

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

**YEARS ENDED
DECEMBER 31, 2017 AND 2016**





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, 2017 and 2016, 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, 2017 and 2016, 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 Steindam & Fritz

Camp Hill, Pennsylvania
April 10, 2018

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets, cash	<u>\$ 380,261</u>	<u>\$ 361,593</u>
Property and equipment	817,358	817,358
Accumulated depreciation	<u>(477,794)</u>	<u>(426,842)</u>
Net property and equipment	<u>339,564</u>	<u>390,516</u>
Total assets	<u>\$ 719,825</u>	<u>\$ 752,109</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 8,811	\$ 21,159
Current portion of long term debt		5,231
Payroll withholdings	<u>2,843</u>	<u>2,578</u>
Total current liabilities	11,654	28,968
Long-term debt		<u>70,530</u>
Total liabilities	11,654	99,498
Net assets, unrestricted	<u>708,171</u>	<u>652,611</u>
Total liabilities and net assets	<u>\$ 719,825</u>	<u>\$ 752,109</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Billable services	\$ 481,938	\$ 503,316
Membership dues	130,361	135,542
Fairview Township support	180,000	160,000
Capital fund drive	34,131	30,395
Training fees	1,304	2,133
Reimbursed expenses	190	20,283
Donations/fund-raising events	6,785	8,569
Miscellaneous income	1,183	46
Grants	7,448	7,202
Medical supplies	<u>2,949</u>	<u>1,185</u>
Total revenues	<u>846,289</u>	<u>868,671</u>
Expenses:		
Salaries	473,907	446,773
Payroll taxes	41,299	39,891
Retirement contributions	7,549	7,717
Outside services	7,229	17,550
Patient care supplies	25,537	16,423
Rent	10,800	10,800
Insurance	98,873	83,599
Building repairs	2,740	23,301
Equipment repairs	6,186	9,414
Office expenses	13,488	16,486
Depreciation	50,952	49,495
Professional fees	4,308	6,840
Miscellaneous	849	111
Vehicle expenses	6,325	4,728
Printing	10,787	12,129
Program expense	3,366	2,561

(continued)

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Expenses (continued):		
Uniforms	\$ 5,364	\$ 5,076
Training	502	859
Postage	5,383	4,928
Equipment rental	3,261	3,126
Telephone	5,149	4,421
Bank charges	2,526	2,327
Dues and subscriptions	351	276
Interest expense	2,438	3,554
Fund-raising expenses	198	684
Utilities	<u>1,362</u>	<u>1,059</u>
Total expenses	<u>790,729</u>	<u>774,128</u>
Changes in net assets	55,560	94,543
Unrestricted net assets:		
Beginning of year	<u>652,611</u>	<u>558,068</u>
End of year	<u>\$ 708,171</u>	<u>\$ 652,611</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)

YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Nature of organization and 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.

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.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. As of December 31, 2017 and 2016 and for the years then ended, the Organization has only unrestricted net assets

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 21% and 18% of its 2017 and 2016 revenues, respectively, from tax revenues assessed and contributions 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.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Nature of organization and summary of significant accounting policies (continued):

Concentrations of risk (continued):

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, 2017 and 2016 exceeded federal insured limits by \$163,427 and \$127,728, respectively.

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, 2017 AND 2016

1. Nature of organization and summary of significant accounting policies (continued):

Recently issued accounting standards:

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets, (2) the ASU expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions, as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively and is effective for years beginning after December 15, 2017. The Organization will be evaluating the impact this standard will have on its financial statements and related disclosures.

Subsequent events:

The Organization has evaluated subsequent events through April 10, 2018, the date which the financial statements were available to be issued.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

2. Property and equipment:

Property and equipment consist of the following on December 31:

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 383,715	\$ 383,715
Emergency medical equipment	208,268	208,268
Leasehold improvements	150,330	150,330
Furniture, equipment and fixtures	<u>75,045</u>	<u>75,045</u>
Total property and equipment	<u>\$ 817,358</u>	<u>\$ 817,358</u>

Depreciation charged against revenues for the years ended December 31, 2017 and 2016 was \$50,952 and \$49,495, 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 2017, the Township distributed \$160,000 of the collected LST tax to the Organization to help subsidize payroll expenses of the Organization. Additionally, the Township contributed \$20,000 to the Organization for capital expenses. The Township collected revenues of \$215,160 and expended \$197,759 on behalf of the Organization, including the payroll expenses of \$160,000 and operating expenses of \$37,759. 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 \$180,000 actually transferred to the Organization. In 2016, the Township distributed \$160,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. During 2016, the Township collected revenues of \$219,012 and expended \$231,048 on behalf of the Organization including the payroll subsidy of \$160,000 previously discussed and operating expenses of \$71,048.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, the Organization was owed \$181,061 and \$177,877 of billed service fees for the years 2017 and 2016, respectively. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2017 and 2016 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 \$1,100 per month during the term of the lease. During both 2017 and 2016, 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:

2018	\$ 10,800
2019	10,800
2020	11,500
2021	12,000
2022	12,000
2023-2027	63,100
2028-2029	<u>26,400</u>
	<u>\$ 146,600</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

7. Functional expenses:

Expenses by function for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Emergency medical services	\$ 624,944	\$ 608,994
General and administrative	150,351	148,408
Fund-raising	<u>15,434</u>	<u>16,726</u>
	<u>\$ 790,729</u>	<u>\$ 774,128</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, 2017 and 2016 was \$7,549 and \$7,717, 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, 2017 and 2016, the line had an outstanding balance of \$8,811 and \$21,159, respectively, and an interest rate of 6.75% and 7.0%, respectively. Effective January 1, 2018, 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 was paid off during 2017.

