

**RAPPAHANNOCK EMERGENCY MEDICAL
SERVICES COUNCIL, INC.**

FINANCIAL STATEMENTS

June 30, 2019

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INDEPENDENT AUDITORS' REPORT

The 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., (a non-profit organization) which comprise the statement of financial position as of June 30, 2019, and the related statement of activity and cash flows for the year 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 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 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 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 stated in all material respects in relation to the financial statements as a whole.


Certified Public Accountants

Fredericksburg, Virginia
June 11, 2020

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 69,173
Accounts receivable	<u>65,825</u>
Total Current Assets	\$ <u>134,998</u>

PROPERTY AND EQUIPMENT, Net	\$ <u>77,165</u>
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Total Assets	\$ <u><u>212,163</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 13,641
Accrued payroll	22,329
Loan payable	6,000
Deferred revenue	<u>320</u>
Total Current Liabilities	\$ <u>42,290</u>

NET ASSETS:

Unrestricted net assets	\$ <u>169,873</u>
Total Unrestricted Net Assets	\$ <u>169,873</u>
Total Liabilities and Net Assets	\$ <u><u>212,163</u></u>

See Notes to Financial Statements.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

REVENUES:

Grants:		
State contract contribution	\$	274,413
Local governments		98,121
Other		13,747
Interest		4
Training fees		34,035
Fundraising		12,912
Miscellaneous		1,554
In-kind contributions:		
Rent		<u>155,610</u>
Total Revenues	\$	<u>590,396</u>

EXPENSES:

Program	\$	386,328
Administrative		157,226
Fundraising		<u>51,404</u>
Total Expenses	\$	<u>594,958</u>

Change in Net Assets \$ (4,562)

NET ASSETS, Beginning of Year 174,435

NET ASSETS, End of Year \$ 169,873

See Notes to Financial Statements.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

OPERATING ACTIVITIES:

Change in net assets	\$ (4,562)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	28,350
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(914)
(Increase) decrease in prepaids	3,338
Increase (decrease) in accounts payable	9,041
Increase (decrease) in accrued payroll	<u>1,662</u>
Net Cash Provided By Operating Activities	\$ <u>36,915</u>

FINANCING ACTIVITIES:

Principal payments on loan	\$ (18,674)
New loan payable	<u>6,000</u>
Net Cash Provided By (Used In) Financing Activities	\$ <u>(12,674)</u>

Net Increase In Cash and Cash Equivalents \$ 24,241

ASH AND CASH EQUIVALENTS, Beginning Of Year 44,932

ASH AND CASH EQUIVALENTS, End Of Year \$ 69,173

See Notes to Financial Statements.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.**NOTES TO FINANCIAL STATEMENT****1. NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:****Nature of Entity**

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. The 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 Advance 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.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.**NOTES TO FINANCIAL STATEMENT****Page 2****1. NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The Council provides this regional planning and support service to be a geographic area encompassing Planning Districts 9 and 16, with a population of over 500,000. As of June 30, 2019, there were 46 EMS-licensed agencies in this region, which comprise almost seven percent 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 3,292 certified EMS providers in the Rappahannock Emergency Medical Services Council, Inc. service area which comprise almost nine percent of the providers in all of Virginia. These providers answer approximately 55,000 calls annually.

Significant Accounting Policies**Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification.

The financial statements are presented in accordance with FASB guidance, which establishes standards for the financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in two classes of net assets – net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Estimates

When preparing these financial statements in conformity with generally accepted accounting principles, management is required to make certain estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and revenues and expenses in the reporting period. Actual results could differ from those estimates.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.**NOTES TO FINANCIAL STATEMENT****Page 3****1. NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):****Cash Flows**

For purposes of reporting the statement of cash flows, the Council includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an initial maturity of three months or less as cash on the accompanying statement of financial position.

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 five years for furniture and equipment up to 15 years for leasehold improvements. Depreciation expense for the year ended June 30, 2019 was \$28,350.

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.

Contributed Facilities

In May, 2007 the Council began occupancy of 8,198 square feet of space at 435 Hunter Street, Fredericksburg, Virginia. The estimated fair value of these premises is reported as support and rent expense.

Functional Expense

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.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.**NOTES TO FINANCIAL STATEMENT****Page 4****1. NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):****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 concentration of credit risk consist of accounts receivables.

For the year ended June 30, 2019, approximately 68% of revenues were from one customer, the Council had accounts receivable due from this customer in the amount of \$64,865. 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.

