

STAUNTON AREA AMBULANCE SERVICE, INC.
REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2021

STAUNTON AREA AMBULANCE SERVICE, INC.
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	<u>PAGE</u> 1 - 2
FINANCIAL STATEMENTS	
<u>EXHIBIT</u>	
A STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS	3
B STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS	4
C STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS	5
D STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS	6
NOTES TO FINANCIAL STATEMENTS	7 - 11

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Staunton Area Ambulance Service, Inc.
Staunton, IL

Opinion

We have audited the accompanying financial statements of Staunton Area Ambulance Service, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2021, and the related statement of support, revenues, expenses, and changes in net assets – modified cash basis, statement of functional expenses – modified cash basis and statement of cash flows – modified cash basis for the year 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 financial position of Staunton Area Ambulance Service, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Staunton Area Ambulance Service, Inc. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Staunton Area Ambulance Service, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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.

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In performing an audit in accordance with generally accepted auditing standards, 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 Staunton Area Ambulance Service Inc.'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 Staunton Area Ambulance Service Inc.'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.

Franklin & Vaughn, LLC

A handwritten signature in cursive script that reads "Franklin & Vaughn, LLC".

Edwardsville, Illinois
December 15, 2022

STAUNTON AREA AMBULANCE SERVICE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 73,945
Total Current Assets	<u>73,945</u>

FIXED ASSETS

Equipment	766,800
Building & Improvements	290,613
Vehicles	313,288
Land	46,752
Accumulated Depreciation	<u>(920,524)</u>
Total Fixed Assets	496,929

TOTAL ASSETS	<u><u>570,874</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Payroll Withholding Payable	18
Current Portion - Notes Payable	<u>24,616</u>
Total Current Liabilities	<u>24,634</u>

LONG-TERM LIABILITIES

Notes Payable	<u>321,458</u>
TOTAL LIABILITIES	<u>346,092</u>

NET ASSETS

Without Donor Restriction	<u>224,782</u>
Total Net Assets	224,782

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 570,874</u></u>
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The accompanying notes are an integral part of this statement.

STAUNTON AREA AMBULANCE SERVICE, INC.
STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUE:	
Patient Fees	\$ 497,448
Fire District Levy	148,129
Real Estate Tax Levy	224,694
Grants	38,647
Contributions	20
Other	532
 TOTAL SUPPORT AND REVENUE	 <u>909,470</u>
 EXPENSES	
Program Services	826,577
Supporting Services	
Management and General	<u>226,787</u>
 TOTAL EXPENSES	 <u>1,053,364</u>
 CHANGE IN NET ASSETS BEFORE OTHER CHANGE IN NET ASSETS	 (143,894)
 OTHER CHANGES IN NET ASSETS	
Gain on Sale of Fixed Assets	28,407
Interest Income	54
TOTAL OTHER CHANGES IN NET ASSETS	<u>28,461</u>
 CHANGE IN NET ASSETS	 (115,433)
 NET ASSETS, Beginning of Year	 <u>340,215</u>
 NET ASSETS, End of Year	 <u><u>\$ 224,782</u></u>

The accompanying notes are an integral part of this statement.

STAUNTON AREA AMBULANCE SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Wages	\$ 511,722	\$ 97,440	\$ 609,162
Payroll taxes	37,267	7,096	44,363
Total Salaries and Related Expenses	548,989	104,536	653,525
Advertising		1,953	1,953
Bank Fees		884	884
Billing Expense		21,605	21,605
Depreciation	84,562		84,562
Dispatch Fees	6,000		6,000
Education and Training	1,198		1,198
Equipment Expense	6,654	6,055	12,709
Fuel	22,358		22,358
Insurance			
Worker's Compensation	88,736	16,897	105,633
Business		15,988	15,988
Health	6,626	1,262	7,888
Interest Expense	1,357	1,080	2,437
Legal & Professional		10,814	10,814
Licenses and Fees		1,621	1,621
Medical Supplies	20,703		20,703
Miscellaneous		947	947
Office Supply & Postage		21,671	21,671
Repairs and Maintenance	33,190	8,237	41,427
Uniforms	2,420		2,420
Utilities	3,784	13,237	17,021
Total Other Expenses	277,588	122,251	399,839
Total Expenses	<u>\$ 826,577</u>	<u>\$ 226,787</u>	<u>\$ 1,053,364</u>

The accompanying notes are an integral part of this statement.

