

MEDIC ONE FOUNDATION

Financial Statements
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Medic One Foundation
Bellevue, Washington

Opinion

We have audited the accompanying financial statements of Medic One Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medic One Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Medic One Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter Regarding Change in Accounting Principles

As discussed in Note 1 to the financial statements, Medic One Foundation adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-02, Leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Medic One Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Amanda O'Rourke, CPA
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Medic One Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Medic One Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Greenwood Ohlund

Seattle, Washington
July 6, 2023

MEDIC ONE FOUNDATION

STATEMENTS OF FINANCIAL POSITION December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 907,678	\$ 580,696
Investments	5,859,126	4,699,929
Contributions and bequests receivable	46,200	105,900
Prepaid expenses and other assets	16,107	25,562
Total current assets	6,829,111	5,412,087
Endowment Investments	1,349,095	1,523,510
Beneficial Interest in Assets Held by The Seattle Foundation	65,300	82,570
Right-of-Use Asset - Operating Lease	182,270	-
Total assets	<u>\$ 8,425,776</u>	<u>\$ 7,018,167</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 39,384	\$ 16,968
Grants payable	518,364	126,862
Accrued wages and benefits	122,395	117,425
Operating lease liability	64,815	-
Total current liabilities	744,958	261,255
Operating Lease Liability, less current portion	117,942	-
Total liabilities	862,900	261,255
Net Assets		
Without donor restrictions	4,670,794	3,915,668
With donor restrictions	2,892,082	2,841,244
Total net assets	<u>7,562,876</u>	<u>6,756,912</u>
Total liabilities and net assets	<u>\$ 8,425,776</u>	<u>\$ 7,018,167</u>

See accompanying notes to financial statements.

MEDIC ONE FOUNDATION

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 2,085,493	\$ 476,134	\$ 2,561,627	\$ 1,523,885	\$ 419,622	\$ 1,943,507
Bequests	1,414,365	-	1,414,365	213,516	-	213,516
Special events	364,345	-	364,345	-	-	-
Special events - direct benefit to donor	(177,412)	-	(177,412)	-	-	-
Investment return	(290,386)	(148,788)	(439,174)	358,437	155,586	514,023
Net assets released from restrictions	276,508	(276,508)	-	178,149	(178,149)	-
Total support and revenue	3,672,913	50,838	3,723,751	2,273,987	397,059	2,671,046
Expenses						
Program services						
Paramedic training and continuing education	1,129,118	-	1,129,118	852,489	-	852,489
Community outreach	430,069	-	430,069	324,166	-	324,166
EMS scholarship program	28,677	-	28,677	34,297	-	34,297
Community CPR	28,339	-	28,339	50,048	-	50,048
EMS equipment	100,297	-	100,297	46,019	-	46,019
PulsePoint	15,364	-	15,364	146,917	-	146,917
EMT and firefighter mental health resilience	161,233	-	161,233	-	-	-
Special projects	185,338	-	185,338	35,423	-	35,423
Total program services	2,078,435	-	2,078,435	1,489,359	-	1,489,359
Management and general	323,225	-	323,225	340,797	-	340,797
Fundraising	516,127	-	516,127	455,168	-	455,168
Total expenses	2,917,787	-	2,917,787	2,285,324	-	2,285,324
Change in net assets	755,126	50,838	805,964	(11,337)	397,059	385,722
Net Assets, beginning of year	3,915,668	2,841,244	6,756,912	3,927,005	2,444,185	6,371,190
Net Assets, end of year	<u>\$ 4,670,794</u>	<u>\$ 2,892,082</u>	<u>\$ 7,562,876</u>	<u>\$ 3,915,668</u>	<u>\$ 2,841,244</u>	<u>\$ 6,756,912</u>

See accompanying notes to financial statements.

