
Investment earnings		11,385
Distributions		<u>(4,024)</u>
Balance at December 31, 2017		67,936
Investment loss		(3,174)
Distributions		<u>(4,086)</u>
Balance at December 31, 2018	\$	<u><u>60,676</u></u>

Note 6. Leases

In 2017, the Foundation entered into a noncancelable lease for its operating space in Bellevue. The lease agreement expires on September 30, 2022. Rental expense under this lease was \$48,202 and \$25,372 in 2018 and 2017, respectively.

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

2019	\$	53,149
2020		54,987
2021		56,825
2022		<u>43,729</u>
	\$	<u><u>208,690</u></u>