

FAIRVIEW
TOWNSHIP **EMS**

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

**YEARS ENDED
DECEMBER 31, 2019 AND 2018**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

YEARS ENDED DECEMBER 31, 2019 AND 2018

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Independent Auditor's 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, 2019 and 2018 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.

Auditor's 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 auditor's 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 auditor considers 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization changed its method of recording revenue as a result of the adoption of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*; ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* and the amendments in ASU's 2015-14, 2016-08, 2016-10 and 2016-12 effective January 1, 2019.

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, 2019 and 2018, 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 Steidman & Fritz

Camp Hill, Pennsylvania
March 18, 2020

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(Modified cash basis)
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets, financial assets available within one year, cash	<u>\$ 295,901</u>	<u>\$ 356,394</u>
Property and equipment	924,985	847,885
Accumulated depreciation	<u>(433,312)</u>	<u>(511,789)</u>
Net property and equipment	<u>491,673</u>	<u>336,096</u>
Total assets	<u>\$ 787,574</u>	<u>\$ 692,490</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Payroll withholdings	\$ 2,895	\$ 2,738
Current portion of long-term debt	<u>5,797</u>	<u> </u>
Total current liabilities	8,692	2,738
Long-term liabilities, long-term debt net of current portion	<u>92,648</u>	<u> </u>
Total liabilities	101,340	2,738
Net assets without donor restrictions	<u>686,234</u>	<u>689,752</u>
Total liabilities and net assets	<u>\$ 787,574</u>	<u>\$ 692,490</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
Billable services	\$ 496,591	\$ 462,639
Membership dues	130,837	130,597
Fairview Township support	180,000	160,000
Capital fund drive	36,810	31,637
Training fees	2,937	2,896
Reimbursed expenses	5,349	813
Donations/fund-raising events	7,947	6,100
Interest income	635	
Miscellaneous income	750	1,058
Grants	7,155	7,037
Medical supplies	2,503	3,005
	<u>871,514</u>	<u>805,782</u>
Total revenues	871,514	805,782
Expenses:		
Salaries	534,311	503,614
Payroll taxes	45,403	43,342
Retirement contributions	12,051	10,302
Outside services	12,095	13,414
Patient care supplies	19,150	19,934
Rent	12,000	12,000
Insurance	103,821	100,532
Building repairs	2,448	2,774
Equipment repairs	8,134	1,206
Office expenses	7,229	11,389
Depreciation	57,569	50,995
Professional fees	6,882	5,607
Miscellaneous	2,712	1,562
Vehicle expenses	6,190	7,365
Printing	11,688	10,787
Program expenses	2,594	1,626

(continued)

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Expenses (continued):		
Uniforms	\$ 3,338	\$ 4,147
Training	2,839	2,441
Postage	6,047	5,501
Equipment rental	4,540	3,748
Telephone	5,693	5,004
Bank charges	5,349	3,202
Dues and subscriptions	810	668
Interest expense	597	1,140
Fund-raising expenses	220	132
Utilities	1,322	1,769
	<u>875,032</u>	<u>824,201</u>
Total expenses		
Changes in net assets without donor restrictions	(3,518)	(18,419)
Net assets without donor restrictions:		
Beginning of year	<u>689,752</u>	<u>708,171</u>
End of year	<u><u>\$ 686,234</u></u>	<u><u>\$ 689,752</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Nature of organization and summary of significant accounting policies:

Nature of 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, 2019 and 2018 and for the years then ended, the Organization has only net assets without donor restrictions.

Revenue recognition:

Fairview Township Emergency Medical Services, Inc. is a nonprofit organization. The Organization's functions include providing advanced and basic life support services, as well as emergency and nonemergency medical transportation primarily to the residents of Fairview Township. The Organization has three major sources of revenue:

1. **Billable services** – The Organization provides residents in the Township with advanced and basic life support services, as well as emergency and nonemergency medical transportation. The Organization receives revenue related to billable services based upon completion of the service performed and billing either the patient's insurance company or the patient themselves. In accordance with the constitution of the Fairview Township Emergency Medical Services, Inc., there are no restrictions on the revenue. The Organization recognizes revenue when received in accordance with the modified cash basis of accounting. Billable service revenue is recognized at a point in time, when received.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Revenue recognition:

2. Membership dues – The Organization collects member dues primarily for the purpose of providing residents advanced and basic life support services as well as emergency and nonemergency medical transportation. Membership dues are based on a contribution level determined by the member. The dues cover a calendar year, which is also the fiscal year for the Organization. There is no distinct benefits or performance obligation associated with these dues. In accordance with the constitution of the Fairview Township Emergency Medical Services, Inc., there are no restrictions on the dues. Dues revenue is recognized at a point in time, when received.
3. Fairview Township support – The Organization receives support from Fairview Township for daily operations. Total support received is based a budget approved annually by Fairview Township. The Township support covers a calendar year, which is also the fiscal year for the Organization. There is no distinct benefits or performance obligation associated with this support. In accordance with Fairview Township's budget approval, there are no restrictions on the support. Township support is recognized at a point in time, when received.

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 that determine reimbursements under Medicare and other insurance programs. These policies could also jeopardize future revenue.

The Organization received approximately 21% and 20% of its 2019 and 2018 revenues, respectively, from tax revenues assessed and contributions by Fairview Township as described in Note 4. 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 are insured by Federal Deposit Insurance Corporation (FDIC) 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, 2019 and 2018 exceeded federal insured limits by \$57,630 and \$116,619, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Nature of organization and 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.

