



EMS COUNCIL INC.

# Rappahannock Emergency Medical Services Council, Inc.

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**Financial Statements**

Year Ended June 30, 2018



Marek & Associates LLC

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Marek & Associates LLC

## **Independent Auditors' Report**

Board of Directors  
Rappahannock Emergency Medical Services Council, Inc.  
Fredericksburg, Virginia

We have audited the accompanying financial statements of Rappahannock Emergency Medical Services Council, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows, for the year then ended, and 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 accounting principles generally accepted in the United States of America; this includes 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor considers internal control relevant to the entity'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 entity'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 financial position of Rappahannock Emergency Medical Services Council, Inc. as of June 30, 2018, and the respective changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**Marek & Associates** LLC

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on Rappahannock Emergency Medical Services Council, Inc.'s financial statements as a whole. The accompanying schedule of functional expenses of Rappahannock Emergency Medical Services Council, Inc., on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly state in all material respects in relation to the financial statements as a whole.

*Marek*

**Marek & Associates, LLC**  
**Stafford, Virginia**  
**August 20, 2018**

**Rappahannock Emergency Medical Services Council, Inc.**  
**Statement of Financial Position**  
**June 30, 2018**

	<u>2018</u>
<b>Assets</b>	
Current Assets:	
Cash	\$ 44,932
Accounts receivable, less allowance for doubtful accounts of \$4,435	64,911
Prepaid expenses	3,338
<b>Total current assets</b>	<u>113,181</u>
Property and equipment, less accumulated depreciation	<u>105,515</u>
<b>Total assets</b>	<u><u>\$ 218,696</u></u>
<b>Liabilities and net assets</b>	
Current liabilities:	
Accounts payable	\$ 4,600
Payroll liabilities	20,667
Deferred revenue	320
Current maturities of long-term obligations	18,674
<b>Total current liabilities</b>	<u>44,261</u>
<b>Total liabilities</b>	<u>44,261</u>
<b>Net assets</b>	
Unrestricted	<u>174,435</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 218,696</u></u>

**Rappahannock Emergency Medical Services Council, Inc.**  
**Statement of Activities**  
**June 30, 2018**

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	<u>2018</u>
<b>Revenues and other support</b>	
State contributions	\$ 273,802
Donated rent	155,610
Local government contributions	112,617
Consolidated testing and training fees	46,073
Fundraising	14,593
Non-government grants and contributions	25,434
Miscellaneous	899
<b>Total revenue</b>	<u>629,028</u>
<b>Expenses</b>	
Program	376,117
Administrative	174,888
Fundraising	63,966
<b>Total expenses</b>	<u>614,971</u>
<b>Change in net assets</b>	<u>14,057</u>
<b>Net assets, beginning of period</b>	<u>160,378</u>
<b>Net assets, end of period</b>	<u><u>\$ 174,435</u></u>

**Rappahannock Emergency Medical Services Council, Inc.**  
**Statements of Cash Flow**  
**June 30, 2018**

	<u>2018</u>
<b>Cash flows provided by operating activities</b>	
Change in net assets	\$ 14,057
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation of property, plant, and equipment	53,083
Bad debt expense on accounts receivable	4,435
Net increase (decrease) in:	
Accounts payable	(2,429)
Payroll liabilities	(14,177)
Deferred revenues	(22,098)
Net (increase) decrease in:	
Accounts receivable	(228)
Prepaid expenses	(3,338)
	<u>29,305</u>
<b>Net cash provided by operating activities</b>	
<b>Cash flows used in financing activities</b>	
Payments on long-term debt	(27,102)
	<u>(27,102)</u>
<b>Net cash used in financing activities</b>	
<b>Net increase in cash</b>	2,203
<b>Cash at beginning of period</b>	<u>42,729</u>
<b>Cash at end of period</b>	<u><u>\$ 44,932</u></u>
 Supplemental disclosures of cash flows information:	
Cash paid during the year for interest	\$ 1,130

# Notes to Financial Statements

## 1. Organization and Nature of Activities

The Rappahannock Emergency Medical Services Council, Inc. ("the Council"), is a non-profit community organization serving Planning Districts 9 and 16, mandated by Virginia Law, which provides emergency medical training to the public as well as volunteer and career first responders, coordinates regional disaster planning, arranges for the resupply of ambulances, and facilitates interactions between local governments, first responders, and local hospitals. Our not-for-profit 501(c)(3) corporation is an integral part of Virginia's comprehensive Emergency Medical Services (EMS) system. The Council's mission is to facilitate the development and continued operation of a high quality, dedicated, and coordinated emergency response and preparedness system for our service area.

