

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

**YEARS ENDED
DECEMBER 31, 2015 AND 2014**



Independent Auditors' Report

Officers

Fairview Township Emergency Medical Services, Inc.
New Cumberland, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Fairview Township Emergency Medical Services, Inc. (the Organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net assets – modified cash basis for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial 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, 2015 and 2014, and its revenues, expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
April 12, 2016

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets, cash	<u>\$ 304,491</u>	<u>\$ 224,479</u>
Property and equipment	766,064	712,610
Accumulated depreciation	<u>(502,967)</u>	<u>(490,356)</u>
Net property and equipment	<u>263,097</u>	<u>222,254</u>
Total assets	<u><u>\$ 567,588</u></u>	<u><u>\$ 446,733</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 7,153	\$ 8,374
Payroll withholdings	<u>2,367</u>	<u>1,904</u>
Total liabilities, all current	9,520	10,278
Net assets, unrestricted	<u>558,068</u>	<u>436,455</u>
Total liabilities and net assets	<u><u>\$ 567,588</u></u>	<u><u>\$ 446,733</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Revenues:		
Billable services	\$ 485,583	\$ 467,349
Membership dues	127,216	112,380
Fairview Township support	160,000	160,000
Capital fund drive	29,980	29,839
Training fees	5,103	4,399
Reimbursed expenses	743	417
Donations/fund-raising events	6,877	6,625
Miscellaneous income	69	6,138
Grants	7,445	9,564
Medical supplies	1,387	920
Gain on disposal of assets	2,343	
	<u>826,746</u>	<u>797,631</u>
Total revenues		
Expenses:		
Salaries	437,117	403,159
Payroll taxes	39,527	35,291
Retirement contributions	8,060	7,685
Membership - West Shore ALS	1,007	2,016
Outside services	12,218	5,173
Patient care supplies	15,681	14,158
Rent	10,800	10,800
Insurance	72,269	68,918
Building repairs	2,022	3,094
Equipment repairs	9,819	1,916
Office expenses	11,629	15,594
Depreciation	34,191	30,895
Professional fees	7,534	4,606
Miscellaneous	2,429	654
Vehicle expenses	3,991	2,635
Printing	11,663	10,879
Program expense	1,318	3,206

(continued)

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Expenses (continued):		
Uniforms	\$ 3,071	\$ 2,741
Training	4,636	1,861
Postage	3,951	3,845
Equipment rental	2,179	1,247
Telephone	2,281	1,683
Bank charges	2,789	4,032
Dues and subscriptions	955	
Interest expense	1,721	2,046
Fund-raising expenses	720	1,117
Utilities	<u>1,555</u>	<u>1,753</u>
Total expenses	<u>705,133</u>	<u>641,004</u>
Change in net assets	121,613	156,627
Unrestricted net assets:		
Beginning of year	<u>436,455</u>	<u>279,828</u>
End of year	<u><u>\$ 558,068</u></u>	<u><u>\$ 436,455</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2015 AND 2014

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 19% of its 2015 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.

The Organization's cash deposits are held at one bank and is Federal Deposit Insurance Corporation (FDIC) insured up to \$250,000. From time to time during the year, the Organization may have balances in excess of \$250,000; therefore, amounts in excess of \$250,000 are uninsured and uncollateralized. The cash balances at this financial institution at December 31, 2015 and 2014 exceeded federal insured limits by \$65,928 and \$0, respectively.

Basis of accounting:

The Organization prepares its financial statements on the modified cash basis of accounting, which is a 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 its line of credit and 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.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

1. Summary of significant accounting policies (continued):

Basis of accounting (continued):

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. As of December 31, 2015 and 2014 and for the years then ended, the Organization has only unrestricted net assets.

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 paid; 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 disclosures 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.

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, 2015 AND 2014

1. Summary of significant accounting policies (continued):

Subsequent events:

The Organization has evaluated subsequent events through April 12, 2016, 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>2015</u>	<u>2014</u>
Vehicles	\$ 332,989	\$ 306,743
Emergency medical equipment	208,268	181,060
Leasehold improvements	150,330	150,330
Furniture, equipment and fixtures	<u>74,477</u>	<u>74,477</u>
Total property and equipment	<u>\$ 766,064</u>	<u>\$ 712,610</u>

Depreciation charged against revenues for the years ended December 31, 2015 and 2014 was \$34,191 and \$30,895, 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 2015, the Township distributed \$160,000 of the collected EMS tax to the Organization to help subsidize payroll expenses of the Organization. The Township collected revenues of \$222,028 and expended \$204,622 on behalf of the Organization, including the payroll expenses of \$160,000 and operating expenses of \$44,622. 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 \$160,000 actually transferred to the Organization. In 2014, the Township distributed \$160,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. During 2014, the Township collected revenues of \$213,280 and expended \$192,306 on behalf of the Organization including the payroll subsidy of \$160,000 previously discussed and operating expenses of \$32,306.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, the Organization was owed \$200,323 and \$179,784 of billed service fees for the years 2015 and 2014, respectively. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2015 and 2014 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 lease is payable in monthly installments ranging from \$800 to \$1,200 per month during the term of the lease. During both 2015 and 2014, the Organization paid rental expense of \$10,800 on the lease.

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

2016	\$ 12,000
2017	12,000
2018	12,000
2019	12,000
2020	12,700
2021-2025	66,700
2026-2029	<u>57,600</u>
	<u>\$ 185,000</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

7. Functional expenses:

Expenses by function for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Emergency medical services	\$ 555,745	\$ 504,440
General and administrative	134,460	122,048
Fund-raising	<u>14,928</u>	<u>14,516</u>
	<u>\$ 705,133</u>	<u>\$ 641,004</u>

8. 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, 2015 and 2014 was \$8,060 and \$7,685, respectively.

9. Line of credit:

During 2008, the Organization established a business line of credit with M&T Bank for \$50,000. During 2012, the business line of credit was increased to \$75,000. 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, 2015 and 2014, the line had an outstanding balance of \$7,153 and \$8,374, respectively, and an interest rate of 6.75% at both years ended.