

SEATTLE'S BRAVEST CHARITY
(a Washington nonprofit corporation)

Financial Statements
with Independent Auditor's Report

Year ended December 31, 2018

SEATTLE'S BRAVEST CHARITY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seattle's Bravest Charity
Seattle, WA 98119

Report on Financial Statements

We have audited the accompanying financial statements of Seattle's Bravest Charity ("Seattle's Bravest"), a Washington nonprofit organization, which comprise of the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year 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 of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Seattle's Bravest Charity as of December 31, 2018 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.

Huddleston Tax CPAs
September 30, 2020

SEATTLE'S BRAVEST CHARITY
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 192,450
Investments	<u>1,173,921</u>

TOTAL ASSETS **\$1,366,371**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ <u>2,251</u>
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TOTAL LIABILITIES 2,251

NET ASSETS:

Unrestricted - community/area of interest	430,032
Temporarily restricted	107,164
Permanently restricted - scholarship fund	<u>826,924</u>

TOTAL NET ASSETS 1,364,120

TOTAL LIABILITIES AND NET ASSETS **\$1,366,371**

The accompanying notes are an integral part of these financial statements

SEATTLE'S BRAVEST CHARITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES AND OTHER SUPPORT				
Contributions	\$ 88,644	\$ -	\$ 38,624	\$ 127,268
Pipes, Drums, Honor Guard - dues	-	6,550	-	6,550
Donated facilities and supplies	4,800	-	-	4,800
Other revenues:				
Special events - fundraising	10,513	-	-	10,513
Less direct benefit to attendees	(7,129)	-	-	(7,129)
Merchandise sales	-	23,404	-	23,404
Less costs attributed to sales	-	(6,467)	-	(6,467)
Net operating revenues	<u>96,828</u>	<u>23,487</u>	<u>38,624</u>	<u>158,939</u>
Investment income				
Dividends and interest, net of fees	13,047	21,500	1,345	35,892
Net realized and unrealized gains (losses) on investments	(42,436)	-	(76,529)	(118,965)
Net investment income (losses)	<u>(29,389)</u>	<u>21,500</u>	<u>(75,184)</u>	<u>(83,073)</u>
Revenues, gains (losses) and other support	67,439	44,987	(36,560)	75,866
Net assets released from restrictions:				
Expiration of time and purpose	21,500	(21,500)	-	-
Board designated - transfer between funds	<u>12,209</u>	<u>(27,209)</u>	<u>15,000</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>101,148</u>	<u>(3,722)</u>	<u>(21,560)</u>	<u>75,866</u>
EXPENSES				
Program services:				
Public support	19,250	-	-	19,250
Scholarships	21,500	-	-	21,500
Pipes, Drums, Honor Band	<u>38,187</u>	<u>-</u>	<u>-</u>	<u>38,187</u>
Total program services	78,937	-	-	78,937
Management and general	<u>10,849</u>	<u>-</u>	<u>-</u>	<u>10,849</u>
Total expenses	<u>89,786</u>	<u>-</u>	<u>-</u>	<u>89,786</u>
CHANGE IN NET ASSETS	11,362	(3,722)	(21,560)	(13,920)
NET ASSETS, BEGINNING OF YEAR	<u>418,670</u>	<u>110,886</u>	<u>848,484</u>	<u>1,378,040</u>
NET ASSETS, END OF YEAR	<u>\$ 430,032</u>	<u>\$ 107,164</u>	<u>\$ 826,924</u>	<u>\$1,364,120</u>

The accompanying notes are an integral part of these financial statements

SEATTLE'S BRAVEST CHARITY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Public</u> <u>support</u>	<u>Scholar-</u> <u>ships</u>	<u>Pipes &</u> <u>Drums</u>	<u>Mgmt</u> <u>General</u>	<u>Total</u>
Scholarships	\$ -	\$ 21,500	\$ -	\$ -	\$ 21,500
Financial assistance	8,750	-	-	-	8,750
Firefighter assistance	4,250	-	-	-	4,250
Memorials, Line of Duty Deaths	6,250	-	-	-	6,250
Band instructor	-	-	3,950	-	3,950
Conventions and meetings	-	-	21,903	-	21,903
Uniform and related costs	-	-	12,334	-	12,334
Professional fees	-	-	-	4,355	4,355
Occupancy	-	-	-	4,800	4,800
Insurance	-	-	-	1,209	1,209
Supplies and related costs	-	-	-	295	295
Business license and fees	-	-	-	190	190
Direct costs:					
Fundraising events	4,049	-	3,080	-	7,129
Administrative support	-	-	-	-	-
Merchandise sales	<u>-</u>	<u>-</u>	<u>6,467</u>	<u>-</u>	<u>6,467</u>
Total expenses	23,299	21,500	47,734	10,849	103,382
Direct benefit to attendees	(4,049)	-	(3,080)	-	(7,129)
Merchandise - cost of goods	<u>-</u>	<u>-</u>	<u>(6,467)</u>	<u>-</u>	<u>(6,467)</u>
Total	<u>\$ 19,250</u>	<u>\$ 21,500</u>	<u>\$ 38,187</u>	<u>\$ 10,849</u>	<u>\$ 89,786</u>

