

STAUNTON AREA AMBULANCE SERVICE

FINANCIAL STATEMENTS

December 31, 2019

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Independent Auditors' Report

Board of Directors
Staunton Area Ambulance Service
Staunton, Illinois

We have audited the accompanying financial statements of Staunton Area Ambulance Service (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2019, the related statements of support, revenues, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the year then ended, as well as 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 B; 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.

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 assets, liabilities, and net assets – modified cash basis of Staunton Area Ambulance Service as of December 31, 2019, its support, revenues, expenses and changes in net assets, and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, 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.

Kerber, Eck & Brackel LLP

Litchfield, Illinois

May 10, 2021

Staunton Area Ambulance Service
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS
December 31, 2019

ASSETS

| | | |
|-----------------------------|----|-----------------------|
| Cash | \$ | 69,589 |
| Property and equipment, net | | <u>413,685</u> |
| Total assets | \$ | <u><u>483,274</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|----|-----------------------|
| Liabilities | | |
| Line of credit | \$ | 52,598 |
| Note payable | | 3,947 |
| Capital lease obligations | | <u>111,834</u> |
| Total liabilities | | 168,379 |
| Net assets | | |
| Without donor restrictions | | <u>314,895</u> |
| Total liabilities and net assets | \$ | <u><u>483,274</u></u> |

The accompanying notes are an integral part of this statement.

Staunton Area Ambulance Service
STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
Year Ended December 31, 2019

SUPPORT AND REVENUES

| | |
|----------------------------|------------|
| Patient services | \$ 608,612 |
| Fire district levy | 328,287 |
| Contributions and grants | 36,440 |
| Event coverage | 1,240 |
| Other income | 1,665 |
| Interest income | <u>255</u> |
| Total support and revenues | 976,499 |

EXPENSES

| | |
|------------------------|------------------|
| Program | 871,166 |
| Management and general | <u>192,143</u> |
| Total expenses | <u>1,063,309</u> |
| Operating loss | (86,810) |

NONOPERATING INCOME

| | |
|----------------------------|---------------|
| Gains on sale of equipment | <u>23,882</u> |
|----------------------------|---------------|

| | |
|----------------------|----------|
| CHANGE IN NET ASSETS | (62,928) |
|----------------------|----------|

| | |
|---|----------------|
| Net assets without donor restrictions at January 1, 2019 | <u>377,823</u> |
|---|----------------|

| | |
|---|--------------------------|
| Net assets without donor restrictions at December 31, 2019 | <u><u>\$ 314,895</u></u> |
|---|--------------------------|

The accompanying notes are an integral part of this statement.

Staunton Area Ambulance Service
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
Year Ended December 31, 2019

| | Program services | Management and general | Total |
|-----------------------------------|-----------------------------|-----------------------------------|---------------------|
| Billing expense | \$ - | \$ 26,866 | \$ 26,866 |
| Depreciation | 106,673 | 9,055 | 115,728 |
| Dispatch fees | 6,000 | - | 6,000 |
| Education and training | 723 | - | 723 |
| Equipment expense | 1,275 | 5,499 | 6,774 |
| Fuel | 25,988 | - | 25,988 |
| Insurance - worker's compensation | 41,687 | 4,528 | 46,215 |
| Insurance - business | - | 15,087 | 15,087 |
| Insurance - health | 11,751 | 1,276 | 13,027 |
| Interest expense | 15,773 | - | 15,773 |
| Legal and professional | - | 8,917 | 8,917 |
| License and fees | - | 1,414 | 1,414 |
| Medical supplies | 23,658 | - | 23,658 |
| Miscellaneous | - | 5,621 | 5,621 |
| Office supplies and postage | - | 26,607 | 26,607 |
| Salaries, wages and benefits | 589,303 | 64,006 | 653,309 |
| Repairs and maintenance | 37,500 | 5,357 | 42,857 |
| Unemployment taxes | 1,112 | - | 1,112 |
| Uniforms | 1,890 | - | 1,890 |
| Utilities | 7,833 | 17,910 | 25,743 |
| | \$ 871,166 | \$ 192,143 | \$ 1,063,309 |

The accompanying notes are an integral part of this statement.