The Council's Board of Directors includes twenty-six uncompensated volunteer representatives from our service area's EMS agencies, jurisdictions, and citizens. Members are appointed by local city or county government, with six At-Large positions elected by these appointed members of the board. Unless filling a jurisdiction's unexpired term, Directors serve three-year terms; Board leadership is elected every two years. The Board of Directors have oversight over all of the Regional Committees and are responsible for maintaining membership of said committees and for final approval of any regional documents to be distributed and implemented.

The Council coordinates these committees, which are responsible for the development and maintenance of regional pre-hospital patient care protocols; patient transfer plans; the region's EMS and Trauma Performance Improvement Program and plans a Mass Casualty Incident Plan; Trauma Triage Plan; Stroke Triage Plan; maintains a regional Medication Restocking and Exchange Program; a Hospital Diversion Plan; provides administrative and financial support for Critical Incident Stress Management; assists with agency applications for Rescue Squad Assistance Fund grants; serves as an informational clearing house between National, State, and Local EMS entities; and administers the Regional Awards Program for provider and agency recognition.

The support of the regional Emergency Medical Services system is complemented by our services to individual providers. We offer opportunities for education, testing, and recognition. The Council is a leading provider of Advanced Life Support training programs and coordinates all of the region's Emergency Medical Services test sites. The Council also provides an EMS lending library for agencies, instructors, and hospitals free of charge in order to promote ongoing education and professional development in the field. We also offer educational outreach and Council-coordinated committees assist in identifying training needs in the EMS community.

The Council provides this regional planning and support service to a geographic area encompassing Planning Districts 9 and 16, with a population of over 500,000. As of June 30, 2018, there were 51 EMS-licensed agencies in this region, which comprise almost 8% of the more than 655 agencies across the Commonwealth of Virginia. These local agencies are paired with emergency physicians who provide the Operational Medical Direction (OMD) required by the Code of Virginia; most OMD contracts in the region are facilitated by the Council, as is agency interaction with OMDs. There are 3,100 certified EMS providers in the Rappahannock Emergency Medical Services Council, Inc. service area which comprise almost 10% of the providers in all of Virginia. These providers answer approximately 55,000 calls annually.

## 2. Summary of Significant Accounting Policies

### ***Basis of presentation***

These financial statements have been prepared on the accrual basis of accounting. These financial statements have been prepared to focus on the Council as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

***Unrestricted net assets*** – Net assets not subject to donor-imposed restrictions.



**Temporarily restricted net assets** – Net assets subject to donor-imposed restrictions that may or will be met by actions of the Council and/or the passage of time.

**Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions and these restrictions are not met within the current reporting period. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

### ***Cash and cash equivalents***

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. All depository accounts of the Company are with institutions insured by the Federal Deposit Insurance Corporation (FDIC).

### ***Property and equipment***

Property and equipment consisting of leasehold improvements, furniture, and equipment are stated at cost at the date of acquisition or the fair value at the date of the gift, less accumulated depreciation and amortization. It is the Council's policy to capitalize for these items in excess of \$500. Lesser amounts are expensed. Depreciation and amortization are recorded using the straight-line method over estimated useful lives of the assets, which range from of 5 years for furniture and equipment up to 15 years for leasehold improvements.

### ***Functional expenses***

The Council allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

### ***Income taxes***

The Council is classified as a Section 501(c)(3) Council, as described in Section 501(a) of the Internal Revenue Code, and is exempt from federal and state income taxes, except for taxes on unrelated business income, if any. Contributions to the Council are tax deductible. The Council's Form 990, Return of Organization Exempt from income Tax, is subject to examination by the IRS, generally for three years after they have been filed.

### ***Concentration of credit risk***

Financial instruments which potentially subject the Council to concentrations of credit risk consist of accounts receivables.

For the year ended June 30, 2018, approximately 47% of revenues were from one customer, the Council had accounts receivable due from this customer in the amount of \$67,695. The current bond rating of this customer is AAA the Council does not believe that collections of this accounts receivable is in doubt.

### ***Advertising expenses***

The Council expenses advertising costs as incurred. Advertising expense was \$4,871 for June 30, 2018.

### ***Accounts receivable***

Accounts receivable represent short-term credit granted to customers and are stated at their face value. The Council does not generally require collateral for accounts receivable. The Council has not assessed finance charges on past due accounts. Management will charge off uncollectible accounts receivable when it is determined that the receivable will not be collected.

