

ANGEL FLIGHT WEST, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

ANGEL FLIGHT WEST, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Angel Flight West, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Angel Flight West, Inc., which comprise 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 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 Angel Flight West, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Angel Flight West, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

April 11, 2019
Los Angeles, California

ANGEL FLIGHT WEST, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

With Summarized Totals at December 31, 2017

ASSETS	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash and Cash Equivalents [Note 2(c)]	\$ 638,783	\$ 215,244	\$ 854,027	\$ 583,830
Investments [Notes 2(d) and 3]	1,030,659	-	1,030,659	1,194,942
Contributions Receivable [Note 2(e)]	108,293	-	108,293	91,137
Bequest Receivable [Note 2(f)]	300,577	-	300,577	-
Prepaid Expenses	65,776	-	65,776	91,551
Property and Equipment (Net) [Notes 2(g) and 4]	86,006	-	86,006	81,738
TOTAL ASSETS	\$ 2,230,094	\$ 215,244	\$ 2,445,338	\$ 2,043,198
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 14,128	\$ -	\$ 14,128	\$ 24,447
Accrued Expenses [Note 5]	60,247	-	60,247	62,830
Deferred Income	12,000	-	12,000	16,000
TOTAL LIABILITIES	86,375	-	86,375	103,277
NET ASSETS:				
Without Donor Restrictions [Notes 2(b), 7 and 9]	2,143,719	-	2,143,719	1,528,888
With Donor Restrictions [Notes 2(b) and 8]	-	215,244	215,244	411,033
TOTAL NET ASSETS	2,143,719	215,244	2,358,963	1,939,921
TOTAL LIABILITIES AND NET ASSETS	\$ 2,230,094	\$ 215,244	\$ 2,445,338	\$ 2,043,198

The Accompanying Notes are an Integral Part of These Financial Statements

ANGEL FLIGHT WEST, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

With Summarized Totals for the Year Ended December 31, 2017

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE, SUPPORT AND OTHER INCOME (LOSS):				
Donated Private Aircraft [Note 2(i)]	\$ 6,866,987	\$ -	\$ 6,866,987	\$ 6,080,673
Donated Commercial Airlines [Note 2(i)]	590,505	-	590,505	553,908
Contributions	763,479	26,304	789,783	662,622
Bequests	345,577	-	345,577	22,230
Grants	14,500	303,000	317,500	444,800
Donated Flight Services [Note 2(i)]	405,624	-	405,624	370,720
Special Events (Net of Benefit to Donor Costs of \$246,881 in 2018)	595,349	15,000	610,349	502,131
Other Donated Professional Services and Goods [Note 2(i)]	10,000	-	10,000	9,750
Promotional Events	6,424	-	6,424	7,659
Other Income	4,356	-	4,356	1,738
Investment Income (Loss)	(61,729)	-	(61,729)	118,770
Net Assets Released from Donor Restrictions	540,093	(540,093)	-	-
TOTAL REVENUE, SUPPORT, AND OTHER INCOME (LOSS)	10,081,165	(195,789)	9,885,376	8,775,001
OPERATING EXPENSES:				
Program Services	8,640,779	-	8,640,779	7,780,911
Management and General	190,253	-	190,253	206,342
Fundraising	635,302	-	635,302	517,207
TOTAL OPERATING EXPENSES	9,466,334	-	9,466,334	8,504,460
CHANGE IN NET ASSETS	614,831	(195,789)	419,042	270,541
Net Assets - Beginning of Year	1,528,888	411,033	1,939,921	1,669,380
NET ASSETS - END OF YEAR	\$ 2,143,719	\$ 215,244	\$ 2,358,963	\$ 1,939,921

