

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

***YEARS ENDED
DECEMBER 31, 2012 AND 2011***



Independent Auditors' Report

Officers

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

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, 2012 and 2011, 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 of 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, 2012 and 2011, 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

May 7, 2013

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets, cash	<u>\$ 34,919</u>	<u>\$ 21,073</u>
Property and equipment	678,479	678,479
Accumulated depreciation	<u>(429,747)</u>	<u>(400,996)</u>
Net property and equipment	<u>248,732</u>	<u>277,483</u>
Total assets	<u><u>\$ 283,651</u></u>	<u><u>\$ 298,556</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 73,446	\$ 47,728
Payroll withholdings	2,298	2,083
Current portion of long-term debt	<u>53,755</u>	<u>13,558</u>
Total current liabilities	129,499	63,369
Long-term debt, net of current portion	<u>2,460</u>	<u>62,543</u>
Total liabilities	131,959	125,912
Net assets, unrestricted	<u>151,692</u>	<u>172,644</u>
Total liabilities and net assets	<u><u>\$ 283,651</u></u>	<u><u>\$ 298,556</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Billable services	\$ 407,899	\$ 450,348
Membership dues	110,507	111,520
Fairview Township support	105,701	105,000
Capital fund drive	27,377	29,012
Reimbursed expenses	2,973	2,761
Donations/fund-raising events	8,315	7,796
Miscellaneous income	3,345	3,973
Grants	6,555	5,794
Medical supplies	710	1,544
	<u>673,382</u>	<u>717,748</u>
Total revenues		
Expenses:		
Salaries	448,943	485,082
Payroll taxes	39,986	42,502
Retirement contributions	7,082	7,633
Membership - West Shore ALS	2,612	2,842
Outside services	2,064	939
Patient care supplies	16,414	16,440
Rent	9,600	9,600
Insurance	75,645	79,975
Building repairs	1,981	2,132
Equipment repairs	2,030	6,401
Office expenses	2,269	3,345
Depreciation	28,751	35,451
Professional fees	6,427	4,304
Miscellaneous	186	4,256
Vehicle expenses	5,386	5,849
Printing	10,756	9,560
Program expense	177	1,035

(continued)

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Expenses (continued):		
Uniforms	\$ 9,832	\$ 7,091
Training	1,583	187
Postage	4,145	3,564
Equipment rental	1,286	2,616
Telephone	5,864	10,311
Bank charges	5,700	8,170
Dues and subscriptions	355	52
Interest expense	3,448	3,814
Fund-raising expenses	780	976
Utilities	<u>1,032</u>	<u>1,587</u>
Total expenses	<u>694,334</u>	<u>755,714</u>
Change in net assets	(20,952)	(37,966)
Unrestricted net assets:		
Beginning of year	<u>172,644</u>	<u>210,610</u>
End of year	<u><u>\$ 151,692</u></u>	<u><u>\$ 172,644</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2012 AND 2011

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 16% of its 2012 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 its debt, 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.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. As of December 31, 2012 and 2011 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, 2012 AND 2011

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 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.

The Organization follows the disclosure requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 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 2009 through 2012.

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, 2012 AND 2011

1. Summary of significant accounting policies (continued):

Subsequent events:

The Organization has evaluated subsequent events through May 7, 2013, 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>2012</u>	<u>2011</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, 2012 and 2011 was \$28,751 and \$35,451, 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 2012, the Township distributed \$105,701 of the collected EMS tax to the Organization to help subsidize payroll expenses of the Organization. The Township collected revenues of \$213,124 and expended \$173,447 on behalf of the Organization, including the payroll expenses of \$105,701 previously discussed and operating expenses of \$67,746. 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 \$105,701 actually transferred to 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. During 2011, 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.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

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. The remaining balance of the loan as of December 31, 2012 is \$48,330. The loan is expected to be paid in full in 2013.

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, 2012 and 2011, the Organization was owed \$166,489 and \$161,054 of billed service fees for the years 2012 and 2011, respectively. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2012 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 2012 and 2011, 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, 2012 AND 2011

6. Commitments (continued):

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

2013	\$ 10,800
2014	10,800
2015	11,500
2016	12,000
2017	12,000
2018-2022	63,100
2023-2027	69,100
2028-2029	<u>28,800</u>
	<u>\$ 218,100</u>

7. Long-term debt:

Long-term debt at December 31, 2012 is as follows:

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

The note will be paid in full by the end of 2013 using funds from taxes collected by the Township for EMS purposes \$ 48,330

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. 7,885

56,215

Less current portion

53,755

Total long-term debt

\$ 2,460

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

7. Long-term debt (continued):

Maturities of long-term debt are as follows:

2013	\$ 53,755
2014	<u>2,460</u>
	<u>\$ 56,215</u>

8. Functional expenses:

Expenses by function for the years ended December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Emergency medical services	\$ 547,500	\$ 598,077
General and administrative	134,950	144,702
Fund-raising	<u>11,884</u>	<u>12,935</u>
	<u>\$ 694,334</u>	<u>\$ 755,714</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, 2012 and 2011 was \$7,082 and \$7,633, respectively.

10. 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, 2012 and 2011, the line had an outstanding balance of \$73,446 and \$47,728, respectively, and an interest rate of 6.75% and 4.25%, respectively.