MEDIC ONE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2022

	Program Services								Total Program Services	Management and General	Fundraising	Total
	Paramedic Training and Continuing Education	Community Outreach	EMS Scholarship Program	Community CPR	EMS Equipment	PulsePoint	EMT and Firefighter Mental Health Resilience	Special Projects				
Grants and allocations	\$ 1,105,230	\$ -	\$ 28,000	\$ -	\$ 100,297	\$ 5,815	\$ -	\$ 184,838	\$ 1,424,180	\$ -	\$ -	\$ 1,424,180
Salaries and wages	-	250,638	-	-	-	-	50,228	-	300,866	127,134	175,867	603,867
Benefits and payroll taxes	-	83,135	-	-	-	-	92,400	250	175,785	42,951	53,636	272,372
Professional fees	4,181	12,309	-	1,725	-	7,000	16,981	-	42,196	39,925	160,889	243,010
Event catering, supplies and other	-	4,912	-	-	-	-	-	-	4,912	-	95,895	100,807
Marketing	8,725	22,370	254	2,295	-	1,657	-	250	35,551	372	55,430	91,353
Printing and publications	2,813	14,387	223	1,635	-	687	-	-	19,745	2,712	63,205	85,662
Occupancy	-	25,279	-	-	-	-	-	-	25,279	23,767	24,941	73,987
Equipment rental and maintenance	-	4,776	-	1,019	-	159	79	-	6,033	25,174	12,944	44,151
Postage	800	3,134	-	58	-	-	-	-	3,992	5,369	34,384	43,745
Purchased services	-	908	-	-	-	-	-	-	908	35,872	-	36,780
Miscellaneous	2,013	2,863	-	3,928	-	-	-	-	8,804	12,391	3,267	24,462
Supplies	139	829	-	10,757	-	9	852	-	12,586	2,826	4,625	20,037
Conferences and meetings	3,187	1,794	200	984	-	7	459	-	6,631	960	4,718	12,309
Telephone	-	1,200	-	3,307	-	-	-	-	4,507	3,394	3,392	11,293
Travel	2,030	1,535	-	2,631	-	30	234	-	6,460	378	346	7,184
Total expenses	1,129,118	430,069	28,677	28,339	100,297	15,364	161,233	185,338	2,078,435	323,225	693,539	3,095,199
Less: Special events - direct benefit to donor	-	-	-	-	-	-	-	-	-	-	(177,412)	(177,412)
	\$ 1,129,118	\$ 430,069	\$ 28,677	\$ 28,339	\$ 100,297	\$ 15,364	\$ 161,233	\$ 185,338	\$ 2,078,435	\$ 323,225	\$ 516,127	\$ 2,917,787

See accompanying notes to financial statements.

MEDIC ONE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2021

	Program Services										
	Paramedic Training and Continuing Education	Community Outreach	EMS Scholarship Program	Community CPR	EMS Equipment	PulsePoint	Special Projects	Total Program Services	Management and General	Fundraising	Total
Grants and allocations	\$ 845,541	\$ -	\$ 16,000	\$ -	\$ 46,019	\$ 146,917	\$ 2,500	\$ 1,056,977	\$ -	\$ -	\$ 1,056,977
Salaries and wages	-	205,000	13,125	26,250	-	-	18,358	262,733	128,996	147,152	538,881
Benefits and payroll taxes	-	65,241	4,162	8,324	-	-	5,593	83,320	56,544	50,417	190,281
Professional fees	908	9,437	-	200	-	-	2,300	12,845	34,495	78,427	125,767
Printing and publications	-	5,945	-	583	-	-	108	6,636	1,502	79,402	87,540
Marketing	1,909	12,643	985	6,131	-	-	1,359	23,027	2,827	36,688	62,542
Occupancy	-	20,440	-	-	-	-	-	20,440	21,781	17,314	59,535
Equipment rental and maintenance	-	1,838	25	684	-	-	-	2,547	33,753	7,055	43,355
Postage	-	994	-	-	-	-	60	1,054	5,849	33,152	40,055
Purchased services	-	-	-	-	-	-	88	88	27,084	-	27,172
Miscellaneous	2,027	179	-	3,482	-	-	1,908	7,596	16,990	1,885	26,471
Supplies	130	170	-	2,281	-	-	2,949	5,530	3,961	727	10,218
Telephone	-	2,067	-	1,248	-	-	-	3,315	2,958	2,761	9,034
Conferences and meetings	-	118	-	314	-	-	-	432	3,978	157	4,567
Travel	1,974	94	-	551	-	-	200	2,819	79	31	2,929
Total expenses	\$ 852,489	\$ 324,166	\$ 34,297	\$ 50,048	\$ 46,019	\$ 146,917	\$ 35,423	\$ 1,489,359	\$ 340,797	\$ 455,168	\$ 2,285,324

See accompanying notes to financial statements.

