

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

**YEARS ENDED  
DECEMBER 31, 2011 AND 2010**





Independent Auditors' Report

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. (the Organization) as of December 31, 2011 and 2010 and the related statements of revenues, expenses and changes in net assets - modified cash basis for the years ended December 31, 2011 and 2010. 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, 2011 and 2010 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, 2011 and 2010, and its revenues and expenses and changes in net assets for the years ended December 31, 2011 and 2010, on the basis of accounting described in Note 1.

*Brown Schultz Sheridan & Fritz*

April 10, 2012

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

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

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets, cash	<u>\$ 21,073</u>	<u>\$ 41,234</u>
Property and equipment	678,479	678,479
Accumulated depreciation	<u>(400,996)</u>	<u>(365,545)</u>
Net property and equipment	<u>277,483</u>	<u>312,934</u>
Total assets	<u><u>\$ 298,556</u></u>	<u><u>\$ 354,168</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Line of credit	\$ 47,728	\$ 48,014
Payroll withholdings	2,083	2,406
Current portion of long-term debt	<u>13,558</u>	<u>16,235</u>
Total current liabilities	63,369	66,655
Long-term debt, net of current portion	<u>62,543</u>	<u>76,903</u>
Total liabilities	125,912	143,558
Net assets, unrestricted	<u>172,644</u>	<u>210,610</u>
Total liabilities and net assets	<u><u>\$ 298,556</u></u>	<u><u>\$ 354,168</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>		
Billable services	\$ 450,348	\$ 432,144
Membership dues	111,520	110,255
Fairview Township support	105,000	111,000
Capital fund drive	29,012	24,560
Reimbursed expenses	2,761	1,696
Donations/fund-raising events	7,796	9,537
Miscellaneous income	3,973	1,147
Grants	5,794	15,489
Medical supplies	1,544	3,333
	<u>717,748</u>	<u>709,161</u>
<b>Total revenues</b>		
<b>Expenses:</b>		
Salaries	485,082	490,667
Payroll taxes	42,502	40,327
Retirement contributions	7,633	8,412
Membership - West Shore ALS	2,842	2,770
Outside services	939	12,855
Patient care supplies	16,440	19,080
Rent	9,600	9,600
Insurance	79,975	78,663
Building repairs	2,132	2,589
Equipment repairs	6,401	3,487
Office expenses	3,345	9,290
Depreciation	35,451	39,637
Professional fees	4,304	5,011
Miscellaneous	4,256	1,643
Vehicle expenses	5,849	7,476
Printing	9,560	8,591
Program expense	1,035	637

(continued)

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

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Expenses (continued):		
Uniforms	\$ 7,091	\$ 7,614
Training	187	2,421
Postage	3,564	4,682
Equipment rental	2,616	2,719
Telephone	10,311	11,780
Bank charges	8,170	1,885
Dues and subscriptions	52	
Interest expense	3,814	1,294
Fund-raising expenses	976	1,597
Utilities	1,587	1,631
	<u>755,714</u>	<u>776,358</u>
Total expenses		
Change in net assets	(37,966)	(67,197)
Unrestricted net assets:		
Beginning of year	<u>210,610</u>	<u>277,807</u>
End of year	<u>\$ 172,644</u>	<u>\$ 210,610</u>

See notes to financial statements.

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

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

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

#### *Nature of the Organization:*

Fairview Township Emergency Medical Services, Inc. (the Organization) provides advanced and 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 revenue.

The Organization received approximately 15% of its 2011 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 Federal Deposit Insurance Corporation insurance of \$250,000; therefore, amounts in excess of \$250,000 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, 2011 and 2010 and for the years then ended, the Organization has only unrestricted net assets.

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

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

**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 expenses 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.

The Organization follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 740-10, *Income Taxes*, as it relates to uncertain tax positions of nonprofit entities. The Organization evaluates its uncertain tax positions, if any, on an annual basis. The Organization files Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 2008 through 2011.