The accompanying notes are an integral part of these financial statements

SEATTLE'S BRAVEST CHARITY

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change In Net Assets	\$(13,920)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net realized and unrealized (gain) loss on investments	118,965
Donated securities - Scholarship Fund	(38,624)
Increase (decrease) in accounts payable and accrued expenses	<u>2,181</u>
Net Cash Provided by Operating Activities	<u>68,602</u>

CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES

Proceeds from sale of investments	180,744
Purchase of investments	<u>(147,673)</u>

Net Cash Provided by Investing Activities **33,071**

Net Increase In Cash and Cash Equivalents **101,673**

Cash and Cash Equivalents, Beginning of Year 90,777

Cash and Cash Equivalents, End of Year **\$ 192,450**

Supplemental Disclosure of Cash Flow information:

Contribution of Securities to Scholarship Fund \$ 38,624

In-kind Contribution/Occupancy Credit \$ 4,800

The accompanying notes are an integral part of these financial statements

SEATTLE'S BRAVEST CHARITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Seattle's Bravest Charity, ("Seattle's Bravest, we, us, or our") a Washington nonprofit corporation, was created in March 1995 following the deaths of four Seattle Firefighters: Lt. Walter Kilgore, Lt. Greg Shoemaker, Firefighter Randy Terlicker, and Firefighter James Brown, who perished fighting the Pang Warehouse arson fire. Due to the overwhelming generosity of the community, over \$500,000 was donated to care for the families of the fallen. We were originally known as Seattle Firefighter's Benevolent Association, and have since grown into an organization with a broad scope, providing multifaceted support to the community and beyond. We help victims made homeless by fire; donating clothing and similar goods to children in need; sponsoring little leagues throughout Seattle; and contributing to large scale disasters. We also administer a Catastrophic Fund to assist firefighters who are catastrophically injured on the job and will not return to work; we also provide financial assistance for Seattle firefighters incurring hospice care.

Additionally, due to the generous and ongoing donations from a retired firefighter, we manage a scholarship fund for children and grand-children of Seattle firefighters. In addition, we provide funding to build and maintain the Firefighter Memorial in Seattle's Pioneer Square; provide support for the Walter Kilgore Honor Guard; and sponsor the Seattle Firefighter's Pipes and Drums band.

We are run by a volunteer board of seven directors, serving without compensation, all of whom are Seattle Firefighters.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The following is a summary of significant accounting policies followed by us in the preparation of the financial statements:

Basis of Presentation. Our financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit entities. In accordance with financial accounting standards, we are required to report our financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are available as follows:

Unrestricted net assets are available without restriction, or on which donor-imposed restrictions have expired, and are available to support Seattle's Bravest programs and operations.

Temporarily restricted net assets are net assets subject to donor-imposed restrictions that will be met either by actions of our Board of Directors or the passage of time. Additionally, items that affect this net asset category are gifts for which a time restriction has not been met and, as such, are not yet available for use as designated by the donor. To the extent required to meet funding requirements net earnings (loss) generated by restricted funds are included as Temporarily Restricted Net Assets.

SEATTLE'S BRAVEST CHARITY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED).

Permanently restricted net assets are gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for specified program purposes. In 2016, we adopted the policy to utilize not more than 75% of the net earnings of the fund or \$21,500 in scholarships should net earnings in the Scholarship Fund fall short of this targeted amount.

Temporarily Restricted Net Assets. As of December 31, 2018 we have specifically designated some of our net assets as Temporarily Restricted:

David H. Jacobs Foundation	\$ 85,396
Seattle Firefighters Pipes & Drums	15,216
Walter E. Kilgore Honor Guard	<u>6,552</u>
Total	<u>\$ 107,164</u>

Permanently Restricted Net Assets. By agreement with the donor certain assets have been specifically restricted in use as set forth in an agreement between the donor and us. The balance as of December 31, 2018:

M. Kenneth Hoefner Scholarship Fund	\$ <u>826,924</u>
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Revenues. Revenues are reported as increases in unrestricted net assets unless the use of the related asset is limited by donor-imposed restrictions.

Expenses. Expenses are reported as decreases in unrestricted net assets, temporarily or permanently restricted net assets dependent on the class and nature of such expenditure.