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.

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.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

2. Property and equipment:

Property and equipment consist of the following on December 31:

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 477,788	\$ 400,688
Emergency medical equipment	218,267	218,267
Leasehold improvements	150,330	150,330
Furniture, equipment and fixtures	<u>78,600</u>	<u>78,600</u>
Total property and equipment	<u>\$ 924,985</u>	<u>\$ 847,885</u>

Depreciation charged against revenues for the years ended December 31, 2019 and 2018 was \$57,569 and \$50,995, respectively.

3. Financial assets and liquidity resources:

The Organization's primary cash flows are received monthly during the year and are attributed to billable services related to advanced and basic life support, as well as emergency and nonemergency medical transportation primarily to the residents of Fairview Township, memberships and Fairview Township support. These cash flows do not contain any donor imposed restrictions or designations made by the Organization's board.

To manage liquidity, the Organization maintains checking accounts with a bank that can be drawn upon as needed during the year and a \$75,000 line of credit to manage cash flows. As of December 31, 2019 and 2018, the checking accounts totaled \$295,901 and \$356,394, respectively. As of December 31, 2019 and 2018, the line of credit was \$0.

As of December 31, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and property and equipment not financed with debt, were \$295,901 and \$356,394, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

4. Fairview Township contributions:

The Township assesses a Local Services Tax (LST) which is collected and a portion of it is used to pay for expenses of the Organization. In 2019, the Township distributed \$160,000 of the collected LST 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 \$160,656 and expended \$216,677 on behalf of the Organization, including the payroll expenses of \$160,000 and operating expenses of \$56,677. 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 2018, the Township distributed \$160,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. During 2018, the Township collected revenues of \$215,515 and expended \$197,111 on behalf of the Organization including the payroll subsidy of \$160,000 previously discussed and operating expenses of \$37,111.

5. 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.

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 2019 and 2018, the Organization paid rental expense of \$12,000 on the lease.

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

2020	\$ 12,000
2021	12,000
2022	12,000
2023	12,000
2024	12,000
2025-2029	<u>65,500</u>
	<u>\$ 125,500</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

6. Commitments (continued):

In July 2018, the Organization signed a five-year lease for a copier. Scheduled lease payments are around \$150 per month. The remaining commitments under the lease are as follows:

2020	\$ 1,800
2021	1,800
2022	1,800
2023	<u>750</u>
	<u>\$ 6,150</u>

7. 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, 2019 and 2018, the line had an outstanding balance of \$0, and an interest rate of 7.25% and 7.75%, respectively.

8. Long-term debt:

In August 2019, the Organization financed half of the cost to purchase a new ambulance by borrowing \$99,876 through the Pennsylvania Volunteer Loan Assistance Program (VLAP). The loan bears an interest rate of 2.00% and requires monthly payments of principal and interest of \$643. The loan matures on September 1, 2034. The remaining principal balance at December 31, 2019 is \$98,445

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>
2020	\$ 5,797	\$ 1,916	\$ 7,713
2021	5,914	1,799	7,713
2022	6,033	1,680	7,713
2023	6,155	1,558	7,713
2024	6,279	1,434	7,713
2025-2029	33,348	5,216	38,564
2030-2034	<u>34,919</u>	<u>1,711</u>	<u>36,630</u>
	<u>\$ 98,445</u>	<u>\$ 15,314</u>	<u>\$ 113,759</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

9. Billable service fees outstanding:

The Organization was owed around \$180,000 of billed service fees as of December 31, 2019 and 2018. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2019 and 2018 fees.

10. Adoption of new accounting pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* Accounting Standard Codification (ASC-606), which amends previous guidance. The core principle of ASC-606 is that any entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions.

Effective January 1, 2019, the Organization adopted ASU 2014-09 and ASU 2018-08 using the full retrospective method applied to those contracts which were not completed as of January 1, 2019. There was no quantitative impact as a result of adopting ASU 2014-09 and ASU 2018-08.

11. Functional expenses:

Expenses by function for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Emergency medical services	\$ 688,132	\$ 648,508
General and administrative	170,020	160,218
Fund raising	16,880	15,475
	<u>\$ 875,032</u>	<u>\$ 824,201</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2019 AND 2018

11. Functional expenses (continued):

The Organization reports expenses that are attributable to one program or two supporting services; therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on salaries and benefits and costs that are directly related to the program or two supporting services.

12. 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, 2019 and 2018 was \$12,051 and \$10,302, respectively.

13. Noncash transaction:

For the year ended December 31, 2019, the Organization purchased a 2019 Ford F-550 ambulance by trading in a 2005 Ford F-550 ambulance. The 2005 Ford F-550 ambulance had a book value of \$3,092, and the Organization received an \$11,000 trade-in allowance. The \$11,000 trade-in allowance was used to pay off part of the cost of the 2019 Ford F-550 ambulance.

14. Subsequent events:

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the Company beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While Fairview Township Emergency Medical Services, Inc. expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on its operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for Fairview Township Emergency Medical Services, Inc.'s services, all of which are highly uncertain and cannot be predicted.

Fairview Township Emergency Medical Services, Inc. has evaluated subsequent events through March 18, 2020, the date which the financial statements were available to be issued.