

**SOUTHEASTERN ADAMS  
VOLUNTEER EMERGENCY  
SERVICES, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southeastern Adams Volunteer Emergency Services, Inc.  
Hanover, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Adams Volunteer Emergency Services, Inc. (the Company), which comprise the statements of assets, liabilities and net assets - modified cash basis as of December 31, 2019 and 2018, the related statements of support and revenues, expenses and change in net assets - modified cash basis, cash flows - modified cash basis and functional expenses - modified cash basis for the years then ended and the related notes to the financial statements (collectively, 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 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 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 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 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.

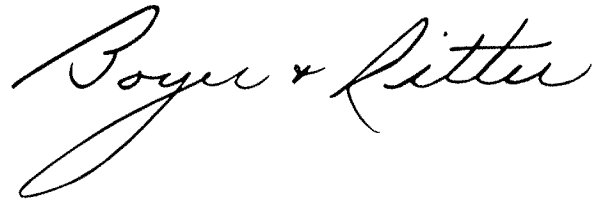
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Southeastern Adams Volunteer Emergency Services, Inc., as of December 31, 2019 and 2018, and its support and revenue, expenses and changes in net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 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 this matter.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania  
September 29, 2020

SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

STATEMENTS OF ASSETS, LIABILITES AND NET ASSETS -  
 MODIFIED CASH BASIS  
 December 31, 2019 and 2018

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Current Assets   |                     |                     |
| Cash   | \$ 439,688          | \$ 303,996          |
| Current portion of municipal appropriations receivable       | 100,750             | 100,750             |
| <b>Total current assets</b>                                  | <b>540,438</b>      | <b>404,746</b>      |
| Designated cash - Building Fund                              | 54,041              | 42,852              |
| Municipal appropriations receivable - net of current portion | 879,270             | 930,391             |
| Property and equipment - net                                 | 5,126,015           | 5,381,235           |
| <b>Total assets</b>  | <b>\$ 6,599,764</b> | <b>\$ 6,759,224</b> |
| <b>LIABILITIES AND NET ASSETS</b>                            |                     |                     |
| Current Liabilities  |                     |                     |
| Current portion of long-term debt                            | \$ 233,542          | \$ 173,073          |
| Payroll withholdings   | 7,798               | 7,802               |
| <b>Total current liabilities</b>                             | <b>241,340</b>      | <b>180,875</b>      |
| Long-Term Debt - net of current portion                      | 2,181,773           | 2,493,490           |
| <b>Total liabilities</b>                                     | <b>2,423,113</b>    | <b>2,674,365</b>    |
| Net Assets   |                     |                     |
| Without donor restrictions                                   |                     |                     |
| Undesignated   | 3,038,584           | 3,005,860           |
| Board designated   | 54,041              | 42,852              |
| With donor restrictions                                      | 1,084,026           | 1,036,147           |
| <b>Total net assets</b>                                      | <b>4,176,651</b>    | <b>4,084,859</b>    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 6,599,764</b> | <b>\$ 6,759,224</b> |

See Notes to Financial Statements.

SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

STATEMENTS OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN  
 NET ASSETS - MODIFIED CASH BASIS  
 Years Ended December 31, 2019 and 2018

|   | 2019             | 2018             |
|---|------------------|------------------|
| Changes in Net Assets Without Donor Restrictions            |                  |                  |
| Support and Revenue   |                  |                  |
| Contributions and grants                                    | \$ 148,563       | \$ 141,938       |
| Ambulance club  | 91,970           | 43,215           |
| Municipal allotments  | 105,645          | 50,666           |
| Ambulance services  | 234,372          | 226,290          |
| Interest income   | 781              | 202              |
| Fundraising income - net                                    | 425,793          | 441,212          |
| Rental income   | 31,440           | 31,440           |
| Membership dues   | 1,312            | 1,800            |
| Gain on sale of assets                                      | -                | 97,684           |
| Other income  | 1,130            | 1,299            |
| <b>Total support and revenue</b>                            | <b>1,041,006</b> | <b>1,035,746</b> |
| Net assets released from restrictions                       | 88,960           | 80,204           |
| <b>Total support and revenue without donor restrictions</b> | <b>1,129,966</b> | <b>1,115,950</b> |
| Expenses  |                  |                  |
| Program   | 797,364          | 780,243          |
| Management  | 114,386          | 116,989          |
| Fundraising   | 174,303          | 175,967          |
|   | <b>1,086,053</b> | <b>1,073,199</b> |
| <b>Increase in net assets without donor restrictions</b>    | <b>43,913</b>    | <b>42,751</b>    |