The Accompanying Notes are an Integral Part of These Financial Statements

ANGEL FLIGHT WEST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

With Summarized Totals for the Year Ended December 31, 2017

	2018								2017 Total
	Program Services				Total	Support Services			
	Mission Operations	Outreach Services	Pilot Services	Other Programs		Management and General	Fundraising	Total	
Salaries	\$ 161,409	\$ 101,925	\$ 63,947	\$ 28,836	\$ 356,117	\$ 42,770	\$ 183,930	\$ 582,817	\$ 547,534
Employee Benefits	24,557	15,507	9,729	4,387	54,180	6,507	27,984	88,671	74,154
Payroll Taxes	13,335	8,421	5,283	2,382	29,421	3,534	15,196	48,151	45,317
TOTAL PERSONNEL COSTS	199,301	125,853	78,959	35,605	439,718	52,811	227,110	719,639	667,005
Bank Charges	-	-	-	-	-	15,268	-	15,268	14,777
Conferences and Meetings	1,152	10,751	18,282	206	30,391	525	2,361	33,277	42,726
Depreciation [Note 4]	16,329	5,847	3,668	1,654	27,498	2,453	10,551	40,502	51,399
Donated Commercial Airlines [Note 2(i)]	590,505	-	-	-	590,505	-	-	590,505	553,908
Donated Flight Services [Note 2(i)]	405,624	-	-	-	405,624	-	-	405,624	370,720
Donated Private Aircraft [Note 2(i)]	6,866,987	-	-	-	6,866,987	-	-	6,866,987	6,080,673
Fundraising Event Expenses	-	-	-	-	-	-	232,469	232,469	174,543
Grant Writing Expense	-	-	-	-	-	-	41,915	41,915	34,820
Grants to Organizations	-	-	22,142	-	22,142	-	-	22,142	30,000
Insurance	12,121	1,102	691	312	14,226	462	1,988	16,676	15,339
Miscellaneous	3,236	2,692	1,257	517	7,702	2,645	4,909	15,256	10,280
Occupancy [Note 6]	20,040	12,654	7,939	3,580	44,213	5,310	22,836	72,359	69,112
Office Supplies	3,528	5,786	2,991	1,904	14,209	1,992	4,055	20,256	31,586
Postage and Printing	1,668	7,875	698	317	10,558	442	21,591	32,591	28,136
Professional Services	9,103	25,024	50,523	18,994	103,644	105,550	49,869	259,063	285,063
Program Expenses	6,272	538	-	-	6,810	-	-	6,810	3,237
Telephone and Internet	6,528	4,489	3,316	620	14,953	919	7,744	23,616	17,143
Travel and Lodging	1,153	19,346	20,894	206	41,599	1,876	7,904	51,379	23,993
TOTAL FUNCTIONAL EXPENSES	\$ 8,143,547	\$ 221,957	\$ 211,360	\$ 63,915	\$ 8,640,779	\$ 190,253	\$ 635,302	\$ 9,466,334	8,504,460
					91%	2%	7%	100%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

ANGEL FLIGHT WEST, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

With Summarized Totals for the Year Ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 419,042	\$ 270,541
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	40,502	51,399
Stock Donations Received	(44,490)	(121,717)
Realized and Unrealized Gains (Losses) on Investments	92,251	(96,958)
(Increase) Decrease in:		
Contributions Receivable	(17,156)	44,459
Bequest Receivable	(300,577)	-
Prepaid Expenses	25,775	(53,531)
Increase (Decrease) in:		
Accounts Payable	(10,319)	2,156
Accrued Expenses	(2,583)	19,481
Deferred Income	(4,000)	16,000
	198,445	131,830
 NET CASH PROVIDED BY OPERATING ACTIVITIES		
	198,445	131,830
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	721,092	1,953,367
Purchase of Investments	(580,946)	(2,470,730)
Reinvested Interest and Dividends	(23,624)	(15,660)
Purchase of Property and Equipment	(44,770)	(60,601)
	71,752	(593,624)
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
	71,752	(593,624)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	270,197	(461,794)
Cash and Cash Equivalents - Beginning of Year	583,830	1,045,624
 CASH AND CASH EQUIVALENTS - END OF YEAR		
	\$ 854,027	\$ 583,830

The Accompanying Notes are an Integral Part of These Financial Statements

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - NATURE OF ORGANIZATION

Angel Flight West, Inc. (AFW) is a nonprofit, volunteer-driven organization that arranges free, non-emergency air travel for children and adults with serious medical conditions and other compelling needs. As of December 31, 2018 AFW's network of 3801 members, including 1596 Command Pilots, throughout the thirteen western states donate their aircraft, piloting skills, and all flying costs to help families in need, enabling them to receive vital treatment that might otherwise be inaccessible because of financial, medical or geographic limitations.

