

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

**FINANCIAL REPORT**

**DECEMBER 31, 2020**

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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, 2020 and 2019, the related statements of support and revenues, expenses and changes 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, 2020 and 2019, 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 & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania  
June 29, 2021

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

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -  
MODIFIED CASH BASIS  
December 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents - operating	\$ 558,591	\$ 439,688
Current portion of municipal appropriations receivable	88,000	100,750
<b>Total current assets</b>	<b>646,591</b>	<b>540,438</b>
Cash and cash equivalents - restricted	48,773	54,041
Municipal appropriations receivable - net of current portion	826,128	879,270
Property and equipment - net	4,871,398	5,126,015
<b>Total assets</b>	<b>\$ 6,392,890</b>	<b>\$ 6,599,764</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Current portion of long-term debt	\$ 164,694	\$ 233,542
Payroll withholdings	3,210	7,798
<b>Total current liabilities</b>	<b>167,904</b>	<b>241,340</b>
Long-Term Debt - net of current portion	1,991,074	2,181,773
<b>Total liabilities</b>	<b>2,158,978</b>	<b>2,423,113</b>
Net Assets		
Without donor restrictions		
Undesignated	3,171,011	3,038,584
Board designated	48,773	54,041
With donor restrictions	1,014,128	1,084,026
<b>Total net assets</b>	<b>4,233,912</b>	<b>4,176,651</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,392,890</b>	<b>\$ 6,599,764</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, 2020 and 2019**

	<b>2020</b>	2019
Changes in Net Assets Without Donor Restrictions		
Support and Revenue		
Contributions and grants	\$ 198,198	\$ 148,563
Ambulance club	80,695	91,970
Municipal allotments	199,979	105,645
Ambulance services	233,172	234,372
Interest income	2,077	781
Fundraising income - net	225,690	425,793
Rental income	32,340	31,440
Membership dues	932	1,312
Paycheck Protection Program loan forgiveness	92,300	-
Other income	2,780	1,130
<b>Total support and revenue</b>	<b>1,068,163</b>	<b>1,041,006</b>
Net assets released from restrictions	<b>104,716</b>	88,960
<b>Total support and revenue without donor restrictions</b>	<b>1,172,879</b>	<b>1,129,966</b>
Expenses		
Program	770,391	797,364
Management	114,618	114,386
Fundraising	160,711	174,303
	<b>1,045,720</b>	<b>1,086,053</b>
<b>Increase in net assets without donor restrictions</b>	<b>127,159</b>	43,913

(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, 2020 and 2019**

	<b>2020</b>	2019
Changes in Net Assets With Donor Restrictions		
Support and Revenue		
Municipal appropriations	<b>34,818</b>	36,839
Contributions	-	100,000
Net assets released from restriction	<b>(104,716)</b>	(88,960)
<b>Increase (decrease) in net assets with       donor restrictions</b>	<b>(69,898)</b>	47,879
<b>Increase in net assets</b>	<b>57,261</b>	91,792
Net Assets:		
Beginning	<b>4,176,651</b>	4,084,859
Ending	<b>\$ 4,233,912</b>	4,176,651

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	2019
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 57,261	\$ 91,792
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	274,857	273,110
Amortization of discount on municipal appropriations receivable	(34,818)	(36,839)
Forgiveness of Paycheck Protection Program loan	(92,300)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Municipal appropriations receivable	100,710	87,960
(Decrease) increase in:		
Accrued liabilities	(4,588)	(4)
<b>Net cash provided by operating activities</b>	<b>301,122</b>	<b>416,019</b>
<b>Cash Flows From Investing Activities</b>		
<b>Purchase of property and equipment</b>	<b>(20,240)</b>	<b>(17,890)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Paycheck Protection Program loan	92,300	-
Repayments of long-term debt	(259,547)	(251,248)
<b>Net cash used in financing activities</b>	<b>(167,247)</b>	<b>(251,248)</b>
<b>Net increase in cash</b>	<b>113,635</b>	<b>146,881</b>
<b>Cash:</b>		
Beginning	493,729	346,848
Ending	\$ 607,364	\$ 493,729
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash payments for interest	\$ 58,493	\$ 91,953
<b>Supplemental Schedule of Noncash Financing Activities:</b>		
Forgiveness of Paycheck Protection Program loan	\$ (92,300)	\$ -