(Continued)

**SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.**

**STATEMENTS OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN  
NET ASSETS - MODIFIED CASH BASIS (Continued)  
Years Ended December 31, 2019 and 2018**

|  | 2019                | 2018            |
|--|---------------------|-----------------|
| Changes in Net Assets With Donor Restrictions                                |                     |                 |
| Support and Revenue  |                     |                 |
| Municipal appropriations   | 36,839              | 38,783          |
| Contributions  | 100,000             | -               |
| Net assets released from restriction   | (88,960)            | (80,204)        |
| <b>Increase (decrease) in net assets with<br/>        donor restrictions</b> | <b>47,879</b>       | <b>(41,421)</b> |
| <b>Increase in net assets</b>  | <b>91,792</b>       | <b>1,330</b>    |
| Net Assets:  |                     |                 |
| Beginning  | 4,084,859           | 4,083,529       |
| Ending   | <b>\$ 4,176,651</b> | 4,084,859       |

See Notes to Financial Statements.

**SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.**

**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**  
**Years Ended December 31, 2019 and 2018**

|   | 2019              | 2018              |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities  |                   |                   |
| Increase in net assets  | \$ 91,792         | \$ 1,330          |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities |                   |                   |
| Depreciation  | 273,110           | 274,600           |
| Gain on sale of assets  | -                 | (97,684)          |
| Amortization of discount on municipal appropriations receivable                                 | (36,839)          | (38,783)          |
| Change in assets and liabilities:   |                   |                   |
| (Increase) decrease in:   |                   |                   |
| Municipal appropriations receivable   | 87,960            | 75,210            |
| (Decrease) increase in:   |                   |                   |
| Accrued liabilities   | (4)               | 634               |
| <b>Net cash provided by operating activities</b>  | <b>416,019</b>    | <b>215,307</b>    |
| Cash Flows From Investing Activities  |                   |                   |
| Purchase of property and equipment  | (17,890)          | -                 |
| Proceeds from sale of assets  | -                 | 104,684           |
| Net change in designated cash - Building Fund   | (11,189)          | (7,467)           |
| <b>Net cash provided by (used in) investing activities</b>                                      | <b>(29,079)</b>   | <b>97,217</b>     |
| Cash Flows From Financing Activities  |                   |                   |
| Repayments of long-term debt  | (251,248)         | (318,338)         |
| <b>Net cash used in financing activities</b>  | <b>(251,248)</b>  | <b>(318,338)</b>  |
| <b>Net increase (decrease) in cash</b>  | <b>135,692</b>    | <b>(5,814)</b>    |
| Cash:   |                   |                   |
| Beginning   | 303,996           | 309,810           |
| Ending  | <u>\$ 439,688</u> | <u>\$ 303,996</u> |
| Supplemental Disclosures of Cash Flow Information:  |                   |                   |
| Cash payments for interest  | <u>\$ 91,953</u>  | <u>\$ 95,873</u>  |

See Notes to Financial Statements.



SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
 Year Ended December 31, 2019

