

FAIRVIEW
TOWNSHIP **EMS**

**YEARS ENDED
DECEMBER 31, 2021 AND 2020**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Officers

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

Opinion

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, 2021 and 2020 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.

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, 2021 and 2020, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter — Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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 this matter.

Responsibilities of Management 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, and for determining that the 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
March 31, 2022

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(Modified cash basis)
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 444,281	\$ 420,805
Prepaid expense	117,806	
Total current assets	562,087	420,805
Property and equipment	929,078	924,985
Accumulated depreciation	(560,286)	(498,370)
Net property and equipment	368,792	426,615
Total assets	\$ 930,879	\$ 847,420
LIABILITIES AND NET ASSETS		
Current liabilities:		
Payroll withholdings	\$ 2,584	\$ 2,651
Current portion of long-term debt	25,827	6,061
Total current liabilities	28,411	8,712
Long-term liabilities, long-term debt net of current portion	121,770	79,294
Total liabilities	150,181	88,006
Net assets without donor restrictions	780,698	759,414
Total liabilities and net assets	\$ 930,879	\$ 847,420

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Billable services	\$ 577,107	\$ 484,149
Membership dues	153,485	152,258
Fairview Township support	168,000	168,000
Capital fund drive	46,033	28,590
Training fees	7,936	5,314
Reimbursed expenses	983	11,519
Donations/fundraising events	11,091	8,140
Interest income		727
Miscellaneous income		7,346
Grants	31,260	101,240
Medical supplies	2,092	1,879
	<u>997,987</u>	<u>969,162</u>
Total revenues	997,987	969,162
Expenses:		
Salaries	604,076	544,289
Payroll taxes	49,562	43,905
Retirement contributions	13,595	12,739
Outside services	5,388	4,532
Patient care supplies	24,182	25,297
Rent	13,900	11,000
Insurance	122,869	109,000
Building repairs	1,318	6,348
Equipment repairs	1,889	2,248
Office expenses	5,950	10,454
Depreciation	61,916	65,058
Professional fees	9,155	6,831
Miscellaneous	416	1,113
Vehicle expenses	3,641	5,432
Printing	11,804	11,188
Program expenses	2,023	1,775

(continued)

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

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

(Modified cash basis)

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Expenses (continued):		
Uniforms	\$ 7,917	\$ 6,001
Training	7,079	3,790
Postage	6,587	6,317
Equipment rental	5,473	4,419
Telephone	5,956	5,474
Bank charges	7,220	4,584
Dues and subscriptions	2,260	1,035
Interest expense	1,142	1,886
Fundraising expenses	182	140
Utilities	1,203	1,127
	<u>976,703</u>	<u>895,982</u>
Total expenses		
Changes in net assets without donor restrictions	21,284	73,180
Net assets without donor restrictions:		
Beginning of year	<u>759,414</u>	<u>686,234</u>
End of year	<u><u>\$ 780,698</u></u>	<u><u>\$ 759,414</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2021 AND 2020

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 recognize prepaid expenses, 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, 2021 and 2020 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, 2021 AND 2020

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. The Organization does not have additional commitments or responsibilities that would influence the recognition of the dues as revenue once collected. 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 (the Township) support – The Organization receives support from Fairview Township for daily operations. Total support received is based on a budget approved annually by Fairview Township. The Township support covers a calendar year, which is also the fiscal year for the Organization. The Organization does not have additional commitments or responsibilities that would influence the recognition of the support as revenue once collected. In accordance with the Township’s budget approval, there are no restrictions on the support. The 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 17% of its 2021 and 2020 revenues 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, 2021 and 2020 exceeded federal insured limits by \$207,617 and \$184,336, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Prepaid expenses:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses (see Note 8).

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, 2021 AND 2020

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

Recently issued accounting pronouncement:

Contributed nonfinancial assets:

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Standard will require contributed nonfinancial assets to be a separate line item in the statement of activities and enhanced disclosures. The required disclosures include a disaggregation of the amount of contributed nonfinancial assets recognized in the statement of activities by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets: 1) qualitative information regarding utilization or monetization of the contributed nonfinancial assets, 2) the programs or activities the contributed nonfinancial assets were utilized for, 3) the entity's policy for monetizing rather than utilizing contributed nonfinancial assets (if applicable), 4) a description of any donor-imposed restrictions on the nonfinancial assets, 5) a description of the valuation techniques and inputs used to arrive at the fair market value assigned to the contributed nonfinancial assets and 6) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. The Standard is to be applied retrospectively and will be effective for the Organization beginning January 1, 2022. The Organization is currently evaluating the impacts of adopting this guidance on its financial statements and related disclosures.

2. Property and equipment:

Property and equipment consisted of the following on December 31:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 477,788	\$ 477,788
Emergency medical equipment	218,267	218,267
Leasehold improvements	150,330	150,330
Furniture, equipment and fixtures	<u>82,693</u>	<u>78,600</u>
Total property and equipment	<u>\$ 929,078</u>	<u>\$ 924,985</u>

Depreciation charged against revenues for the years ended December 31, 2021 and 2020 was \$61,916 and \$65,058, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, the checking accounts totaled \$444,281 and \$420,805, respectively. As of December 31, 2021 and 2020, the line of credit was \$0.

