

***FAIRVIEW TOWNSHIP EMERGENCY  
MEDICAL SERVICES, INC.***

***YEARS ENDED  
DECEMBER 31, 2005 AND 2004***

Independent Auditors' Report

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

We have audited the statement of assets, liabilities and net assets - modified cash basis of the Fairview Township Emergency Medical Services, Inc. as of December 31, 2005, and the related statement of revenues, expenses and changes in net assets - modified cash basis for the year ended December 31, 2005. 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 audit. The financial statements of Fairview Township Emergency Medical Services, Inc. as of December 31, 2004 were audited by other auditors whose report dated March 21, 2005 expressed an unqualified opinion on those statements.

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 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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the December 31, 2005 statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Fairview Township Emergency Medical Services, Inc. as of December 31, 2005, and its revenues and expenses and changes in net assets for the year ended December 31, 2005, on the basis of accounting described in Note 1.

*Brown Schultz Sheridan & Fritz*

April 12, 2006

CERTIFIED PUBLIC ACCOUNTANTS  
AND  
BUSINESS ADVISORS

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**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS  
(Modified cash basis)

DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets, cash	\$ 45,705	\$ 97,630
Property and equipment	550,889	319,111
Less accumulated depreciation	<u>( 181,042)</u>	<u>( 161,467)</u>
Net property and equipment	<u>369,847</u>	<u>157,644</u>
Total assets	<u>\$ 415,552</u>	<u>\$ 255,274</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Payroll withholdings	\$ 3,758	\$ 3,500
Current portion of long-term debt	<u>12,638</u>	<u>4,844</u>
Total current liabilities	16,396	8,344
Long-term debt	<u>150,784</u>	<u>31,190</u>
Total liabilities	167,180	39,534
Net assets, unrestricted	<u>248,372</u>	<u>215,740</u>
Total liabilities and net assets	<u>\$ 415,552</u>	<u>\$ 255,274</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Billable services	\$ 240,748	\$ 238,732
Membership dues	100,055	96,395
Fairview Township support	120,000	111,000
Capital fund drive	22,817	25,147
Reimbursed expenses	371	2,045
Donations/fund-raising events	19,334	10,781
Interest	197	228
Grants	10,166	14,627
Medical supplies	1,770	2,478
Miscellaneous	<u>10</u>	<u>198</u>
Total revenues	<u>515,468</u>	<u>501,631</u>
Expenses:		
Salaries	245,962	240,247
Payroll taxes	18,894	21,004
Membership - West Shore ALS	37,447	40,260
Outside services	695	2,760
Patient care supplies	7,912	12,425
Rent	10,800	12,000
Insurance	51,871	48,776
Building repairs	1,121	1,527
Equipment repairs	3,418	6,439
Office expenses	6,143	6,659
Depreciation	35,175	29,861
Professional fees	2,651	2,290
Miscellaneous	61	802
Vehicle expenses	5,943	7,792
Printing	7,435	5,712
Program expense	947	532
Uniforms	3,775	5,024
Training	1,380	1,505
Postage	4,297	3,006

(continued)

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Expenses (continued):		
Equipment rental	\$ 815	\$ 806
Telephone	10,577	5,980
Bank charges	389	497
Dues and subscriptions	265	285
Interest expense	1,678	772
Fund-raising expenses	3,302	2,839
Utilities	3,124	
Moving costs	1,928	
Loss on leasehold improvements	<u>14,831</u>	<u>          </u>
Total expenses	<u>482,836</u>	<u>459,800</u>
Change in net assets	32,632	41,831
Unrestricted net assets:		
Beginning of year	<u>215,740</u>	<u>173,909</u>
End of year	<u>\$ 248,372</u>	<u>\$ 215,740</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

**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 nonemergency medical transportation primarily to the residents of Fairview Township.

*Concentrations of 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 23% 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 accounting principles generally accepted in the United States of America. The cash basis has been modified to depreciate property and equipment and record withheld and accrued payroll taxes. Under this basis, revenues are generally recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. As of December 31, 2005 and 2004, the Organization has only unrestricted assets.