Cash and Cash Equivalents. For purposes of the statement of cash flows, we consider all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included in investments are considered to be cash.

Investments. Investment in equity securities with readily determinable fair values and all investment in debt securities are measured at fair value. Investments in securities traded on organized securities exchanges are valued at the closing price on the last business day of the year. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is probable that changes in values may occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

SEATTLE'S BRAVEST CHARITY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED).

Fair Value Measurements. Assets and liabilities recorded in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of the investments was determined using the Level 1 observable market inputs (within the fair value hierarchy) consisting of quoted prices in active markets for identical assets. At December 31, 2018 we have no securities classified as Level 2 or Level 3.

Investment income or loss, including unrealized gains or losses on investments, interest, dividends, net of investment advisory fees, is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is generated by a temporarily restricted fund.

Our policy is to invest in money-market accounts, certificates of deposit, equity securities, short and intermediate term debt, and bond or equity mutual funds.

Revenue Recognition. Contributions, grants and fundraising activities are recognized as revenues in the period we are notified of the commitment by the donor, usually concurrent with the receipt of funds, or upon completion of the event.

Depending on the source or nature of contributions and grants they are recorded as unrestricted, temporarily restricted, or permanently restricted support. Contributions to the Scholarship Endowment are recorded as permanently restricted in accordance with the donor's requirements.

Donated Assets and Services. Donations of supplies, services and facilities are recorded as revenue at the estimated fair value at the date of donation and as a contra to the appropriate expense. Seattle Fire Fighters Union Local 27 provided donated services and facilities at an estimated value of \$4,800 during the year ended December 31, 2018.

We benefit from significant personal services provided by our board members and volunteers. The resulting donation of significant time and services towards program operations and fundraising campaigns is central to meeting our mission. We have chosen to not recognize the value of these services in our statement of activities.

Concentrations of Risks. Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation limits. We deposit our funds with high quality financial institutions; accordingly, we believe Seattle's Bravest is not exposed to significant credit risk on those amounts.

Our investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. It is reasonably possible that changes in the values of these investments could

SEATTLE'S BRAVEST CHARITY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED).

occur in the near term and such changes could materially affect the amounts reported in the financial statements. Our investments do not represent significant concentrations of risk in as-much-as our investment portfolio is adequately diversified among issuers, industries and geographic regions.

We receive the majority of our contributions from corporations, foundations and individuals located in the greater Seattle metropolitan area. An economic downturn could cause a decrease in contributions while that coincides with an increase in demand for our services.

Federal Income Taxes. Seattle's Bravest is a State of Washington not-for-profit corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. We have made no provision for income tax in the accompanying financial statements as we have no activities subject to unrelated business income tax. We are not classified as a private foundation. Tax years ending 2013 and prior are closed to audit for both federal and state purposes. As of December 31, 2018, no liability has been recorded for uncertain tax positions, or related interest or penalties.

Long-lived Assets. We have given consideration to the Financial Accounting Standards Board (FASB) Statement No.144, *Accounting for the Impairment or Disposal of Long-Lived Assets* in the presentation of these financial statements. As of December 31, 2018 management assessed the carrying value of its Long-lived Assets (Property and Equipment) to be held and used and found no impairment in use or value.

Use of Estimates. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and disbursements during the reporting period. Actual results could differ from those estimates.

NOTE 3 UNRESTRICTED CASH AND CASH EQUIVALENTS.

We consider all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents. Cash for purposes of the statement of cash flows includes funds held in cash in our investment account. Unrestricted cash and cash equivalents at December 31, 2018 are as follows:

JP Morgan Chase - checking	\$ 1,002
Charles Schwab Institutional - money market	<u>191,450</u>
Total cash and cash equivalents	<u>\$ 192,452</u>

SEATTLE'S BRAVEST CHARITY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2018

NOTE 4 INVESTMENTS.

Investments held by Charles Schwab Institutional, carried at fair value based on quoted market prices, at December 31, 2018 consist of the following:

	<u>General</u>	<u>Catastro- phic</u>	<u>Pipes & Drums</u>	<u>Honor Guard</u>	<u>Dave Jacobs</u>	<u>Scholar- ship</u>	<u>Total Investments</u>
Equities	\$ 29,534	\$ 13,082	\$ -	\$ -	\$ 9,446	\$ 98,308	\$ 150,370
Bond funds	76,568	47,440	-	-	27,462	300,748	452,218
Equity funds	49,276	23,397	-	-	13,016	148,900	234,589
Mutual funds - other	<u>63,313</u>	<u>35,743</u>	<u>-</u>	<u>-</u>	<u>20,765</u>	<u>216,923</u>	<u>336,744</u>
Total investments	218,691	119,662	-	-	70,689	764,879	1,173,921
Money market balances	<u>65,254</u>	<u>27,676</u>	<u>15,216</u>	<u>6,552</u>	<u>14,707</u>	<u>62,045</u>	<u>191,450</u>
Total account value	<u>283,945</u>	<u>\$ 147,338</u>	<u>\$ 15,216</u>	<u>\$ 6,552</u>	<u>\$ 85,396</u>	<u>\$ 826,924</u>	<u>\$ 1,365,371</u>