Staunton Area Ambulance Service
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
Year Ended December 31, 2019

Increase (decrease) in cash

Cash flows from operating activities

| | |
|---|---------------|
| Decrease in net assets | \$ (62,928) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation | 115,728 |
| Gain on sale of equipment | (23,882) |
| Net cash provided by operating activities | <u>28,918</u> |

Cash flows from investing activities

| | |
|---|---------------|
| Purchase of property and equipment | (6,000) |
| Proceeds from sale of equipment | 30,500 |
| Net cash provided by investing activities | <u>24,500</u> |

Cash flows from financing activities

| | |
|---------------------------------------|-----------------|
| Advances from line fo credit | 196,000 |
| Repayments on line of credit | (143,402) |
| Principal paid on loan | (11,600) |
| Principal paid on capital lease | (77,030) |
| Net cash used in financing activities | <u>(36,032)</u> |

| | |
|----------------------|--------|
| NET INCREASE IN CASH | 17,386 |
|----------------------|--------|

| | |
|--------------------------------|---------------|
| Cash at January 1, 2019 | <u>52,203</u> |
|--------------------------------|---------------|

| | |
|----------------------------------|-------------------------|
| Cash at December 31, 2019 | <u><u>\$ 69,589</u></u> |
|----------------------------------|-------------------------|

The accompanying notes are an integral part of this statement.

Staunton Area Ambulance Service
NOTES TO THE FINANCIAL STATEMENTS

NOTE A | NATURE OF ORGANIZATION

Staunton Area Ambulance Service (the Service), an Illinois non-profit corporation, was incorporated on May 18, 1977, under the laws of the State of Illinois. The Service's purpose is to operate, maintain, and direct a complete ambulance service.

NOTE B | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America (GAAP). This basis of accounting differs from GAAP primarily because certain revenue and related assets (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) have been recognized when received rather than when earned and certain expenses and related liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued liabilities and expenses) have been recognized when paid rather than when the obligations were incurred

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be satisfied by actions of the Service or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of support, revenues, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

Cash

Cash includes cash on hand, checking and savings accounts.

Staunton Area Ambulance Service
NOTES TO THE FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are recorded at cost. The Service capitalizes all purchases of property and equipment in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 40 years.

Revenue Recognition

Revenue is recognized when received. The majority of the Service's revenue is derived from providing emergency medical services and assisting with medical-related transportation. The Service also has agreements with certain local fire protection districts in the Service's coverage area to help defray some of the expenses not covered by patient service revenue. This support and revenue is recorded as fire district levy revenue in the statement of support, revenue, expenses and changes in net assets – modified cash basis.

Contributed Services

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require special skills and are provided by individuals possessing such skills. Volunteers have made contributions of their time to the Service to serve on the board of directors. The value of this contributed time is not reflected in the financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided as donations.

Functional Expenses

Directly identifiable expenses are charged to program services in the statement of support, revenues, expenses and changes in net assets – modified cash basis. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Service. Expenses related to more than one function are charged to program services and management and general on the basis of the Service's allocation. Payroll-related expenses are allocated using the ratio of time spent performing various job duties. All other expenses are allocated based on the primary purpose that the expense serves.

Use of Estimates

In preparing financial statements in conformity with the modified cash basis of accounting, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

Staunton Area Ambulance Service
NOTES TO THE FINANCIAL STATEMENTS

Income Taxes

The Service is a tax-exempt entity under of the Internal Revenue Code Section 501(c)(4). The Service is exempt from income taxes on related income under Section 501(a) of the Code. The Service files federal and state informational returns. These returns are generally subject to examination by the Internal Revenue Service for three years from the date they are filed.

NOTE C | PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019:

| | | |
|-------------------------------|----|-----------------------|
| Land | \$ | 46,752 |
| Equipment | | 748,345 |
| Vehicles | | 631,940 |
| Buildings | | <u>274,183</u> |
| | | 1,701,220 |
| Less accumulated depreciation | | <u>(1,287,535)</u> |
| | \$ | <u><u>413,685</u></u> |

NOTE D | LIQUIDITY AND AVAILABILITY

Staunton Area Ambulance Service has \$69,589 of financial assets available for within one year of the statement of assets, liabilities, and net assets – modified cash basis date, which consists of cash deposits. The Service could also draw on the line of credit discussed in Note E, should there become a need. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of assets, liabilities, and net assets – modified cash basis date. Staunton Area Ambulance Service has a goal to maintain liquid financial assets available to continue operations.

