

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

**YEARS ENDED  
DECEMBER 31, 2007 AND 2006**



Independent Auditors' Report

To the Officers  
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, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets - modified cash basis for the years ended December 31, 2007 and 2006. 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 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 audits provide 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, 2007 and 2006 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, 2007 and 2006, and its revenues and expenses and changes in net assets for the years ended December 31, 2007 and 2006, on the basis of accounting described in Note 1.

*Brown Schultz Sheridan & Fritz*

March 12, 2008

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

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

DECEMBER 31, 2007 AND 2006

|  | <u>2007</u>              | <u>2006</u>              |
|--|--------------------------|--------------------------|
| ASSETS                                 |                          |                          |
| Current assets, cash                   | <u>\$ 138,497</u>        | <u>\$ 88,220</u>         |
| Property and equipment                 | 583,627                  | 566,627                  |
| Accumulated depreciation               | <u>(256,355)</u>         | <u>(219,258)</u>         |
| Net property and equipment             | <u>327,272</u>           | <u>347,369</u>           |
| Total assets                           | <u><u>\$ 465,769</u></u> | <u><u>\$ 435,589</u></u> |
| LIABILITIES AND NET ASSETS             |                          |                          |
| Current liabilities:                   |                          |                          |
| Payroll withholdings                   | \$ 2,496                 | \$ 2,339                 |
| Current portion of long-term debt      | <u>15,205</u>            | <u>15,024</u>            |
| Total current liabilities              | 17,701                   | 17,363                   |
| Long-term debt, net of current portion | <u>128,318</u>           | <u>138,359</u>           |
| Total liabilities                      | 146,019                  | 155,722                  |
| Net assets, unrestricted               | <u>319,750</u>           | <u>279,867</u>           |
| Total liabilities and net assets       | <u><u>\$ 465,769</u></u> | <u><u>\$ 435,589</u></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, 2007 AND 2006

|                               | <u>2007</u>    | <u>2006</u>    |
|-------------------------------|----------------|----------------|
| Revenues:                     |                |                |
| Billable services             | \$ 264,182     | \$ 259,970     |
| Membership dues               | 102,270        | 100,565        |
| Fairview Township support     | 111,000        | 111,000        |
| Capital fund drive            | 27,305         | 28,811         |
| Reimbursed expenses           | 2,949          | 4,487          |
| Donations/fund-raising events | 8,246          | 10,635         |
| Interest                      | 2,824          | 352            |
| Grants                        | 12,246         | 15,412         |
| Medical supplies              | 3,871          | 3,390          |
|                               | <u>534,893</u> | <u>534,622</u> |
| Total revenues                |                |                |
| Expenses:                     |                |                |
| Salaries                      | 266,458        | 256,395        |
| Payroll taxes                 | 22,971         | 20,466         |
| Membership - West Shore ALS   | 2,359          | 39,420         |
| Outside services              | 914            | 380            |
| Patient care supplies         | 10,887         | 11,211         |
| Rent                          | 9,600          | 9,600          |
| Insurance                     | 56,119         | 54,600         |
| Building repairs              | 4,813          | 3,462          |
| Equipment repairs             | 9,601          | 3,984          |
| Office expenses               | 10,203         | 12,783         |
| Depreciation                  | 37,097         | 38,216         |
| Professional fees             | 6,514          | 3,892          |
| Miscellaneous                 | 5,771          | 440            |
| Vehicle expenses              | 7,363          | 4,611          |
| Printing                      | 8,320          | 7,012          |
| Program expense               | 1,556          | 1,705          |

(continued)

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

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

YEARS ENDED DECEMBER 31, 2007 AND 2006

|                          | <u>2007</u>       | <u>2006</u>       |
|--------------------------|-------------------|-------------------|
| Expenses (continued):    |                   |                   |
| Uniforms                 | \$ 6,149          | \$ 9,415          |
| Training                 | 2,309             | 920               |
| Postage                  | 4,301             | 5,259             |
| Equipment rental         | 303               | 492               |
| Telephone                | 10,582            | 8,644             |
| Bank charges             | 4,826             | 1,571             |
| Dues and subscriptions   | 299               | 299               |
| Interest expense         | 1,183             | 1,003             |
| Fund-raising expenses    | 1,760             | 2,166             |
| Utilities                | 2,252             | 4,544             |
| Moving costs             |                   | 637               |
| Contributions            | <u>500</u>        |                   |
| Total expenses           | <u>495,010</u>    | <u>503,127</u>    |
| Change in net assets     | 39,883            | 31,495            |
| Unrestricted net assets: |                   |                   |
| Beginning of year        | <u>279,867</u>    | <u>248,372</u>    |
| End of year              | <u>\$ 319,750</u> | <u>\$ 279,867</u> |

See notes to financial statements.

