

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NEW CUMBERLAND, PENNSYLVANIA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT  | 1           |
| STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -<br>MODIFIED CASH BASIS           | 2           |
| STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -<br>MODIFIED CASH BASIS | 3           |
| NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS                                 | 4 - 7       |

# Chubb and Associates

Certified Public Accountants

(717) 541-1860  
(717) 944-1426  
Fax (717) 657-5595  
chubb@chubbandassociates.com

Mailing Address: P.O. Box 6597, Harrisburg, PA 17112-0597  
Office Location: 5775 Allentown Boulevard, Harrisburg, PA 17112

## INDEPENDENT AUDITOR'S REPORT

To the Officers of Fairview Township  
Emergency Medical Services, Inc.  
New Cumberland, Pennsylvania

We have audited the statements of assets, liabilities and net assets - modified cash basis of the Fairview Township Emergency Medical Services, Inc. as of December 31, 2001 and 2000, and the related statement of revenues, expenses and changes in net asset - modified cash basis for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the December 31, 2001 and 2000 statements referred to above present fairly, in all material respects, the assets and liabilities of Fairview Township Emergency Medical Services, Inc. as of December 31, 2001 and 2000, and its revenues and expenses and changes in net assets for the years ended December 31, 2001 and 2000, on the basis of accounting described in Note 1.

*Chubb and Associates*

CHUBB AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

November 5, 2002

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
 DECEMBER 31, 2001 AND 2000

|   | <u>2001</u>     | <u>2000</u>       |
|---|-----------------|-------------------|
| <b>ASSETS</b>                           |                 |                   |
| <b>CURRENT ASSETS</b>                   |                 |                   |
| Cash                                    | <u>11,063</u>   | <u>41,274</u>     |
| <b>TOTAL CURRENT ASSETS</b>             | <u>11,063</u>   | <u>41,274</u>     |
| <b>PROPERTY AND EQUIPMENT</b>           |                 |                   |
| Property and Equipment                  | 279,545         | 197,109           |
| Less Accumulated Depreciation           | <u>(68,864)</u> | <u>(78,484)</u>   |
| Net Property and Equipment              | <u>210,681</u>  | <u>118,625</u>    |
| <b>TOTAL ASSETS</b>                     | <u>221,744</u>  | <u>159,899</u>    |
| <b>LIABILITIES AND NET ASSETS</b>       |                 |                   |
| <b>CURRENT LIABILITIES</b>              |                 |                   |
| Bank Overdraft - Business Checking      | 1,732           |                   |
| Accrued and Withheld Payroll Taxes      |                 | 3,334             |
| Current Portion of Long-Term Debt       | <u>26,758</u>   | <u>          </u> |
| <b>TOTAL CURRENT LIABILITIES</b>        | <u>28,490</u>   | <u>3,334</u>      |
| <b>LONG-TERM DEBT</b>                   | <u>45,437</u>   | <u>          </u> |
| <b>TOTAL LIABILITIES</b>                | 73,927          | 3,334             |
| <b>CONTINGENCIES</b>                    |                 |                   |
| <b>NET ASSETS</b>                       |                 |                   |
| Unrestricted                            | <u>147,817</u>  | <u>156,565</u>    |
| <b>TOTAL NET ASSETS</b>                 | <u>147,817</u>  | <u>156,565</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u>221,744</u>  | <u>159,899</u>    |