MEDIC ONE FOUNDATION

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 805,964	\$ 385,722
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Realized and unrealized gain on investments	559,457	(432,223)
Change in value of beneficial interests in assets held by The Seattle Foundation	17,270	(7,987)
Amortization of right-of-use asset - operating lease	16,570	-
Changes in operating assets and liabilities:		
Contributions and bequests receivable	59,700	266,090
Prepaid expenses and other assets	9,455	11,211
Accounts payable	22,416	(20,786)
Grants payable	391,502	89,095
Accrued wages and benefits	4,970	(24,681)
Operating lease liability	(16,083)	-
Net cash flows from operating activities	1,871,221	266,441
Cash Flows from Investing Activities		
Purchases of investments	(2,294,239)	(972,360)
Sales of investments	750,000	672,839
Net cash flows from investing activities	(1,544,239)	(299,521)
Net change in cash and cash equivalents	326,982	(33,080)
Cash and Cash Equivalents, beginning of the year	580,696	613,776
Cash and Cash Equivalents, end of the year	\$ 907,678	\$ 580,696

See accompanying notes to financial statements.

MEDIC ONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

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 nearly 50 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 primary source of support for the world-renowned Michael K. Copass Paramedic Training Program. Through private support, the Foundation 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's lifesaving treatments, from its early advances in response time to its 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 a 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 two to three times greater than other communities.

The Foundation values community involvement and encourages citizens to learn CPR. Through our community outreach program, the Foundation provides certified adult, child, and infant CPR/AED, and First Aid training, as well as hand-only CPR. This program provides the lifesaving skills and knowledge necessary when responding to a sudden cardiac arrest.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

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

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

MEDIC ONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

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, composed of cash and cash equivalents, held for the charitable gift annuity are \$21,268 and \$21,258 at December 31, 2022 and 2021, respectively, and are reported within investments on the statements of financial position. The corresponding liability of \$7,299 and \$8,489 at December 31, 2022 and 2021, respectively, for the expected annuity payments is reported at the estimated present value of future cash outflows based on appropriate discount rates and mortality tables. The liability is included within accounts payable on the statements of financial position.

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MEDIC ONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Investments

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

	2022	2021
Cash and cash equivalents	\$ 2,389,125	\$ 1,655,145
Certificates of deposit	149,778	-
Corporate bonds	138,785	287,437
Government bonds	1,016,932	-
Bond mutual funds	874,658	1,303,729
Equity mutual funds	1,784,830	1,023,871
Domestic common stocks	854,113	1,953,257
	\$ 7,208,221	\$ 6,223,439

Investments are reported in the statements of financial position as follows at December 31:

	2022	2021
Investments - current	\$ 5,859,126	\$ 4,699,929
Endowment investments	1,349,095	1,523,510
	\$ 7,208,221	\$ 6,223,439

Investment return consist of the following for the years ended December 31:

	2022	2021
Interest and dividends, net of fees	\$ 114,906	\$ 77,423
Realized and unrealized gains (losses)	(559,457)	432,223
Change in value of beneficial interest in assets held by The Seattle Foundation	5,377	4,377
	\$ (439,174)	\$ 514,023

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, 2022 or 2021.

MEDIC ONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 (including those from special events) 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.

Contributions from three donors represented 51% of total support and revenue for 2022. Contributions from one donor represented 16% of total public support and revenue for 2021.

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.

Net Assets Without and With Donor Restrictions

Net assets without donor restrictions are available for support of the Foundation's operations. Certain net assets without donor restrictions are designated by the Board of Directors to support long-term purposes (a quasi-endowment, see Note 3).

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with temporary donor restrictions that are temporary in nature are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met. Contributions and investment gains are reported as without donor restrictions if donor restrictions are met in the year the contribution, or the investment gain, is earned.

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MEDIC ONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Net assets with purpose restrictions		
Paramedic training:		
General	\$ 93,582	\$ 28,280
Michael K. Copass, MD Fund for Paramedic Training	176,742	173,742
Paramedic training room equipment	3,396	5,678
Emerald Heights Fund	12,760	2,275
Mirabella Fund	45,219	24,419
Emergency Equipment Fund:		
General	745	1,510
CPR equipment	4,188	7,817
W. Hunter Simpson Fund	517,697	517,697
Strategic Planning	264,000	-
Redmond Fire ALS Fund	197,553	196,794
Mental Health Resilience Fund	166,565	327,799
Leonard A. Cobb, MD Fund	53,368	50,868
Chief Jack N. Richards Memorial Fund	31,030	31,280
Pulsepoint Fund	15,000	-
EMT Scholarship Fund	4,257	15,200
Gratitude Meals Program	4,152	4,375
EMS Research	1,850	100
Total purpose restrictions	1,592,104	1,387,834
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	326,928	326,928
Medic One Foundation General Endowment Fund	169,058	169,058
Total perpetual endowment restrictions	1,094,652	1,094,652
Unappropriated endowment earnings:		
Natcher & Clementine Casey Paramedic Scholarship Endowment Fund	84,985	137,291
Natcher & Clementine Casey Equipment Endowment Fund	87,127	139,433
Mary N. Stowe Endowment Fund for Paramedic Training	7,441	56,261
Medic One Foundation General Endowment Fund	25,773	25,773
Total unappropriated endowment earnings	205,326	358,758
	\$ 2,892,082	\$ 2,841,244

MEDIC ONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

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. Salaries, benefits and payroll taxes, professional fees, event catering, supplies and other, marketing, printing and publications, and others 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.