|                                   | Program<br>Services | Management<br>and General | Fundraising       | Total               |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Salaries and wages                | \$ 315,693          | \$ 45,078                 | \$ 34,190         | \$ 394,961          |
| Payroll taxes                     | 27,512              | 3,929                     | 2,980             | 34,421              |
| Employee benefits                 | 37,621              | 5,372                     | 4,074             | 47,067              |
| Building repairs and maintenance  | 8,201               | 1,640                     | 6,561             | 16,402              |
| Utilities                         | 14,517              | 2,903                     | 11,613            | 29,033              |
| Insurance                         | 12,492              | 2,499                     | 9,994             | 24,985              |
| Vehicle fuel and maintenance      | 34,488              | -                         | -                 | 34,488              |
| Equipment repairs and maintenance | 11,035              | -                         | -                 | 11,035              |
| Equipment and supplies            | 68,256              | -                         | -                 | 68,256              |
| Membership                        | -                   | 2,142                     | -                 | 2,142               |
| Office and administrative         | 5,243               | 1,049                     | 4,195             | 10,487              |
| Telephone                         | 7,711               | -                         | -                 | 7,711               |
| Dues and subscriptions            | -                   | 4,267                     | -                 | 4,267               |
| Licenses and fees                 | -                   | 5,552                     | -                 | 5,552               |
| Advertising                       | -                   | -                         | 645               | 645                 |
| Fundraising                       | -                   | -                         | 11,523            | 11,523              |
| Professional fees                 | -                   | 18,015                    | -                 | 18,015              |
| Interest                          | 45,977              | 9,195                     | 36,781            | 91,953              |
| Depreciation                      | 208,618             | 12,745                    | 51,747            | 273,110             |
| <b>Total</b>                      | <b>\$ 797,364</b>   | <b>\$ 114,386</b>         | <b>\$ 174,303</b> | <b>\$ 1,086,053</b> |

See Notes to Financial Statements.

SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
Year Ended December 31, 2018

|                                   | Program<br>Services | Management<br>and General | Fundraising       | Total               |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Salaries and wages                | \$ 299,158          | \$ 43,159                 | \$ 33,182         | \$ 375,499          |
| Payroll taxes                     | 26,291              | 3,793                     | 2,916             | 33,000              |
| Employee benefits                 | 38,863              | 5,607                     | 4,311             | 48,781              |
| Building repairs and maintenance  | 14,972              | 2,994                     | 11,978            | 29,944              |
| Utilities                         | 16,345              | 3,269                     | 13,076            | 32,690              |
| Insurance                         | 15,443              | 3,089                     | 12,354            | 30,886              |
| Vehicle fuel and maintenance      | 45,755              | -                         | -                 | 45,755              |
| Equipment repairs and maintenance | 12,527              | -                         | -                 | 12,527              |
| Equipment and supplies            | 41,244              | -                         | -                 | 41,244              |
| Membership                        | -                   | 1,090                     | -                 | 1,090               |
| Office and administrative         | 5,502               | 1,101                     | 4,402             | 11,005              |
| Telephone                         | 7,898               | -                         | -                 | 7,898               |
| Dues and subscriptions            | -                   | 3,854                     | -                 | 3,854               |
| Licenses and fees                 | -                   | 6,588                     | -                 | 6,588               |
| Advertising                       | -                   | -                         | 811               | 811                 |
| Fundraising                       | -                   | -                         | 2,764             | 2,764               |
| Professional fees                 | -                   | 18,390                    | -                 | 18,390              |
| Interest                          | 47,937              | 9,587                     | 38,349            | 95,873              |
| Depreciation                      | 208,308             | 14,468                    | 51,824            | 274,600             |
| <b>Total</b>                      | <b>\$ 780,243</b>   | <b>\$ 116,989</b>         | <b>\$ 175,967</b> | <b>\$ 1,073,199</b> |

See Notes to Financial Statements.

# SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

Nature of Operations: Southeastern Adams Volunteer Emergency Services, Inc. (Company) was established in 2005 and incorporated under the nonprofit laws of the Commonwealth of Pennsylvania. The Company provides emergency and transport ambulance services to the townships and municipalities of Southeastern Adams County.

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 accounting principles generally accepted in the United States of America. Except for sales and purchases of property and equipment and recognition of liabilities for the acquisition of long-lived assets and payroll withholdings, all transactions are recognized as either revenue or expenses. Non-cash transactions except depreciation are not recognized. The modified cash basis differs from generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Basis of Presentation: The financial statements of the Company have been prepared in accordance with accounting standards promulgated for not-for-profit organizations which require the Company to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires the use of estimates based on management's knowledge and expertise. Due to their prospective nature, actual results could differ from those estimates.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash; ambulance services receivable and municipal appropriations receivable. The Company maintains its cash deposits with high credit quality financial institutions that provide Federal Deposit Insurance Corporation coverage up to \$250,000. In the normal course of business, bank balances sometimes exceed the federally insurance limits.

The Company's municipal appropriations receivable results from the pledge of supporting municipalities to appropriate an amount of their annual budget for the debt service required under the terms of a note payable (Note 3).