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

|   | <u>2001</u>           | <u>2000</u>           |
|---|-----------------------|-----------------------|
| <b>REVENUES</b>                                   |                       |                       |
| Billable Services                                 | 150,829               | 143,434               |
| Membership Dues                                   | 75,560                | 78,210                |
| Fairview Township Support                         | 106,071               | 73,690                |
| Reimbursed Expenses                               | 2,520                 | 2,586                 |
| Donations   | 6,330                 | 19,780                |
| Interest  | 723                   | 1,176                 |
| Grants  | 5,872                 | 9,996                 |
| Miscellaneous                                     | <u>3,341</u>          | <u>5,472</u>          |
| <b>TOTAL REVENUES</b>                             | <b><u>351,246</u></b> | <b><u>334,344</u></b> |
| <b>EXPENSES</b>                                   |                       |                       |
| Salaries  | 196,790               | 166,693               |
| Payroll Taxes                                     | 14,585                | 18,546                |
| Membership - West Shore EMS                       | 29,625                | 47,970                |
| Outside Services                                  | 2,898                 | 2,528                 |
| Patient Care Supplies                             | 5,902                 | 8,347                 |
| Rent  | 11,000                | 12,000                |
| Insurance   | 31,443                | 33,917                |
| Building Repairs                                  | 2,666                 | 1,069                 |
| Equipment Repairs                                 | 4,616                 | 1,241                 |
| Office Expenses                                   | 5,872                 | 4,760                 |
| Contributions                                     | 726                   |                       |
| Depreciation                                      | 25,363                | 18,040                |
| Professional Fees                                 | 1,772                 | 1,430                 |
| Miscellaneous                                     | 1,801                 | 5,618                 |
| Vehicle Expenses                                  | 4,544                 | 5,665                 |
| Printing  | 1,612                 | 1,871                 |
| Program Expense                                   | 1,867                 | 400                   |
| Uniforms  | 3,074                 | 4,993                 |
| Pagers  | 1,699                 | 2,308                 |
| Training  | 3,621                 | 120                   |
| Postage   | 1,347                 | 1,359                 |
| Equipment Rental                                  | 657                   | 594                   |
| Telephone   | 7,079                 | 3,876                 |
| Advertising                                       | 225                   |                       |
| Bank Charges                                      | 428                   | 296                   |
| Interest Expense                                  | 782                   |                       |
| (Gain) on Sale of Fixed Assets                    | <u>(2,000)</u>        | <u>(2,500)</u>        |
| <b>TOTAL EXPENSES</b>                             | <b><u>359,994</u></b> | <b><u>341,141</u></b> |
| <b>CHANGE IN NET ASSETS</b>                       | <b><u>(8,748)</u></b> | <b><u>(6,797)</u></b> |
| <b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b> | <b><u>156,565</u></b> | <b><u>163,362</u></b> |
| <b>UNRESTRICTED NET ASSETS, END OF YEAR</b>       | <b><u>147,817</u></b> | <b><u>156,565</u></b> |

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF THE ORGANIZATION** - Fairview Township Emergency Medical Services, Inc. provides basic life support services as well as emergency and non-emergency medical transportation primarily to the residents of Fairview Township.

**CONCENTRATIONS OF CREDIT RISK** - The Organization's patients are mostly residents of Fairview Township that it services. The collectability of the Organization's billable services fees, therefore, are dependent upon the economic health of the residents, their employers and their medical insurance carriers, especially the federal Medicare and Medicaid programs. Revenue could be negatively affected by the regulations and laws which determine reimbursements under Medicare and other insurance programs. These policies could also jeopardize future membership revenue.

The Organization receives approximately 30% of their revenues from tax revenues assessed by Fairview Township as described in Note 3. The continued availability of these revenues is dependent upon the Township's ability to assess and collect the tax revenues and the Organization's compliance with Township funding requirements.

At various times throughout the year, the Organization may have a cash balance in excess of FDIC insurance of \$100,000; therefore, amounts in excess of \$100,000 are uninsured and uncollateralized.

**BASIS OF ACCOUNTING** - The Organization prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The cash basis has been modified to capitalize and depreciate property and equipment, record withheld and accrued payroll taxes, and record debt. Under this basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred.

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets - cash basis as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

As of December 31, 2001 and 2000, the Organization has only unrestricted assets.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over useful lives of 5 - 10 years for property and equipment. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged against income as incurred; significant acquisitions and improvements are capitalized.

USE OF ESTIMATES - The preparation of financial statements requires management 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 expenditures during the reporting periods. Actual results could differ from those estimates.

INCOME TAXES - The Corporation has been determined to be exempt from federal income tax as well as federal unemployment tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income tax liability is incurred unless the Corporation earns income considered to be unrelated business income.

DONATED GOODS AND SERVICES - The time of the many volunteers is donated to the Organization. The value of these contributed services is not included in these financial statements because it is not susceptible to objective measurement or valuation.