### ***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

### ***Change in accounting principle***

The Council has changed the method in which it calculates depreciation expense. In previous years the Council calculated depreciation using the Modified Accelerated Cost Recovery System for financial reporting in error. In fiscal year 2018 the Council changed its depreciation method to straight-line and applied retroactively. This has caused the beginning net asset position to be restated. See Note 8.

### ***Contributed facilities***

In May 2007, the Council was provided with a building with approximately 8,198 square feet of space at 435 Hunter Street in Fredericksburg, Virginia. The estimated fair market value of these premises is reported as donated support and expense.

### ***Subsequent events***

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through August 20, 2018, the date the financial statements were issued. There were no other material subsequent events that would alter the estimates and assumptions disclosure nor any material subsequent events that required recognition.

## **3. Property and Equipment**

Property and equipment, consist of the following at June 30:

	<u>2018</u>
Office equipment	\$ 55,043
Training equipment	455,203
Vehicles	40,454
Leasehold improvements	362,009
<b>Total property and equipment</b>	<b>912,709</b>
Accumulated depreciation	<u>(807,194)</u>
<b>Property and equipment</b>	<b><u>\$ 105,515</u></b>

Depreciation expense for the year ended June 30, 2018 was \$53,083.

## **4. Long-Term Debt**

The Council refinanced an existing note in February 2015. The amount borrowed was \$110,000 at an interest rate of 3.5%. The loan matures on February 1, 2019. Principal and interest payments of \$2,932.17 is due monthly.

The schedule of principal payment due of the long-term debt are as follows:

Years ending June 30:	
2018	\$ <u>18,674</u>
<b>Total</b>	<b>\$ <u>18,674</u></b>

Interest expense on long-term debt amounted to \$1,130 for the year ended June 30, 2018.

## 5. Employee Benefit Plans

The Council sponsors a Simple IRA Plan covering non-salaried and management employees. Employees can contribute to the plan an amount up to the government limitations. Additional catchup contributions are allowed if over 50 years of age. The Council provides discretionary contributions that are reviewed annually. Council contributions charged to personnel benefits expense for the year ended June 30, 2018 was \$3,523.

## 6. Compensated Absences

The Council provides for vacation days accrued based on years of employment and pad at the employee's base pay rate at the time of vacation. The policy allows for a limited number of unused days into the next year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work. Accrued vacation was \$11,633 at June 30, 2018, and is included in payroll liabilities on the statement of activity.

## 7. Lease Agreement

During the year ended June 30, 2007, the Council entered into a fifteen-year lease agreement with Medicorp Properties, Inc. for its location in Fredericksburg, Virginia, which will terminate in April 2022. Annual lease rental expense is \$1 per year. The Council is to provide rental insurance, all utilities, janitorial service and taxes. See Note 2 for contributed facilities.

## 8. Effects of restatement on net assets

The Council has changed the method in which it calculates depreciation expense. In previous years the Council calculated depreciation using the Modified Accelerated Cost Recovery System for financial reporting in error. In addition, the Council recognized a portion of revenue in FY18 in error when it was earned in FY17. The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows.

<b>Statement of financial position (extract)</b>	<b>June 30, 2016</b>	<b>Increase/ (Decrease)</b>	<b>June 30, 2016 (Restated)</b>
Accounts receivable	67,678	1,439	69,117
Accumulated depreciation	(758,039)	3,928	(754,111)
Net assets	(155,011)	(5,367)	(160,378)

***Supplementary Information***

**Rappahannock Emergency Medical Services Council, Inc.**  
**Schedule of Functional Expenses**  
**June 30, 2018**

<b>Expenses</b>	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Salary	\$ 144,629	\$ 72,916	\$ 24,092	\$ 241,637
Rent	97,363	41,950	16,297	155,610
Depreciation	33,213	14,311	5,559	53,083
Employee benefits	17,983	7,748	3,010	28,741
Consol testing	18,161	-	-	18,161
Payroll taxes	11,353	4,892	1,900	18,145
Miscellaneous	8,368	5,659	624	14,651
Training	12,883	-	-	12,883
Professional fees	-	12,750	-	12,750
Repairs and maintenance	6,997	3,015	1,172	11,184
Travel, conferences, and meetings	10,302	-	-	10,302
Insurance	3,185	5,486	479	9,150
Fundraising	-	-	8,879	8,879
Utilities	5,414	2,333	906	8,653
Office expense	3,933	1,693	658	6,284
Communications	2,333	1,005	390	3,728
Interest expense	-	1,130	-	1,130
<b>Total expenses</b>	<b>\$ 376,117</b>	<b>\$ 174,888</b>	<b>\$ 63,966</b>	<b>\$ 614,971</b>