

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
LEWISBERRY, PENNSYLVANIA  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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## INDEPENDENT AUDITOR'S REPORT

To the Officers of Fairview Township  
Emergency Medical Services, Inc.  
Lewisberry, 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, 2004 and 2003, and the related statement of revenues, expenses and changes in net asset - modified cash basis for the years ended December 31, 2004 and 2003. 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, 2004 and 2003 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, 2004 and 2003, and its revenues and expenses and changes in net assets for the years ended December 31, 2004 and 2003, on the basis of accounting described in Note 1.

*Chubb and Associates*

CHUBB AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

March 21, 2005

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
 DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT ASSETS		
Cash	<u>97,630</u>	<u>59,865</u>
TOTAL CURRENT ASSETS	<u>97,630</u>	<u>59,865</u>
PROPERTY AND EQUIPMENT		
Property and Equipment	319,111	287,198
Less Accumulated Depreciation	<u>(161,467)</u>	<u>(131,605)</u>
Net Property and Equipment	<u>157,644</u>	<u>155,593</u>
TOTAL ASSETS	<u>255,274</u>	<u>215,458</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payroll Withholdings	3,500	766
Current Portion of Long-Term Debt	<u>4,844</u>	<u>4,749</u>
TOTAL CURRENT LIABILITIES	<u>8,344</u>	<u>5,515</u>
LONG-TERM DEBT	<u>31,190</u>	<u>36,034</u>
TOTAL LIABILITIES	<u>39,534</u>	<u>41,549</u>
CONTINGENCIES		
NET ASSETS		
Unrestricted	<u>215,740</u>	<u>173,909</u>
TOTAL NET ASSETS	<u>215,740</u>	<u>173,909</u>
TOTAL LIABILITIES AND NET ASSETS	<u>255,274</u>	<u>215,458</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, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Billable Services	238,732	220,906
Membership Dues	96,395	96,615
Fairview Township Support	111,000	102,205
Capital Fund Drive	25,147	25,135
Reimbursed Expenses	2,045	1,376
Donations/Fund-raising Events	10,781	12,305
Interest	228	268
Grants	14,627	1,756
Medical Supplies	2,478	
Miscellaneous	<u>198</u>	<u>1,609</u>
<b>TOTAL REVENUES</b>	<u>501,631</u>	<u>462,175</u>
<b>EXPENSES</b>		
Salaries	240,247	220,007
Payroll Taxes	21,004	25,697
Membership - West Shore ALS	40,260	59,238
Outside Services	2,760	1,500
Patient Care Supplies	12,425	8,661
Rent	12,000	12,000
Insurance	48,776	42,471
Building Repairs	1,527	1,513
Equipment Repairs	6,439	5,393
Office Expenses	6,659	7,193
Depreciation	29,861	31,472
Professional Fees	2,290	2,212
Miscellaneous	802	745
Vehicle Expenses	7,792	5,249
Printing	5,712	5,245
Program Expense	532	351
Uniforms	5,024	6,854
Training	1,505	1,480
Postage	3,006	3,172
Equipment Rental	806	604
Telephone	5,980	6,295
Bank Charges	497	519
Dues and Subscriptions	285	305
Interest Expense	772	943
Fund-raising Expenses	<u>2,839</u>	
<b>TOTAL EXPENSES</b>	<u>459,800</u>	<u>449,119</u>
<b>CHANGE IN NET ASSETS</b>	<u>41,831</u>	<u>13,056</u>
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>173,909</u>	<u>160,853</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>215,740</u>	<u>173,909</u>

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, 2004 AND 2003

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 22% 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, 2004 and 2003, 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, 2004 AND 2003

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 Organization 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 Organization 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 does not meet the criteria for recognition as contributed services. During 2004, the Township contributed a 1997 ambulance with a fair value of \$12,000. The ambulance had been purchased with real estate tax revenues allocated to emergency medical services. During 2003, the Organization received two donated automatic external defibrillators at an estimated fair value of \$1,445 each.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following on December 31:

	<u>2004</u>	<u>2003</u>
Vehicles	150,494	125,620
Emergency Medical Equipment	89,651	89,651
Leasehold Improvements	29,331	29,331
Furniture, Equipment and Fixtures	<u>49,635</u>	<u>42,596</u>
 Total Property and Equipment	 <u>319,111</u>	 <u>287,198</u>

Depreciation charged against revenues for the years ended December 31, 2004 and 2003 was \$29,861 and \$31,472, respectively.

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. In 2004, the Township distributed \$99,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. The Township collected revenues of \$126,270 and expended \$126,087 on behalf of the Organization including the payroll subsidy of \$99,000 previously discussed, and operating expenses of \$27,270.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

3. FAIRVIEW TOWNSHIP CONTRIBUTIONS (CONTINUED)

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 loan matured on December 1, 2003 and was paid in full by the Township. The Township transferred the title to the vehicle to the Organization during 2004. The ambulance was valued at \$12,000 at the time of transfer.

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, 2004, the Organization was owed approximately \$54,958 of billed service fees. These outstanding fees are not included in these cash basis financial statements. Management has not determined the collectability of these fees.

6. COMMITMENTS

The Organization leases a station house located at 513 Fishing Creek Road, Lewisberry, PA. The annual rental of \$12,000 is due in monthly payments of \$1,000. A total of \$12,000 was paid for the space for the year ended December 31, 2004. A new lease for subsequent periods has not been formally executed; the Company's occupancy is continuing on a month-by-month basis.

As of December 31, 2002, the Organization owed West Shore ALS \$23,775 of membership dues for 2002. The balance due was paid in March, 2003 with no interruption in the service agreements with West Shore ALS.

7. LONG-TERM DEBT

Long-term debt at December 31, 2004 is as follows:

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. The net book value of the vehicle at December 31, 2004 is \$81,653.	<u>36,034</u>
TOTAL DEBT	36,034
LESS: CURRENT PORTION	<u>4,844</u>
TOTAL LONG-TERM DEBT	<u><u>31,190</u></u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

7. LONG-TERM DEBT (CONTINUED)

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

2005	4,844
2006	4,942
2007	5,042
2008	5,144
2009	5,247
Thereafter	<u>10,815</u>
	<u>36,034</u>