As of December 31, 2021 and 2020, 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 \$444,281 and \$420,805, respectively.

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 2021, the Township distributed \$168,000 of the collected LST to the Organization to help subsidize payroll expenses of the Organization. The Township collected revenues of \$212,907 and expended \$212,930 on behalf of the Organization, including the payroll expenses of \$168,000 and operating expenses of \$41,466. During 2021, 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 \$168,000 actually transferred to the Organization. In 2020, the Township distributed \$168,000 of the collected LST to the Organization to help subsidize payroll expenses of the Organization. The Township collected revenues of \$192,697 and expended \$201,671 on behalf of the Organization, including the payroll expenses of \$168,000 and operating expenses of \$31,583. During 2020, 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 \$168,000 actually transferred to the Organization.

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.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2021 AND 2020

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 2021 and 2020, the Organization paid rental expense of \$13,900 and \$11,000 on the lease, respectively.

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

2022	\$ 13,200
2023	13,200
2024	13,200
2025	13,900
2026	14,400
2027-2030	<u>49,200</u>
	<u>\$ 117,100</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, 2021 and 2020, the line had an outstanding balance of \$0, and an interest rate of 5.75%.

8. Long-term debt:

The following is a summary of long-term debt:

	Outstanding balance 1/1/2020	Additions	Reductions	Outstanding balance 12/31/2020	Additions	Reductions	Outstanding balance 12/31/2021	Due within one year
Ambulance loan	\$ 98,445		\$ (13,090)	\$ 85,355		\$ (15,564)	\$ 69,791	\$ 6,375
Loader loan					\$ 117,806	(40,000)	77,806	19,452
	<u>\$ 98,445</u>	<u>\$ -</u>	<u>\$ (13,090)</u>	<u>\$ 85,355</u>	<u>\$ 117,806</u>	<u>\$ (55,564)</u>	<u>\$ 147,597</u>	<u>\$ 25,827</u>

As of December 31, 2021, the Organization prepaid \$117,806 of the loader loan. This amount is included in prepaid expenses on the statements of assets, liabilities and net assets.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2021 AND 2020

8. Long-term debt (continued):

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 December 1, 2031. The remaining principal balance at December 31, 2021 is \$69,791.

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>
2022	\$ 6,375	\$ 1,338	\$ 7,713
2023	6,504	1,209	7,713
2024	6,635	1,078	7,713
2025	6,769	944	7,713
2026	6,905	807	7,712
2027-2031	<u>36,603</u>	<u>1,888</u>	<u>38,491</u>
	<u>\$ 69,791</u>	<u>\$ 7,264</u>	<u>\$ 77,055</u>

In December 2021, the Organization entered into a loan payable with a financial institution to purchase equipment for \$117,806. The loan is payable over a 4 year term with a 0% interest rate and an initial payment of \$40,000 with annual payments of \$19,452. The equipment loan payable is secured by the equipment purchased under the loan. The equipment loan payable matures in December 2025. The outstanding balance is \$77,806 at December 31, 2021. The future principal payments on the equipment loan payable are:

2022	\$ 19,452
2023	19,452
2024	19,451
2025	<u>19,451</u>
	<u>\$ 77,806</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2021 AND 2020

9. Paycheck Protection Program:

In April 2020, the Organization received funding totaling \$77,000 from the Paycheck Protection Program (PPP), a government program authorizing loans to small businesses to cover payroll costs, rent and utility costs over a 24-week period during the pandemic. The Organization made a policy election to treat this under the contribution model, similar to other grants the Organization receives. In October 2020, the loan was forgiven, and for that reason it is reflected as grants on the statements of revenues, expenses and changes in net assets – modified cash basis.

10. Billable service fees outstanding:

The Organization was owed around \$245,000 and \$200,000 of billed service fees as of December 31, 2021 and 2020, respectively. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2021 and 2020 fees.

11. Functional expenses:

Expenses by function for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Emergency medical services	\$ 769,778	\$ 705,212
General and administrative	190,007	174,180
Fundraising	16,918	16,590
	<u>\$ 976,703</u>	<u>\$ 895,982</u>

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, 2021 and 2020 was \$13,595 and \$12,739, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2021 AND 2020

13. Impact of COVID-19 on the financial statements:

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 Organization 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 COVID-19 on its operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions and the impact of COVID-19 on overall demand for Fairview Township Emergency Medical Services, Inc.'s services, all of which are highly uncertain and cannot be predicted.

In April 2020, the Organization obtained a PPP grant to assist with payroll and other costs during the pandemic. The grant is described in detail in Note 9.

14. Subsequent events:

Fairview Township Emergency Medical Services, Inc. has evaluated subsequent events through March 31, 2022, the date which the financial statements were available to be issued.