Cash and Cash Equivalents: For the purpose of the Statements of Cash Flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Cash consists of demand deposits held in checking and savings accounts and a certificate of deposit. Interest income from cash accounts was \$781 in 2019 and \$202 in 2018.

Property and Equipment: Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Upon retirement or sale, the cost and accumulated depreciation of such assets are removed from the accounts and any resulting gain or loss is included in the determination of net income. Expenditures for maintenance and repairs which neither materially add to the value of the property nor appreciably prolong estimated useful lives are charged to expense as incurred.

Support and Revenue: Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Company reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor-restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Revenue from fundraising activities or special events is reported net of direct costs (Note 6).

Donated Materials and Services: Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

A substantial number of volunteers have donated their time to the Company's program services and fundraising events during the year; however, these donated services are not reflected in the financial statements since they are not susceptible to objective measurement or valuation.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Ambulance Service Revenues: Ambulance service revenues are reported at the net amounts received from patients and third-party payors or for other services rendered. Fees for services are based on rates negotiated with insurance providers. Uninsured patients are billed at standard rates.

Advertising Expense: The Company expenses advertising costs as incurred. Advertising expense was \$645 in 2019 and \$811 in 2018.

Income Taxes: The Company is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. On such basis, the Company will not incur any liability for Federal income taxes, except for possible unrelated business income.

Management has assessed the Company's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of uncertain tax positions taken at the entity level include the continuing validity of the Company's exempt status and the prospect of being subject to the filing requirement for unrelated business income. Presently, management believes that it is more likely than not that the Company's tax position will be sustained upon examination, including any appeals and litigation, and consequently, the Company has no exposure to income tax liabilities arising from uncertain tax positions. The Company is subject to routine audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress.

Functional Allocation of Expenses: The costs of providing the Company's various programs and activities have been summarized on a functional basis in the Statements of Functional Expenses - Modified Cash Basis. Accordingly, the Company's expenses have been allocated among the programs and supporting services benefited.

Adoption of New Accounting Pronouncement: In 2019, the Company adopted the Financial Accounting Standards Board (FASB) ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The guidance in this standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Adoption of this ASU did not result in a significant change in the Company's financial statements.

Recently Issued but not yet Effective Accounting Pronouncements: In May 2014, FASB issued ASU 2014-09, *Revenue from contracts with Customers (Topic 606)*, requiring the entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Upon the issuance of ASU 2020-05, FASB deferred the effective date for non-public companies to annual reporting periods beginning after December 15, 2020. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

# SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued but not yet Effective Accounting Pronouncements (Continued): In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The most significant change in the new lease guidance requires lessees to recognize right-of-use assets and lease liabilities for all leases other than those that meet the definition of short-term leases. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which these assets and liabilities are not recorded and lease payments are generally recognized over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under legacy accounting principles generally accepted in the United States of America. Upon the issuance of ASU 2020-05, FASB deferred the effective date for non-public companies to annual reporting periods beginning after December 15, 2021. Early adoption is permitted. Management is currently evaluating the effects that this standard will have on the Company's financial statements.

Subsequent Events: In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through September 29, 2020, the date the financial statements were available to be issued. See Note 10 for subsequent event disclosure.

### Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the Statements of Assets, Liabilities and Net Assets - Modified Cash Basis date, comprise the following:

|   | 2019              | 2018              |
|---|-------------------|-------------------|
| Financial assets at year-end:   |                   |                   |
| Cash and cash equivalents   | \$ 493,729        | \$ 346,848        |
| Municipal appropriations receivable   | 1,242,550         | 1,330,510         |
| Total financial assets  | <u>1,736,279</u>  | <u>1,677,358</u>  |
| Less amounts not available for use within one year:                                 |                   |                   |
| Board designated net assets with liquidity horizons greater than one year           | 54,041            | 42,852            |
| Net assets subject to donor restrictions  | 104,006           | 5,006             |
| Non-current municipal appropriations receivable                                     | 1,141,800         | 1,229,760         |
|   | <u>1,299,847</u>  | <u>1,277,618</u>  |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 436,432</u> | <u>\$ 399,740</u> |

As part of its liquidity management, the Company has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Company invests its cash in excess of its daily needs in interest-bearing accounts.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Municipal Appropriations Receivable