When weather or other conditions keep the pilots on the ground, AFW does its best to arrange alternate transportation, such as flights donated by Alaska Airlines and other commercial airline partners, or by occasionally purchasing tickets through AFW's Passenger Assistance Fund. In 2018, AFW arranged 7,508 flights and flew 4,809 flights.

In addition to medical flights, AFW arranges transportation for other humanitarian purposes such as individuals and families escaping domestic violence; injured soldiers taking part in therapeutic programs offered by the Wounded Warrior Project and other veterans' organizations; and prospective parents hoping to adopt a child. AFW also serves as the "official airline" for a number of children's special needs camps attended by youngsters and teens from throughout the AFW service area.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The financial statements of AFW have been prepared utilizing the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for a board designated endowment and a short term reserve fund. See Note 7.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 8.

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash equivalents approximates its fair value at December 31, 2018.

AFW maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. AFW has not experienced any losses in such accounts. AFW believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

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

(e) CONTRIBUTIONS RECEIVABLE

Unconditional contributions recorded at fair value are recognized as revenues in the period received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

(f) BEQUESTS RECEIVABLE

AFW records and reports bequest gifts when declared valid by the probate court and/or the value of the amounts to be received is determinable. Bequest receivable at December 31, 2018 reflects the amount that is expected to be received within one year.

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Furniture	10 Years
Leasehold Improvements	5 Years
Computers and Equipment	3-10 Years
Software	5 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) LONG-LIVED ASSETS

AFW reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended December 31, 2018.

(i) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. AFW receives services from volunteer pilots and related flight expenses as well as donated airline tickets from Alaska Airlines and other commercial airline partners. For the year ended December 31, 2018, AFW recorded contributions of \$7,272,611, of which \$6,866,987 was for donated flight expenses and \$405,624 for donated pilot services on private aircraft. In addition, AFW received \$590,505 in donated commercial air tickets and \$10,000 in various in-kind donations for program events and conferences for the year ended December 31, 2018.

(j) INCOME TAXES

Angel Flight West, Inc. is a California non-profit corporation organized in December 1983 and commenced operations in January 1984 under Internal Revenue Service Code Section 501(c)(3).

(k) FUNCTIONAL ALLOCATION OF EXPENSES

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on proportional salary dollars.

(l) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(m) COMPARATIVE TOTALS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AFW's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) RECLASSIFICATIONS

For comparability, certain December 31, 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2018.

(o) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. AFW implemented the ASU during the year ended December 31, 2018.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on principal versus agent considerations, licensing implementation guidance, scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For AFW, the ASU and subsequent amendments will be effective for the year ending December 31, 2019.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For AFW, the ASU will be effective for the year ending December 31, 2020.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For AFW, the ASU will be effective for the year ending December 31, 2019.

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) SUBSEQUENT EVENTS

AFW has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 11, 2019, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

AFW has implemented the accounting standard that defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about AFW's assets that are measured at fair value on a recurring basis at December 31, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
INVESTMENTS:				
Equity Funds	\$ 584,011	\$ 584,011	\$ -	\$ -
Fixed Income Mutual Funds	328,144	328,144	-	-
Alternative Strategy Mutual Funds	118,504	118,504	-	-
TOTAL INVESTMENTS	\$ 1,030,659	\$ 1,030,659	\$ -	\$ -

The fair value of the funds within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

AFW's policy is to recognize transfers in and out of Level 1, 2 and 3 as of the end of the year. There were no transfers between levels for the year ended December 31, 2018.

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2018

NOTE 3 - INVESTMENTS (continued)

Investment loss for the year ended December 31, 2018 consists of:

Interest and Dividends	\$	30,522
Realized and Unrealized Loss		<u>(92,251)</u>
TOTAL INVESTMENT LOSS	\$	<u><u>(61,729)</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Furniture	\$	36,833
Leasehold Improvements		118,289
Computers and Equipment		59,635
Software		<u>323,122</u>
TOTAL		537,879
Less: Accumulated Depreciation		<u>(451,873)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u><u>86,006</u></u>

Depreciation expense for the year ended December 31, 2018 was \$ 40,502.