NOTE E | LINE OF CREDIT

The Service established a line of credit up to \$120,000 with the Bank of Springfield to meet short-term working capital needs with interest payable monthly on any outstanding funds. Interest was originally at a variable rate of prime plus .5% (5.75% at December 31, 2019) until the line of credit matured on December 19, 2020. The line of credit was renewed during December 2020 which increased the line of credit to \$150,000 at a fixed rate of 1.65% and new maturity date of December 19, 2022. This renewal is secured by a commercial security agreement dated December 19, 2020 on the mortgage of two pieces of property owned by the Service as well as certain equipment and all other assets of the Service. The outstanding balance at December 31, 2019 was \$52,598.

Staunton Area Ambulance Service
NOTES TO THE FINANCIAL STATEMENTS

NOTE F | LEASES

The Service leases medical equipment under agreements classified as capital leases. The equipment was purchased for \$287,692 in 2017. Accumulated depreciation in the statement of assets, liabilities, and net assets-modified cash basis included \$104,497 related to the leased equipment. Depreciation expense of the leased equipment for 2019 was \$41,099 and has been included in depreciation expense.

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of December 31, 2019 are as follows:

| <u>Year ending December 31,</u> | <u>Principal</u> |
|---|--------------------------|
| 2020 | \$ 85,963 |
| 2021 | <u>32,500</u> |
| Total minimum lease payments | 118,463 |
| Less amount representing interest | <u>(6,629)</u> |
| Present value of minimum lease payments | <u><u>\$ 111,834</u></u> |

NOTE G | LONG-TERM DEBT

The Service secured a note payable with Bank of Springfield with original balance of \$23,100 on April 24, 2018. It is collateralized by the Service's 2004 International TerraStar truck. Principal and interest payments of \$993 are due on the 24th of every month. The note bears an interest rate of 3%. The December 31, 2019 balance is \$3,947 and all future debt service payments are due during the year ended December 31, 2020.

NOTE H | CONCENTRATION OF SUPPORT AND REVENUE

The majority of the Service's support and revenue is derived from patient services. For the year ended December 31, 2019, the breakdown of revenue by payor sources is as follows:

| | | |
|-------------------|--------------------------|--------------------|
| Medicare | \$ 217,135 | 36% |
| Medicaid | 33,854 | 6% |
| Private Insurance | 203,367 | 33% |
| Patients | 139,280 | 23% |
| Other | <u>14,976</u> | <u>2%</u> |
| | <u><u>\$ 608,612</u></u> | <u><u>100%</u></u> |

Staunton Area Ambulance Service
NOTES TO THE FINANCIAL STATEMENTS

NOTE I | RISKS AND UNCERTAINTIES

As a result of Coronavirus Disease 2019 (COVID-19), which was declared a pandemic on March 11, 2020, the United States Federal Government, State and Local governments, and other countries around the world have taken measures that have suddenly limited economic output. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 to the Service's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Service's financial condition or results of operations is uncertain.

NOTE J | CONTINGENCIES

The Service is subject to a lawsuit arising in the ordinary course of business. Management intends to aggressively pursue settlement of this claim and believes it has meritorious defense against the lawsuit. However, the outcome of this issue is subject to significant uncertainties and could have a material adverse effect on the Service's financials and operations, should the settlement not be covered under Services current insurance limits.

NOTE K | SUBSEQUENT EVENTS

In preparing these financial statements, the Service has evaluated events and transactions for potential recognition and disclosure through May 10, 2021, the date the financial statements were available to be issued.

The Service established an additional line of credit up to \$200,000 with the Bank of Springfield to meet short-term working capital needs. This line of credit requires interest payments monthly on any outstanding funds at a rate of 1.65% and matures on January 10, 2023. This line of credit is secured by a commercial security agreement dated July 10, 2020, on the mortgage of two pieces of property owned by the Service and all other assets of the Service.

During 2020, the Service qualified and received approximately \$156,000 of Federal and State of Illinois stimulus funding to assist with payroll and other COVID-19 related expenditures.