STAUNTON AREA AMBULANCE SERVICE, INC.
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

	<u>Total</u>
OPERATING ACTIVITIES	
Change in Net Assets	\$ (115,433)
Adjustments to Reconcile Net Revenue to Net Cash Provided by Operations:	
Depreciation Expense	84,562
Gain on Sale of Fixed Assets	(28,407)
Increase in Payroll Taxes Payable	18
Total Adjustments to Reconcile Net Revenue to Net Cash Provided by Operations:	56,173
Net Cash Used by Operating Activities	<u>(59,260)</u>
INVESTING ACTIVITIES	
Purchase of Fixed Assets	(158,609)
Proceeds from Sale of Equipment	34,000
Net Cash Used by Investing Activities	<u>(124,609)</u>
FINANCING ACTIVITIES	
Net Borrowing on Line of Credit	110,000
Payments on Long Term Leases Payable	(62,957)
Payments on Long Term Notes Payable	(16,495)
Borrowing under Long Term Notes Payable	76,749
Net Cash Provided by Financing Activities	<u>107,297</u>
NET INCREASE IN CASH	(76,572)
Cash at Beginning of Period	<u>150,517</u>
Cash at End of Period	<u>\$ 73,945</u>
Interest Paid	<u>\$ 2,437</u>
Income Taxes Paid	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Staunton Area Ambulance Service, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE A: NATURE OF ORGANIZATION

Staunton Area Ambulance Service (the Service) is an Illinois non-profit corporation. The Service 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 emergency care ambulance service. The Service covers the area including the fire districts of Staunton, New Douglas, Olive, and Worden. The Service was approved to change its tax exempt status from 501(c)(4) to 501(c)(3) during the current year.

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 State 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. 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 supports, revenues, expenses, and change in net assets – modified cash basis as net assets released from restrictions. The Service treats donations received with restriction and then used according to that restriction within the same year as unrestricted.

Cash

Cash includes cash on hand in checking and savings accounts.

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 – 40 years.

Staunton Area Ambulance Service, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, revenues, expenses, and change 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 do not require specialized skill 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 expenses include 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.

Income taxes

The Service is a tax-exempt entity of the Internal Revenue Code Section 501(c)(3) as of September 16, 2021. Prior to that date, the Service was a tax-exempt entity under 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: LIQUIDITY AND AVAILABILITY

Staunton Area Ambulance Service has \$73,945 of financial assets available for use 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 a line of credit as 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

Staunton Area Ambulance Service, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE C: LIQUIDITY AND AVAILABILITY (Cont'd)

basis date. Staunton Area Ambulance Service has a goal to maintain liquid financial assets available to continue operations. Annual operations tend to approximate \$1.0 million.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

Land	\$ 46,752
Equipment	766,800
Vehicles	313,288
Building and Improvements	<u>290,613</u>
Total Assets	\$ 1,417,453
Less: Accumulated Depreciation	<u>(920,524)</u>
Net Property and Equipment	<u>\$ 496,929</u>

Depreciation expense for the year ending December 31, 2021, is \$84,562.

NOTE E: LINE OF CREDIT

The Service established a line of credit up to \$150,000 with the Bank of Springfield to meet short-term working capital needs with interest payable monthly on any outstanding balance. Interest is charged at a rate of 1.65%. The line of credit matures on December 19, 2022. This line of credit 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. At December 31, 2021, no balance was outstanding on this line of credit.