Recently Adopted Accounting Standards

FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. This new standard increases transparency and comparability among organizations. The most prominent change required by the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On January 1, 2022, the Foundation adopted the lease accounting standard and has elected to apply the provisions of this standard to the beginning of the period of adoption using a modified retrospective method of application to all leases existing on January 1, 2022. The adoption of this standard did not result in an adjustment to beginning net assets.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption.

Leases

The Foundation determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statements of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

MEDIC ONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The Foundation has elected to recognize payments for short-term leases with terms of 12 months or less as expense as incurred, and these leases are not included as ROU assets or lease liabilities on the statements of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

The Foundation has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Reclassifications

Certain prior year balances have been reclassified in order 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 July 6, 2023.

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, 2022 and 2021, available to meet general expenditures within one year of the financial position date:

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 907,678	\$ 580,696
Investments	7,208,221	6,223,439
Contributions and bequests receivable	46,200	105,900
	<u>8,162,099</u>	<u>6,910,035</u>
Less: Amounts Not Available to be Used Within One Year		
Endowment investments	(1,349,095)	(1,523,510)
Net assets with purpose restrictions	(1,592,104)	(1,387,834)
	<u>\$ 5,220,900</u>	<u>\$ 3,998,691</u>

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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 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

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Time and Purpose Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, December 31, 2020	\$ 57,606	\$ 290,777	\$ 1,084,077	\$ 1,432,460
Investment return	12,494	145,011	10,575	168,080
Appropriations for expenditure	-	(77,030)	-	(77,030)
Endowment net assets, December 31, 2021	70,100	358,758	1,094,652	1,523,510
Investment return	(20,983)	(148,788)	-	(169,771)
Appropriations for expenditure	-	(4,644)	-	(4,644)
Endowment net assets, December 31, 2022	<u>\$ 49,117</u>	<u>\$ 205,326</u>	<u>\$ 1,094,652</u>	<u>\$ 1,349,095</u>

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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.

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. There were no endowment funds with deficiencies at December 31, 2022 or 2021.

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, 2022 and 2021, was \$1,076,563 and \$821,000, respectively. The total amount payable to these organizations as of December 31, 2022 and 2021, was \$500,986 and \$0, respectively.

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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 without donor restriction. 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, 2022 and 2021, the value recognized by the Foundation was \$65,300 and \$82,570, respectively.

Changes in the beneficial interest in assets held by The Seattle Foundation valued using Level 3 inputs for the years ended December 31, 2022 and 2021, are as follows:

Balance, December 31, 2020	\$	74,583
Investment return		12,364
Distributions		<u>(4,377)</u>
Balance, December 31, 2021		82,570
Investment return		(11,893)
Distributions		<u>(5,377)</u>
Balance, December 31, 2022	\$	<u><u>65,300</u></u>

Note 6 – Lease Obligation

In 2017, the Foundation entered into a noncancelable lease for its operating space in Bellevue. The lease agreement expired on September 30, 2022 and was renewed through September 2025.

The Foundation has recognized operating lease ROU assets and corresponding operating lease liabilities representing the payments required under the lease through maturity. Operating lease costs under these leases totaled \$60,299 and \$59,535 for the years ended December 31, 2022 and 2021, respectively, and are included within occupancy in the statement of functional expenses. Net operating cash flows for the renewed operating lease totaled \$16,083 during the year ended December 31, 2022. ROU assets obtained in exchange for new operating lease liabilities totaled \$198,840 during the year ended December 31, 2022.

A maturity analysis of annual cash flows for lease liabilities as of December 31, 2022, is as follows:

2023	\$	64,815
2024		66,759
2025		<u>51,183</u>
	\$	<u><u>182,757</u></u>

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The operating lease liability is presented in the statement of financial position as follows at December 31, 2022:

Operating lease liability (a current liability)	\$	64,815
Operating lease liability, less current portion		<u>117,942</u>
	\$	<u>182,757</u>