NOTE 5 - ACCRUED EXPENSES

Accrued expenses at December 31, 2018 consist of the following:

Accrued Payroll	\$	27,737
Accrued Vacation		23,136
Other Accrued Expenses		<u>9,374</u>
TOTAL ACCRUED EXPENSES	\$	<u><u>60,247</u></u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

AFW leases its facilities under an operating lease that expires on June 30, 2019. The lease requires AFW to pay utilities and property taxes.

At December 31, 2018 the future minimum lease payments on the non-cancelable operating lease were \$31,238.

Occupancy expense for the year ended December 31, 2018 totaled \$72,359 which includes rent expense of \$59,796.

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 6 - COMMITMENTS AND CONTINGENCIES (continued)

(b) LEGAL PROCEEDINGS

In the normal course of business, AFW may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of AFW as of December 31, 2018.

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

AFW's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at December 31, 2018:

Undesignated	\$ 765,842
Board Designated Endowment	1,030,659
Board Designated Reserve	<u>347,218</u>
TOTAL	<u>\$ 2,143,719</u>

Board Designated Endowment: The Board has designated \$1,030,659 of net assets without donor restrictions as an endowment to provide for the long-term financial sustainability of the organization (see Note 9).

Board Designated Reserve: The Board has designated \$347,218 of net assets without donor restrictions as a reserve to provide liquidity for emergency needs.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Mission Services, Outreach and Other Programs	\$ 200,210
Capacity Building Fund	<u>15,034</u>
TOTAL	<u>\$ 215,244</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Satisfaction of Purpose Restrictions:	
Mission Services, Outreach and Other Programs	\$ 363,627
Capacity Building	<u>176,466</u>
TOTAL	<u>\$ 540,093</u>

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2018

NOTE 9 - BOARD DESIGNATED ENDOWMENT

The Board has established a Board designated reserve fund functioning as an endowment. The intention of the endowment is that the principal be preserved and inflation protected, to provide for the long-term viability and sustainability of the organization.

The primary long-term financial objective for this endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. The endowment is managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk.

Annual appropriations are dependent on the endowment reaching a certain level. Once that level has been reached, on an annual basis along with the budget presentation, the Board will review investment earnings for the prior twelve months and recommend a distribution of funds to support fundraising and program expansion of AFW. The distribution shall not exceed the lesser of 4% or the net gain on investments for the period under review.

The Board has the authority to expend endowment funds for special projects and initiatives it believes will facilitate the sustainability and/or growth of the mission of AFW.

Endowment Net Asset Composition by Type of Fund at December 31, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated	\$ 1,030,659	\$ -	\$ 1,030,659
Changes in Endowment Net Assets for the Year Ended December 31, 2018			
Endowment Net Assets - Beginning of Year	\$ -	\$ -	\$ -
Additions	1,030,659	-	1,030,659
Endowment Assets Appropriated for Expenditure	-	-	-
Investment Income (Net)	-	-	-
ENDOWMENT NET ASSETS - END OF YEAR	\$ 1,030,659	\$ -	\$ 1,030,659

NOTE 10 - RELATED PARTY TRANSACTIONS

AFW's Board of Directors has adopted a conflict of interest policy. The conflict of interest policy is intended to protect the interests of AFW and ensure that decisions affecting AFW are made objectively with full knowledge of the involvement, if any, of the Board and staff.

ANGEL FLIGHT WEST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by AFW at December 31, 2018 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2018:	
Cash and Cash Equivalents	\$ 854,027
Investments	1,030,659
Contributions Receivable	108,293
Bequest Receivable	<u>300,577</u>
TOTAL FINANCIAL ASSETS	
AT DECEMBER 31, 2018	2,293,556
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	(215,244)
Board Designations:	
Board Designated Reserve	(347,218)
Board Designated Fund Functioning as an Endowment	<u>(1,030,659)</u>
FINANCIAL ASSETS AVAILABLE	
TO MEET GENERAL EXPENDITURES	
WITHIN ONE YEAR	<u>\$ 700,435</u>

AFW regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

AFW has Board designated net assets without donor restrictions that could be made available for current operations, if necessary.