Newly Adopted Accounting Standard

In 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, "*Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*," which is intended to improve financial reporting for not-for-profit entities. The ASU replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets — net assets with donor restrictions and net assets without donor restrictions. The ASU also requires all not-for-profits to provide expenses by natural classification and function (program, management and general, or fundraising), requires additional disclosures (both quantitative and qualitative) of information about liquidity and availability of resources, requires the use of the placed in service method to recognize the release of restrictions on contributions used to acquire or construct long-lived assets unless the donor included specific stipulations otherwise and requires additional disclosures about investment expenses. The Organization has adopted this ASU as of and for the period ended June 30, 2019, with the presentation shown retrospectively to include the 2018 comparative information. The adoption of the ASU required restatement of beginning net assets with donor restrictions to report the release from restriction when long-lived assets were placed in service rather than reporting releases over time as long-lived assets were being used.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENT

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2. PROPERTY AND EQUIPMENT

Details of property and equipment at June 30, 2019 are as follows:

Office equipment	\$	55,043
Training equipment		455,203
Vehicles		40,454
Leasehold improvements		<u>362,009</u>
		912,709
Less accumulated depreciation		<u>835,544</u>
Net Equipment	\$	<u>77,165</u>

3. 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 governmental limitations. Additional catch up 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, 2019 was \$49,499.

4. COMPENSATED ABSENCES

The Council provides for vacation days accrued based on years of employment and paid 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 \$13,837 at June 30, 2019, and is included in payroll liabilities on the statement of activity.

5. LEASE AGREEMENT

During the year ended June 30, 2007, the Council entered into a fifteen-year lease agreement with MediCorp Properties, Inc. for its main 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 1 for contributed facilities.

6. LOCAL GOVERNMENT REVENUE

Local funding for operations is provided by the City of Fredericksburg and the counties of Caroline, Culpeper, Fauquier, King George, Orange, Rappahannock, Stafford, Spotsylvania and Westmoreland. The Organization submits budget requests each year. The annual allocations are subject to revision by the localities.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENT

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7. UNCERTAINTY IN INCOME TAX POSITIONS

The Organization adopted the provisions of accounting standards regarding uncertainty in income tax positions; however, management does not believe it is exposed to any such positions as they are defined in the accounting standards. The Organization files IRS Form 990, *Return of Organization Exempt From Income* annually.

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets available within one year:	
Cash and cash equivalents	\$ 69,173
Contributions and grants receivable	<u>65,825</u>
Total	\$ 134,998
Less those unavailable for general expenditure within one year:	
Net assets with restrictions	<u>-</u>
Financial assets available within one year for general expenditures	\$ <u>134,998</u>

9. SUBSEQUENT EVENTS

The REM Council has been notified that the building lease will not be eligible for renewal when it expires. The Board of Directors is meeting to discuss options for a new location. Discussions are also in place with the Office of EMS regarding potential changes to the structure and operation of the regional EMS Council.

Management has evaluated subsequent events through June 11, 2020, the date which the financial statements were available for issue.

10. NEW ACCOUNTING GUIDANCE

In June 2018, the FASB issued ASU no. 2018-08, 'Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Reserved and Contributions Made', which presents a new methodology for determining whether a grant or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. This new standard is effective for fiscal years beginning after December 15, 2018, for entities receiving contributions and fiscal years beginning after December 15, 2019, for entities providing contributions, with early adoption permitted. The Organization is currently evaluating the reporting and economic implications of the new standard.

RAPPAHANNOCK EMERGENCY MEDICAL SERVICES COUNCIL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

<u>Expenses</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Communications	\$ 2,618	\$ 1,128	\$ 437	\$ 4,183
Depreciation	17,739	7,643	2,968	28,350
Fundraising			5,714	5,714
Insurance	3,125	5,382	469	8,976
Interest		252		252
Meetings – Annual and Board	19,452			19,452
Miscellaneous	3,070	2,076	228	5,374
Office expense	2,264	975	379	3,618
Payroll taxes	12,699	5,131	1,280	19,110
Personnel benefits	32,142	13,849	5,379	51,370
Professional		9,744		9,744
Rent – in-kind	97,365	41,953	16,292	155,610
Repairs and maintenance	11,644	5,016	1,950	18,610
Testing	23,323			23,323
Training and workshops	2,661			2,661
Utilities	5,340	2,301	893	8,534
Wages	<u>152,886</u>	<u>61,776</u>	<u>15,415</u>	<u>230,077</u>
Total Expenses	\$ 386,328	\$ 157,226	\$ 51,404	\$ 594,958