

FAIRVIEW TOWNSHIP **EMS**

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

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019 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.

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, 2020 and 2019, 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 31, 2021

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(Modified cash basis)
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets, financial assets available within one year, cash	<u>\$ 420,805</u>	<u>\$ 295,901</u>
Property and equipment	924,985	924,985
Accumulated depreciation	<u>(498,370)</u>	<u>(433,312)</u>
Net property and equipment	<u>426,615</u>	<u>491,673</u>
Total assets	<u><u>\$ 847,420</u></u>	<u><u>\$ 787,574</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Payroll withholdings	\$ 2,651	\$ 2,895
Current portion of long-term debt	<u>6,061</u>	<u>5,797</u>
Total current liabilities	8,712	8,692
Long-term liabilities, long-term debt net of current portion	<u>79,294</u>	<u>92,648</u>
Total liabilities	88,006	101,340
Net assets without donor restrictions	<u>759,414</u>	<u>686,234</u>
Total liabilities and net assets	<u><u>\$ 847,420</u></u>	<u><u>\$ 787,574</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Billable services	\$ 484,149	\$ 496,591
Membership dues	152,258	130,837
Fairview Township support	168,000	180,000
Capital fund drive	28,590	36,810
Training fees	5,314	2,937
Reimbursed expenses	11,519	5,349
Donations/fundraising events	8,140	7,947
Interest income	727	635
Miscellaneous income	7,346	750
Grants	101,240	7,155
Medical supplies	1,879	2,503
	<u>969,162</u>	<u>871,514</u>
Total revenues	969,162	871,514
Expenses:		
Salaries	544,289	534,311
Payroll taxes	43,905	45,403
Retirement contributions	12,739	12,051
Outside services	4,532	12,095
Patient care supplies	25,297	19,150
Rent	11,000	12,000
Insurance	109,000	103,821
Building repairs	6,348	2,448
Equipment repairs	2,248	8,134
Office expenses	10,454	7,229
Depreciation	65,058	57,569
Professional fees	6,831	6,882
Miscellaneous	1,113	2,712
Vehicle expenses	5,432	6,190
Printing	11,188	11,688
Program expenses	1,775	2,594

(continued)

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Expenses (continued):		
Uniforms	\$ 6,001	\$ 3,338
Training	3,790	2,839
Postage	6,317	6,047
Equipment rental	4,419	4,540
Telephone	5,474	5,693
Bank charges	4,584	5,349
Dues and subscriptions	1,035	810
Interest expense	1,886	597
Fundraising expenses	140	220
Utilities	1,127	1,322
	<u>895,982</u>	<u>875,032</u>
Total expenses		
Changes in net assets without donor restrictions	73,180	(3,518)
Net assets without donor restrictions:		
Beginning of year	<u>686,234</u>	<u>689,752</u>
End of year	<u><u>\$ 759,414</u></u>	<u><u>\$ 686,234</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (Modified cash basis) YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 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, 2020 AND 2019

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% and 21% of its 2020 and 2019 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, 2020 and 2019 exceeded federal insured limits by \$184,336 and \$57,630, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

2. Property and equipment:

Property and equipment consist of the following on December 31:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 477,788	\$ 477,788
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>\$ 924,985</u>

Depreciation charged against revenues for the years ended December 31, 2020 and 2019 was \$65,058 and \$57,569, 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, 2020 and 2019, the checking accounts totaled \$420,805 and \$295,901, respectively. As of December 31, 2020 and 2019, the line of credit was \$0.

As of December 31, 2020 and 2019, 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 \$420,805 and \$295,901, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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 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 \$33,671. 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. In 2019, the Township distributed \$160,000 of the collected EMS tax to the Organization to help subsidize payroll costs of the Organization. Additionally, during 2019, the Township contributed \$20,000 to the Organization for capital expenses. During 2019, the Township collected revenues of \$160,656 and expended \$216,677 on behalf of the Organization, including the payroll subsidy of \$160,000 previously discussed and operating expenses of \$56,677. During 2019, 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.

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 2020 and 2019, the Organization paid rental expense of \$11,000 and \$12,000 on the lease, respectively.

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

2021	\$ 13,000
2022	12,000
2023	12,000
2024	12,000
2025	12,700
2026-2029	<u>52,800</u>
	<u>\$ 114,500</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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:

2021	\$ 1,800
2022	1,800
2023	<u>750</u>
	<u>\$ 4,350</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, 2020 and 2019, the line had an outstanding balance of \$0, and an interest rate of 7.25%.

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 June 1, 2033. The remaining principal balance at December 31, 2020 is \$85,355.

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>
2021	\$ 6,061	\$ 1,652	\$ 7,713
2022	6,183	1,529	7,712
2023	6,308	1,405	7,713
2024	6,435	1,277	7,712
2025	6,565	1,147	7,712
2026-2030	34,868	3,695	38,563
2031-2033	<u>18,935</u>	<u>497</u>	<u>19,432</u>
	<u>\$ 85,355</u>	<u>\$ 11,202</u>	<u>\$ 96,557</u>

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Modified cash basis)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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 \$200,000 and \$180,000 of billed service fees as of December 31, 2020 and 2019, respectively. These outstanding fees are not included in these modified cash basis financial statements. Management has not determined the collectability of the 2020 and 2019 fees.

11. Functional expenses:

Expenses by function for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Emergency medical services	\$ 705,212	\$ 688,132
General and administrative	174,180	170,020
Fundraising	<u>16,590</u>	<u>16,880</u>
	<u><u>\$ 895,982</u></u>	<u><u>\$ 875,032</u></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, 2020 and 2019 was \$12,739 and \$12,051, respectively.

FAIRVIEW TOWNSHIP EMERGENCY MEDICAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (Modified cash basis) YEARS ENDED DECEMBER 31, 2020 AND 2019

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. 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 and 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.

15. Subsequent events:

Fairview Township Emergency Medical Services, Inc. has evaluated subsequent events through March 31, 2021, the date which the financial statements were available to be issued.