In connection with financing a portion of the construction of the fire station facilities, the Company obtained a mortgage totaling \$2,800,000, from Adams County National Bank (ACNB). The Company issued, in connection with the bank loan, a Guaranteed Revenue Note, Series of 2008 in a maximum amount of \$2,800,000. As a condition of the loan, the Bank requires that Conewago Township, McSherrystown Borough, Mount Pleasant Township and Union Township (the Municipalities) guarantee a pro rata portion of the bank loan. The Municipalities and the Company have agreed that the allocation of each Municipality's pro rata guarantee is based on the population within each Municipality's service area. The allocation of each Municipality's service area pro rata guaranty is expressed as a percentage where the numerator is the Municipality's population within its part of the service area and the denominator is the total population of the service area. The current allocation is Conewago Township - 58%, McSherrystown Borough - 28%, Mount Pleasant Township - 11%, and Union Township - 3%. The population within each Municipality's part of the service area shall be reviewed and, if necessary, adjusted every five years.

In accordance with the Guarantee and Reimbursement Agreements, each Municipality shall make an annual appropriation based on the pro rata guaranty percentages. Annually, the municipalities shall budget, appropriate and pay from their general fund or other eligible fund, to the Company the annual appropriation which is to be applied by the Company toward the debt service payable on the bank loan, with the aggregation of such appropriations not exceeding the sum of \$88,000 each year.

Municipal appropriations receivable at December 31, 2019 and 2018, consist of the following:

|                                     | 2019                | 2018                |
|-------------------------------------|---------------------|---------------------|
| Municipal appropriations receivable | \$ 1,242,550        | \$ 1,330,510        |
| Less: unamortized discount          | (262,530)           | (299,369)           |
|                                     | <u>\$ 980,020</u>   | <u>\$ 1,031,141</u> |
| Amounts due in:                     |                     |                     |
| Less than one year                  | \$ 100,750          | \$ 100,750          |
| One to five years                   | 352,000             | 352,000             |
| More than five years                | 789,800             | 877,760             |
|                                     | <u>\$ 1,242,550</u> | <u>\$ 1,330,510</u> |

Amortization of discount was \$36,839 and \$38,783 for December 31, 2019 and 2018.

**SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Property and Equipment**

Property and equipment at December 31, 2019 and 2018, consists of the following:

|                                 | 2019                | 2018                |
|---------------------------------|---------------------|---------------------|
| Land                            | \$ 605,010          | \$ 605,010          |
| Buildings and improvements      | 4,905,195           | 4,905,195           |
| Vehicles                        | 2,459,788           | 2,459,788           |
| Firefighting equipment          | 332,763             | 332,763             |
| Ambulance equipment             | 66,866              | 66,866              |
| Furniture and fixtures          | 100,909             | 100,909             |
| Kitchen equipment               | 147,859             | 144,869             |
| Buildings and grounds equipment | 33,998              | 19,098              |
| Office and computer equipment   | 17,847              | 17,847              |
|                                 | <u>8,670,235</u>    | <u>8,652,345</u>    |
| Less accumulated depreciation   | (3,544,220)         | (3,271,110)         |
|                                 | <u>\$ 5,126,015</u> | <u>\$ 5,381,235</u> |

Depreciation expense was \$273,110 in 2019 and \$274,600 in 2018.

**Note 5. Long-Term Debt**

Long-term debt at December 31, 2019 and 2018, consists of the following:

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| Note payable, ACNB, payable in monthly installments of \$13,680 including interest of 66.7% of the highest Prime Rate published (4.75% as of December 31, 2019), not to exceed 10.0%, through November 2034. Collateralized by real estate.            | \$ 1,897,911        | \$ 1,991,218        |
| Notes payable, requiring aggregate monthly installments of \$10,890, including interest ranging from 2.00% through 5.50%; each loan is collateralized by a specific piece of real property or vehicle. The notes mature at various dates through 2037. | 517,404             | 675,345             |
|  | <u>2,415,315</u>    | <u>2,666,563</u>    |
| Less current portion   | (233,542)           | (173,073)           |
|  | <u>\$ 2,181,773</u> | <u>\$ 2,493,490</u> |



SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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**Note 5. Long-Term Debt (Continued)**

Future maturities of long-term debt are as follows:

| Year       | Amount              |
|------------|---------------------|
| 2020       | \$ 233,542          |
| 2021       | 201,257             |
| 2022       | 179,870             |
| 2023       | 179,528             |
| 2024       | 166,445             |
| Thereafter | 1,454,673           |
|            | <u>\$ 2,415,315</u> |

Interest expense related to long-term debt was \$91,953 in 2019 and \$95,873 in 2018.