In 2000, the Organization also received the use of their station house for rent of \$12,000 a year, which was forgiven by the landlord. The forgiven rent of \$12,000 has been recorded as part of donations and as rent expense for the year ended December 31, 2000.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following on December 31:

|                                   | <u>2001</u>        | <u>2000</u>        |
|-----------------------------------|--------------------|--------------------|
| Vehicles                          | 125,620            | 61,678             |
| Emergency Medical Equipment       | 82,323             | 79,083             |
| Leasehold Improvements            | 29,331             | 29,331             |
| Furniture, Equipment and Fixtures | <u>42,271</u>      | <u>27,017</u>      |
| <br>Total Property and Equipment  | <br><u>279,545</u> | <br><u>197,109</u> |

Depreciation charged against revenues for the years ended December 31, 2001 and 2000 was \$25,363 and 18,040, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

3. FAIRVIEW TOWNSHIP CONTRIBUTIONS

The Township assesses, upon the real estate within the Township, an EMS tax which is collected and used to pay for expenses of the Organization. The Township distributed \$106,071 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. The Township collected revenues of \$125,145 and expended \$124,591 on behalf of the Organization including the payroll subsidy of \$106,071 previously discussed, debt service on an outstanding equipment loan of \$16,110, and operating expenses of \$2,410.

During 1997, the Township issued general obligation debt to purchase an ambulance for \$83,600 for use by the Fairview Township Emergency Medical Services, Inc. The vehicle is currently titled in the name of Fairview Township and is not included in the Organization's Property and Equipment. The loan matures December 1, 2003, with an interest rate of 4.90% per annum. The loan payments are paid by the Township with tax revenues assessed on behalf of the Organization and as of December 31, 2001, the loan balance outstanding is approximately \$30,631 and is recorded on the Township's records. The Township has pledged the full faith, credit and taxing power of the Township to secure the loan. The Township intends to pass the title to the vehicle to the Organization when the loan is paid in full.

During 2001, the Township loaned the Organization \$75,900 to purchase an ambulance. The details of the note payable are described in Note 7.

4. CONTINGENCIES

The Organization is exposed to various risks of loss related to the nature of the activity performed by the Organization. The Organization maintains commercial insurance covering these risks of loss. Management believes coverage is sufficient to preclude any significant uninsured losses. Previous claims have not exceeded this commercial coverage.

5. BILLABLE SERVICE FEES OUTSTANDING

As of December 31, 2001 and 2000, the Organization was owed approximately \$21,985 and \$28,311, respectively, of billed service fees. These outstanding fees are not included on these cash basis financial statements. Management has not determined the collectability of these fees.

6. LEASE COMMITMENTS

As described in Note 1, for year ended December 31, 2000, the landlord had donated the use of the station house site. Effective January 1, 2001, the Organization entered into a two-year lease for the station house located at 513 Fishing Creek Road, Lewisberry, PA. The annual rental of \$12,000 is due in monthly payments of \$1,000. According to the lease agreement, utilities expenses are to be borne by the tenant and are not included in the annual rental amount. This lease expires December 31, 2002. A total of \$11,000 was paid for the space for the year ended December 31, 2001. The minimum lease payments due for the lease terms are as follows:

2002

\$13,000

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

7. LONG-TERM DEBT

Long-term debt at December 31, 2001 is as follows:

|   |               |
|---|---------------|
| Note Payable, Fairview Township, dated 7/30/01, gross proceeds \$75,900, monthly installments of \$2,243.23 commence September 1, 2001, and continue until principal and interest (at 4.07% per annum) retired. (On November 1, 2001, the Organization entered into a loan agreement with Pennsylvania Emergency Management Agency (PEMA) and used \$50,000 proceeds to pay down this note balance.) Collateralized by a security interest in the ambulance purchased in 2001 with the proceeds, the net book value of the vehicle at December 31, 2001 is \$119,339. | 22,195        |
| Note Payable, PEMA, dated November 1, 2001. Due December 1, 2011, interest rate of 2%, monthly payment of \$460, collateralized by a security interest in the 2001 ambulance.   | <u>50,000</u> |
| TOTAL DEBT  | 72,195        |
| LESS: CURRENT PORTION   | (26,758)      |
| TOTAL LONG-TERM DEBT  | <u>45,437</u> |

Following are maturities of long-term debt for each of the next five years ending December 31:

|            |               |
|------------|---------------|
| 2002       | 26,758        |
| 2003       | 4,655         |
| 2004       | 4,748         |
| 2005       | 4,844         |
| 2006       | 4,942         |
| Thereafter | <u>26,248</u> |
|            | <u>72,195</u> |