

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

***YEARS ENDED
DECEMBER 31, 2016 AND 2015***



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, 2016 and 2015, 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, 2016 and 2015, 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
March 27, 2017

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets, cash	<u>\$ 361,593</u>	<u>\$ 304,491</u>
Property and equipment	817,358	766,064
Accumulated depreciation	<u>(426,842)</u>	<u>(502,967)</u>
Net property and equipment	<u>390,516</u>	<u>263,097</u>
Total assets	<u><u>\$ 752,109</u></u>	<u><u>\$ 567,588</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 21,159	\$ 7,153
Current portion of long term debt	5,231	
Payroll withholdings	<u>2,578</u>	<u>2,367</u>
Total current liabilities	28,968	9,520
Long-term debt	<u>70,530</u>	
Total liabilities	99,498	9,520
Net assets, unrestricted	<u>652,611</u>	<u>558,068</u>
Total liabilities and net assets	<u><u>\$ 752,109</u></u>	<u><u>\$ 567,588</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Billable services	\$ 503,316	\$ 485,583
Membership dues	135,542	127,216
Fairview Township support	160,000	160,000
Capital fund drive	30,395	29,980
Training fees	2,133	5,103
Reimbursed expenses	20,283	743
Donations/fund-raising events	8,569	6,877
Miscellaneous income	46	69
Grants	7,202	7,445
Medical supplies	1,185	1,387
Gain on disposal of assets		<u>2,343</u>
Total revenues	<u>868,671</u>	<u>826,746</u>
Expenses:		
Salaries	446,773	437,117
Payroll taxes	39,891	39,527
Retirement contributions	7,717	8,060
Membership - West Shore ALS		1,007
Outside services	17,550	12,218
Patient care supplies	16,423	15,681
Rent	10,800	10,800
Insurance	83,599	72,269
Building repairs	23,301	2,022
Equipment repairs	9,414	9,819
Office expenses	16,486	11,629
Depreciation	49,495	34,191
Professional fees	6,840	7,534
Miscellaneous	111	2,429
Vehicle expenses	4,728	3,991
Printing	12,129	11,663
Program expense	2,561	1,318

(continued)

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Expenses (continued):		
Uniforms	\$ 5,076	\$ 3,071
Training	859	4,636
Postage	4,928	3,951
Equipment rental	3,126	2,179
Telephone	4,421	2,281
Bank charges	2,327	2,789
Dues and subscriptions	276	955
Interest expense	3,554	1,721
Fund-raising expenses	684	720
Utilities	<u>1,059</u>	<u>1,555</u>
Total expenses	<u>774,128</u>	<u>705,133</u>
Changes in net assets	94,543	121,613
Unrestricted net assets:		
Beginning of year	<u>558,068</u>	<u>436,455</u>
End of year	<u><u>\$ 652,611</u></u>	<u><u>\$ 558,068</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2016 AND 2015

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 18% and 19% of its 2016 and 2015 revenues, respectively, 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, 2016 and 2015 exceeded federal insured limits by \$127,728 and \$65,928, 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, long-term debt 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, 2016 AND 2015

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, 2016 and 2015 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, 2016 AND 2015

1. Summary of significant accounting policies (continued):

Subsequent events:

The Organization has evaluated subsequent events through March 27, 2017, 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>2016</u>	<u>2015</u>
Vehicles	\$ 383,715	\$ 332,989
Emergency medical equipment	208,268	208,268
Leasehold improvements	150,330	150,330
Furniture, equipment and fixtures	<u>75,045</u>	<u>74,477</u>
Total property and equipment	<u>\$ 817,358</u>	<u>\$ 766,064</u>

Depreciation charged against revenues for the years ended December 31, 2016 and 2015 was \$49,495 and \$34,191, respectively.

3. Fairview Township contributions:

The Township assesses a Local Services (LST) tax which is collected and a portion of it is used to pay for expenses of the Organization. In 2016, the Township distributed \$160,000 of the collected LST tax to the Organization to help subsidize payroll expenses of the Organization. The Township collected revenues of \$219,012 and expended \$231,048 on behalf of the Organization, including the payroll expenses of \$160,000 and operating expenses of \$71,048. 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 2015, the Township distributed \$160,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. During 2015, the Township collected revenues of \$222,028 and expended \$204,622 on behalf of the Organization including the payroll subsidy of \$160,000 previously discussed and operating expenses of \$44,622.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, the Organization was owed \$177,877 and \$200,323 of billed service fees for the years 2016 and 2015, respectively. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2016 and 2015 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 2016 and 2015, 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:

2017	\$ 12,000
2018	12,000
2019	12,000
2020	12,700
2021	13,200
2022-2026	67,900
2027-2030	<u>43,200</u>
	<u>\$ 173,000</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2016 AND 2015

7. Functional expenses:

Expenses by function for the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Emergency medical services	\$ 608,994	\$ 555,745
General and administrative	148,408	134,460
Fund-raising	<u>16,726</u>	<u>14,928</u>
	<u>\$ 774,128</u>	<u>\$ 705,133</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, 2016 and 2015 was \$7,717 and \$8,060, respectively.

9. Line of credit:

During 2012, the Organization established a business line of credit with M&T Bank for \$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, 2016 and 2015, the line had an outstanding balance of \$21,159 and \$7,153, respectively, and an interest rate of 7.0% and 6.75%, respectively. Effective January 1, 2017, the interest rate increased to 7.25%.

10. Long-term debt:

In February 2016, the Organization financed half of the cost to purchase of a new ambulance by borrowing \$86,750 through the Pennsylvania Volunteer Loan Assistance Program (VLAP). The loan bears interest at 2% and is to be repaid in monthly installments of \$558 over the next 14 years. The loan will mature on October 1, 2029. The loan is collateralized by the new ambulance. During 2016, the Organization paid \$7,202 of additional principal on the loan and as of December 31, 2016, the principal balance is \$75,761.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2016 AND 2015

10. Long-term debt (continued):

The following are the maturities of long-term debt for each of the next five years and thereafter:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,231	\$ 1,468	\$ 6,699
2018	5,337	1,362	6,699
2019	5,445	1,254	6,699
2020	5,555	1,144	6,699
2021	5,667	1,032	6,699
2022-2026	30,096	3,399	33,495
2027-2030	18,430	542	18,972
	<u>\$ 75,761</u>	<u>\$ 10,201</u>	<u>\$ 85,962</u>