**Note 6. Fundraising Activities**

The Company conducts fundraising activities throughout the year to help support its program services. Gross revenues and the related costs of special events and fundraising activities were as follows for the years ended December 31, 2019 and 2018:

|                                    | 2019              | 2018              |
|------------------------------------|-------------------|-------------------|
| Income from fundraising activities | \$ 1,587,689      | \$ 1,622,434      |
| Directly related costs             | (1,161,896)       | (1,181,222)       |
|                                    | <u>\$ 425,793</u> | <u>\$ 441,212</u> |

Fundraising expenses paid to outside parties were \$11,523 in 2019 and \$2,764 in 2018.

**Note 7. Leases**

The Company leases certain real property to unrelated parties under non-cancelable operating leases. Future minimum rentals on non-cancelable leases as of December 31, 2019, are as follows:

| Year | Amount           |
|------|------------------|
| 2020 | \$ 10,800        |
| 2021 | 5,400            |
|      | <u>\$ 16,200</u> |

Rental income related to operating leases to unrelated parties was \$10,800 in 2019 and 2018.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Related Party Transactions

Southeastern Adams Volunteer Emergency Services, Inc. (S.A.V.E.S.) is affiliated with Southeastern Adams Volunteer Emergency Services Relief Association (Relief Association) through common board oversight. The Relief Association provides support to S.A.V.E.S. from funding it receives from the Commonwealth of Pennsylvania. Relief Association support includes, but is not limited to, the purchase of equipment and maintenance, staff training and benefits, fire prevention materials, and administrative costs. Relief Association support was \$64,519 in 2019 and \$63,814 in 2018.

In addition, the Relief Association leases administrative space from S.A.V.E.S. Rental income received was \$20,640 for the years ended December 31, 2019 and 2018.

#### Note 9. Net Assets

The Board of Directors of the Company has designated certain net assets for the Building Fund. The Company maintains a separate bank account to deposit quarterly municipal appropriations and other building fund contributions which are designated for the payment of the Company's mortgage loan payable to ACNB.

Net assets with donor restrictions represent amounts received with donor-imposed restrictions for a specific purpose or for use in future periods. Net assets with donor restrictions at December 31, 2019 and 2018, consist of the following:

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose: |                     |                     |
| Municipal appropriations receivable           | \$ 980,020          | \$ 1,031,141        |
| Capital improvements                          | 100,000             | -                   |
| Project Santa                                 | 4,006               | 5,006               |
|   | <u>\$ 1,084,026</u> | <u>\$ 1,036,147</u> |

Net assets were released from donor restrictions by satisfying the following restricted purposes during the years ended December 31, 2019 and 2018:

|                                       | 2019             | 2018             |
|---------------------------------------|------------------|------------------|
| Satisfaction of purpose restrictions: |                  |                  |
| Municipal appropriations collected    | \$ 87,960        | \$ 75,210        |
| Project Santa                         | 1,000            | 4,994            |
|                                       | <u>\$ 88,960</u> | <u>\$ 80,204</u> |

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 10. Subsequent Event**

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have disrupted operations of companies in many industries. These factors adversely impact revenue recognition, cash flows and liquidity, contingencies, and in some instances, the going concern assumption. Presently, the ultimate effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

In conjunction with the impact of the coronavirus pandemic, the Company applied for and received a Small Business Administration loan through the Paycheck Protection from ACNB. Loan proceeds were received on April 15, 2020, in the amount of \$92,300 with an interest rate of 1%. The loan matures April 15, 2022. No payments are due on this loan for six months from the date the loan was disbursed. The Company may apply to ACNB for forgiveness of the amount due on this loan in an amount equal to the sum of allowable costs as defined in the program incurred by the Company during a 24 week period beginning on the date of the first disbursement of the loan. Interest accrued during the initial deferment period, not subject to loan forgiveness, is due and payable seven months from the date of the first disbursement.