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

**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 five to ten years for property and equipment, except a 25-year life is being used for leasehold improvements. 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 and is not normally recognized under the modified cash basis of accounting. 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 2005, the ambulance was traded in on the purchase of a new ambulance.

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

**2. Property and equipment:**

Property and equipment consist of the following on December 31:

	<u>2005</u>	<u>2004</u>
Vehicles	\$ 264,758	\$ 150,494
Emergency medical equipment	96,410	89,651
Leasehold improvements	129,790	29,331
Furniture, equipment and fixtures	<u>59,931</u>	<u>49,635</u>
Total property and equipment	<u>\$ 550,889</u>	<u>\$ 319,111</u>

Depreciation charged against revenues for the years ended December 31, 2005 and 2004 was \$35,175 and \$29,861, 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 2005, the Township distributed \$120,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. The Township collected revenues of \$147,728 and expended \$144,018 on behalf of the Organization, including the payroll subsidy of \$120,000 previously discussed, and operating expenses of \$24,018. All of these transactions are recognized as part of the activities of Fairview Township and are not included in these financial statements, with the exception of the \$120,000 actually transferred to the Organization.

During 2005, the Township extended a loan in a sum not to exceed \$120,000 to facilitate the construction of an ambulance storage facility at the Organization's new office site (See Note 7). The Organization borrowed \$90,000 from the Township during 2005 to construct the new facility.

**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.

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

**5. Billable service fees outstanding:**

As of December 31, 2005, the Organization was owed approximately \$38,258 of billed service fees for the year 2005. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of these fees.

**6. Commitments:**

The Organization leased a station house located at 513 Fishing Creek Road, Lewisberry, PA through June of 2005 with a total of \$6,000 in rent paid for 2005. The Organization cancelled their lease and in the process left leasehold improvements with a book value of \$14,831 to be written off as a loss.

The Organization executed a 25-year lease at 520 Locust Road within the Township commencing on June 1, 2005. The Organization can terminate the lease with one year's written notice. The first five years of the lease are payable in monthly installments of \$800 per month and \$900 per month for the next five years. During 2005, the Organization paid rental expense of \$4,800.

The minimum lease rentals for the next five years are as follows:

2006	\$ 9,600
2007	9,600
2008	9,600
2009	9,600
2010	<u>10,300</u>
	<u>\$ 48,700</u>

The Organization made substantial improvements to the new location including a new storage facility for the ambulance equipment of approximately \$129,790. These costs have been capitalized and are being depreciated over a period of 25 years.

As of December 31, 2005, the Organization owed West Shore ALS \$4,070 of membership dues for 2005. The balance due was paid in 2006 with no interruption in the service agreements with West Shore ALS.

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

**7. Long-term debt:**

Long-term debt at December 31, 2005 is as follows:

Note payable, Fairview Township, dated May 23, 2005. Due May 23, 2015, interest rate at ten-year treasury bill rate plus 1%, payments of principal and interest are to occur monthly as billed by the Township beginning in June 2006, collateralized by the Township's monthly funding agreement with the Organization.	\$ 89,728
Note payable, PEMA, dated April 27, 2005. Due May 1, 2015, interest rate of 2%, monthly payment of \$460, collateralized by a security interest in the 2005 ambulance.	42,505
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>31,189</u>
Total debt	163,422
Less current portion	<u>12,638</u>
Total long-term debt	<u>\$ 150,784</u>

Maturities of long-term debt for each of the next five years ending December 31 and in total thereafter are as follows:

2006	\$ 12,638
2007	15,115
2008	15,513
2009	15,920
2010	16,341
thereafter	<u>87,895</u>
	<u>\$ 163,422</u>

**FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2005 AND 2004

**8. Related party transactions:**

The Organization hired a contractor to oversee and act as a contract manager and project consultant on the construction of the ambulance storage facilities at its new location. The contracting company is owned by the Chairman of the Organization's board. The contracting company was paid \$12,931 in 2005 in exchange for their labor services on the project.

**9. Functional expenses:**

Expenses by function for the years ended December 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Emergency medical services	\$ 404,957	\$ 385,637
General and administrative	73,133	69,644
Fund-raising	<u>4,746</u>	<u>4,519</u>
	<u>\$ 482,836</u>	<u>\$ 459,800</u>