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

## **NOTES TO FINANCIAL STATEMENTS (Modified cash basis)**

**YEARS ENDED DECEMBER 31, 2007 AND 2006**

### **1. Summary of significant accounting policies:**

#### *Nature of the Organization:*

Fairview Township Emergency Medical Services, Inc. (the Organization) 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 which 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 21% of its 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, 2007 and 2006 and for the years then ended, the Organization has only unrestricted assets.

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

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

YEARS ENDED DECEMBER 31, 2007 AND 2006

**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 recognized as 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.

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

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

YEARS ENDED DECEMBER 31, 2007 AND 2006

**2. Property and equipment:**

Property and equipment consist of the following on December 31:

|                                   | <u>2007</u>       | <u>2006</u>       |
|-----------------------------------|-------------------|-------------------|
| Vehicles                          | \$ 281,758        | \$ 264,758        |
| Emergency medical equipment       | 96,410            | 96,410            |
| Leasehold improvements            | 142,286           | 142,286           |
| Furniture, equipment and fixtures | <u>63,173</u>     | <u>63,173</u>     |
| Total property and equipment      | <u>\$ 583,627</u> | <u>\$ 566,627</u> |

Depreciation charged against revenues for the years ended December 31, 2007 and 2006 was \$37,097 and \$38,216, 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 2007 and 2006, the Township distributed \$111,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. The Township collected revenues of \$136,547 and expended \$143,202 on behalf of the Organization, including the payroll subsidy of \$111,000 previously discussed and operating expenses of \$32,202. 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 \$111,000 actually transferred to the Organization. During 2006, the Township collected revenues of \$141,127 and expended \$159,608 on behalf of the Organization.

During 2005, the Township extended a loan 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. There were no payments made on the loan in 2006 and only interest of \$5,496 in 2007. The Organization has technically defaulted on the loan, but to date, the Township has not enforced the terms of the loan agreement.

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

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

YEARS ENDED DECEMBER 31, 2007 AND 2006

**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, 2007 and 2006, the Organization was owed approximately \$79,323 and \$63,377 of billed service fees for the years 2007 and 2006, respectively. 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 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 2007 and 2006, the Organization paid rental expense of \$9,600 on the lease.

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

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

YEARS ENDED DECEMBER 31, 2007 AND 2006

**6. Commitments (continued):**

The minimum lease rentals for the following years are as follows:

|           |                   |
|-----------|-------------------|
| 2008      | \$ 9,600          |
| 2009      | 9,600             |
| 2010      | 10,300            |
| 2011      | 10,800            |
| 2012      | 10,800            |
| 2013-2017 | 57,100            |
| 2018-2022 | 63,100            |
| 2023-2027 | 69,100            |
| 2028-2030 | <u>28,800</u>     |
|           | <u>\$ 269,200</u> |

The Organization made improvements to the new location, including a new storage facility for the ambulance equipment, of approximately \$12,496 in 2006. These costs have been capitalized and are being depreciated over a period of 25 years.

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

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

YEARS ENDED DECEMBER 31, 2007 AND 2006

**7. Long-term debt:**

Long-term debt at December 31, 2007 is as follows:

Note payable, Fairview Township, dated May 23, 2005.

Due August 23, 2019, 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 January 2007, 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.

32,584

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.

21,211

Total debt

143,523

Less current portion

15,205

Total long-term debt

\$ 128,318

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

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

YEARS ENDED DECEMBER 31, 2007 AND 2006

**7. Long-term debt (continued):**

Maturities of long-term debt for each of the following years ending December 31 are as follows:

|           |                   |
|-----------|-------------------|
| 2008      | \$ 15,205         |
| 2009      | 15,602            |
| 2010      | 16,119            |
| 2011      | 16,327            |
| 2012      | 11,289            |
| 2013-2017 | 40,437            |
| 2018-2019 | <u>28,544</u>     |
|           | <u>\$ 143,523</u> |

**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 \$11,179 in 2007 in exchange for their labor services on the project.

**9. Functional expenses:**

Expenses by function for the years ended December 31, 2007 and 2006 were as follows:

|                            | <u>2007</u>       | <u>2006</u>       |
|----------------------------|-------------------|-------------------|
| Emergency medical services | \$ 393,203        | \$ 399,650        |
| General and administrative | 95,134            | 96,694            |
| Fund-raising               | <u>6,673</u>      | <u>6,783</u>      |
|                            | <u>\$ 495,010</u> | <u>\$ 503,127</u> |