The Service established an additional line of credit up to \$200,000 with the Bank of Springfield. This line of credit requires interest payments monthly on any outstanding balance at a rate of 1.65%. The line of credit matures January 10, 2023. The 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. The outstanding balance at December 31, 2021 was \$194,570.

NOTE F: LONG-TERM DEBT

The Service secured a note payable with the Bank of Springfield with an original balance of \$101,500 on March 25, 2020. It is collateralized by the Service's 2019 Ford E450 ambulance. Principal and interest payments of \$1,288 are due on the 25th of the month. The note bears interest at a rate of 1.79% and matures March 25, 2027.

The Service secured an additional note payable with the Bank of Springfield with an original balance of \$76,749 on September 7, 2021. It is collateralized by the Service's 2020 Ford Transit 250 ambulance. Principal and interest payments of \$974 are due on the 7th of the month. The note bears interest at a rate of 1.79% and matures September 7, 2028.

Staunton Area Ambulance Service, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE F: LONG-TERM DEBT (Cont'd)

The future debt service requirements on the debt are as follows:

<u>Year</u> <u>Ending</u>		<u>Principal</u>		
	<u>Line of Credit</u>	<u>\$101,500</u> <u>Loan</u>	<u>\$76,749</u> <u>Loan</u>	<u>Total</u>
2022		\$ 14,185	\$ 10,431	\$ 24,616
2023	\$ 194,570	14,441	10,619	219,630
2024		14,702	10,811	25,513
2025		14,967	11,006	25,973
2026		15,189	11,205	26,394
Thereafter		3,848	20,100	23,948
Total	<u>\$ 194,570</u>	<u>\$ 77,332</u>	<u>\$ 74,172</u>	<u>\$ 346,074</u>

NOTE G: 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, 2021, the breakdown of revenue by payor sources is as follow:

<u>Payor</u>	<u>Amount</u>	<u>%</u>
Medicare	\$ 304,396	61%
Medicaid	72,077	14%
Private Insurance	104,307	21%
Patients	6,189	1%
Other	10,479	2%
Total	<u>\$ 497,448</u>	<u>100%</u>

NOTE H: COMMITMENTS AND CONTINGENCIES

The Service is subject to a lawsuit related to personal injuries suffered in a wreck while transporting a patient. The case is currently pending in the Circuit Court of Sangamon County. In addition to the claim by the injured party, the employer of the injured party has filed a claim for indemnification for reimbursement of worker's compensation benefits paid by their insurance company. The Service's insurance company has currently filed a reservation of rights related to that indemnification. That matter was unable to be resolved in mediation and a request for declaratory judgement has been filed in the Circuit Court of Macoupin County by the Service' insurance carrier. Management intends to aggressively pursue settlement of these claims and believes it has meritorious defense against them. However, the outcome of these issues 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 Service current insurance limits. Due to the Service's insurance carrier denying coverage for the worker's compensation indemnification, the cost to the Service to defend against the worker's compensation benefits claim is also unable to be determined. See NOTE I for additional details.

Staunton Area Ambulance Service, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE I: SUBSEQUENT EVENTS

In preparing these financial statements, the Service has evaluated events and transactions for potential recognition and disclosure through December 15, 2022, the date the financial statements were available to be issued.

On August 29, 2022, a former employee of the Service filed a lawsuit against the service based on a claimed violation of the Biometric Information Privacy Act. The Service's insurance carrier has denied coverage for the claim. The plaintiff is seeking a class action suit against the Service. The Service intends to continue to vigorously defend against this suit, but no outcome can be predicted at this time.

As a result of the above referenced lawsuits, the Service was advised to considering filing for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. The Service did file for protection under Subchapter V of Chapter 11. Their lawyer will work diligently to reorganize the Services debt which will help to minimize the legal expenses of defending against the lawsuits. The Service and their attorney do not anticipate the filing will disrupt ordinary business or the long-term viability of the Service.