*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, 2011 AND 2010

**1. Summary of significant accounting policies (continued):**

*Subsequent events:*

The Organization has evaluated subsequent events through April 10, 2012, the date which the financial statements were available to be issued.

**2. Property and equipment:**

Property and equipment consist of the following on December 31:

	<u>2011</u>	<u>2010</u>
Vehicles	\$ 281,758	\$ 281,758
Emergency medical equipment	171,914	171,914
Leasehold improvements	150,330	150,330
Furniture, equipment and fixtures	<u>74,477</u>	<u>74,477</u>
Total property and equipment	<u>\$ 678,479</u>	<u>\$ 678,479</u>

Depreciation charged against revenues for the years ended December 31, 2011 and 2010 was \$35,451 and \$39,637, respectively.

**3. Fairview Township contributions:**

The Township assesses, upon the real estate within the Township, an Emergency and Municipal Services (EMS) tax which is collected and used to pay for expenses of the Organization. In 2011, the Township distributed \$105,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. The Township collected revenues of \$142,600 and expended \$142,700 on behalf of the Organization, including the payroll subsidy of \$105,000 previously discussed and operating expenses of \$37,700. 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 \$105,000 actually transferred to the Organization. During 2010, the Township collected revenues of \$141,940 and expended \$146,217 on behalf of the Organization. In 2010, the Township transferred \$111,000 of collected EMS tax to the Organization.

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

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

**3. Fairview Township contributions (continued):**

During 2005, the Township extended a loan to facilitate the construction of an ambulance storage facility at the Organization's new office site. The Organization borrowed \$90,000 from the Township during 2005 to construct the new facility. During 2011 and 2010, the total payments made on the loan were \$8,400 (see 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, 2011 and 2010, the Organization was owed \$161,054 and \$161,148 of billed service fees for the years 2011 and 2010, respectively. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2011 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 2011 and 2010, 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, 2011 AND 2010

**6. Commitments (continued):**

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

2012	\$ 10,800
2013	10,800
2014	10,800
2015	11,500
2016	12,000
2017-2021	61,900
2022-2026	67,900
2027-2029	<u>43,200</u>
	<u>\$ 228,900</u>

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

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

**7. Long-term debt:**

Long-term debt at December 31, 2011 is as follows:

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

Due September 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.

\$ 62,428

Note payable, Pennsylvania Emergency Management Agency (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.

13,203

Note payable, PEMA, dated November 1, 2001. Due February 2, 2012, interest rate of 2%, monthly payment of \$460, collateralized by a security interest in the 2001 ambulance.

470

Total debt

76,101

Less current portion

13,558

Total long-term debt

\$ 62,543

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

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

Maturities of long-term debt are as follows:

2012	\$ 13,558
2013	13,279
2014	10,398
2015	8,023
2016	8,110
2017-2019	<u>22,733</u>
	<u>\$ 76,101</u>

**8. Functional expenses:**

Expenses by function for the years ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Emergency medical services	\$ 598,077	\$ 614,415
General and administrative	144,702	148,655
Fund-raising	<u>12,935</u>	<u>13,288</u>
	<u>\$ 755,714</u>	<u>\$ 776,358</u>

**9. Retirement plan:**

The Organization adopted a Simple IRA plan in 2008 for all employees receiving at least \$5,000 in compensation the previous year. The Organization makes an employer contribution equal to 3% of all participants' compensation. Total expense for the years ended December 31, 2011 and 2010 was \$7,633 and \$8,412, respectively.

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

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

**10. Line of credit:**

During 2008, the Organization established a business line of credit with M&T Bank for \$50,000. The loan bears an interest rate of 1% above the bank's prime rate. The bank has secured all real and personal property of the Organization as collateral for the loan. As of December 31, 2011 and 2010, the line had an outstanding balance of \$47,728 and \$48,014, respectively, and an interest rate of 4.25%, in both years.