Net investment return (loss) for the year ended December 31, 2018 is as follows:

Interest and dividend income	\$ 46,707
Realized and unrealized gains (losses)	(118,965)
Investment advisory fees	<u>(10,997)</u>
Total investment return (loss)	<u>\$ (83,255)</u>

NOTE 5 PROPERTY AND EQUIPMENT.

Property, equipment and acquired software are stated at cost. Assets, if any, with a cost in excess of \$500 and a useful life of at least two years are considered for capitalization. Depreciation/amortization, if required, is calculated using the straight-line method over the estimated useful lives of the assets. At December 31, 2018, we have no property, equipment or software requiring capitalization.

NOTE 6 ENDOWMENT.

Seattle's Bravest utilized donor restricted funds to establish the M. Kenneth Hoefner Scholarship Fund. Endowments in Washington State are governed by the "Uniform Prudent Management of Institutional Funds Act," (UPMIFA) as stated in the Revised Code of Washington (RCW 24.55). The RCW provides that, unless stated otherwise in endowment gift instruments, no portions of donor-restricted endowments will be shown as unrestricted net assets other than amounts appropriated for spending in the current year, or negative endowment earnings to date.

Seattle's Bravest has interpreted UPMIFA as requiring the preservation of the fair value of the original gift(s) as of the date received absent explicit donor stipulations to the contrary. As a result of this interpretation, Seattle's Bravest classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is

SEATTLE'S BRAVEST CHARITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 December 31, 2018

NOTE 6 ENDOWMENT (CONTINUED).

classified as temporarily restricted net assets.

Occasionally, the fair value of the assets associated with donor-restricted endowment funds may fall below the amount recorded as permanently restricted net assets. Future appreciation of investments generally restores the value to the required level. In calendar year 2011, due to a substantial market correction, the fund went "underwater" by \$124,552. In order to maintain liquidity in the operation of Seattle's Bravest, the Board of Directors, at that time, transferred this amount from the restricted net assets to unrestricted net assets. As of December 31, 2018 the donor restricted fund had fair values less than the amount of the original gifts (the permanently restricted portion of the fund). On this date the fund was "underwater" in the amount of \$130,840.

We have adopted an investment and spending policy for the Fund designed to provide reasonable spending in support of the objectives of the donor, while maintaining the purchasing power of the endowment over the long term. To achieve these objectives, endowment assets are invested in a well-diversified, balanced portfolio intended to capture the broad market return. This means the portfolio assumes moderate investment risk consistent with the broad market.

We utilize a total return strategy, with investment returns achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). In that Seattle's Bravest seeks to balance current spending with maintenance of purchasing power over the long term, the asset allocation of the portfolio favors equity investments, but within an overall balanced portfolio.

Scholarship Fund net assets as of December 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds				
M. Kenneth Hoefner Scholarship Fund	\$ -	\$ -	\$ 826,924	\$ 826,924
Change in net assets for the year ended				
December 31, 2018:				
Endowment net assets, beginning of year	\$ -	\$ -	\$ 848,484	\$ 848,484
Additional contribution to fund	-	-	38,624	38,624
Transfer from Unrestricted Assets	-	-	15,000	15,000
Investment return:				
Dividends and interest income	-	21,500	8,231	29,731
Net gains (losses)	-	-	(76,529)	(76,529)
Investment fees	-	-	(6,886)	(6,886)
Total investment return	-	21,500	(75,184)	(53,684)
Appropriation of permanently restricted endowment assets for expenditure	-	-	-	-
Funding of scholarships	<u>21,500</u>	<u>(21,500)</u>	<u>-</u>	<u>(21,500)</u>
Endowment net assets, end of year	<u>n/a</u>	<u>\$ -</u>	<u>\$ 826,924</u>	<u>\$ 826,924</u>

SEATTLE'S BRAVEST CHARITY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2018

NOTE 7 LITIGATION AND CONTINGENCIES.

In the opinion of management, there are no claims, pending or asserted, that will have a material adverse effect on Seattle's Bravest financial position.

NOTE 8 SUBSEQUENT EVENTS.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. We cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial position, results of activities, and cash flows in fiscal 2018.

For purposes of disclosure, Seattle's Bravest evaluated all subsequent events between the end of its most recent year through September 30, 2020, the date the financial statements were available to be issued.