See Notes to Financial Statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
Year Ended December 31, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 326,274	\$ 45,205	\$ 35,413	\$ 406,892
Payroll taxes	26,746	3,706	2,903	33,355
Employee benefits	29,794	4,128	3,234	37,156
Building repairs and maintenance	10,924	2,185	8,740	21,849
Utilities	13,036	2,607	10,429	26,072
Insurance	15,172	3,034	12,138	30,344
Vehicle fuel and maintenance	37,153	-	-	37,153
Equipment repairs and maintenance	18,770	-	-	18,770
Equipment and supplies	42,037	-	-	42,037
Membership	-	650	-	650
Office and administrative	4,411	882	3,528	8,821
Telephone	7,364	-	-	7,364
Dues and subscriptions	-	9,861	-	9,861
Licenses and fees	-	5,802	-	5,802
Advertising	-	-	815	815
Fundraising	-	-	7,398	7,398
Professional fees	-	18,030	-	18,030
Interest	29,247	5,849	23,397	58,493
Depreciation	209,463	12,679	52,716	274,858
<b>Total</b>	<b>\$ 770,391</b>	<b>\$ 114,618</b>	<b>\$ 160,711</b>	<b>\$ 1,045,720</b>

See Notes to Financial Statements.

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

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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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.

### 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 Support and Revenue, Expenses and Changes in Net Assets – Modified Cash Basis.

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).

Adoption of New Accounting Standard: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU, and all subsequently issued amendments, replaced most existing, revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). The ASU outlines a five-step process for revenue recognition that focuses on transfer of control, opposed to transfer of risks and rewards, and also requires expanded disclosures relating to the nature, amounts, timing and uncertainties of revenues and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2020, the first day of the Company's fiscal year, and in doing so, management employed the modified-retrospective method. The Company's financial statements are not significantly impacted by the new standards and as a result, there was no cumulative effect adjustment to retained earnings upon adoption.

Adoption of the ASU did not materially impact the Company's pattern of revenue recognition for contracts, identification of contracts and performance obligations, or measurement of variable consideration.

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.

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.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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

Support and Revenue: Contributions are recognized when received. The Company reports gifts of cash 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 in the Statements of Support, Revenue and Expenses and Changes in Net Assets - Modified Cash Basis as net assets released from restrictions. Donor restricted contributions, the restrictions of which are met in the same reporting period, are reported as unrestricted support.

Revenue from fundraising activities or special events that are not considered ongoing, major or central activities of the Company is reported in the Statements of Support and Revenue, Expenses and Changes in Net Assets - Modified Cash Basis, net of directly-related costs (Note 7).

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.

Ambulance Service Revenues: Ambulance service revenues consists of patient fees collected directly from patients as well as amounts received from third-party payors (including health insurers, government programs and others), and includes retroactive adjustments. Performance obligations are based on the nature of the services provided by the Company. Generally, performance obligations are satisfied at the point in time services are provided to the Company's patients.

Transaction prices are based on standard charges for services provided, reduced by any contractual adjustments provided to health insurers and government programs. Settlements with health insurances and government programs occasionally occur due to audits, reviews or investigations and may result in retroactive adjustments, including to amounts previously paid to the Company and recognized as revenue. Such adjustments are considered by the Company in determining its transaction prices.

Advertising Expense: The Company expenses advertising costs as incurred. Advertising expense was \$815 in 2020, and \$645 in 2019.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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

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.

Recently Issued but not yet Effective Accounting Pronouncements: 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 U.S. GAAP. ASU 2016-02, as deferred by one year by ASU 2020-05, is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. Management is currently evaluating the effects that this standard will have on the Foundation's financial statements.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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

Paycheck Protection Program: The Paycheck Protection Program (PPP) was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and is administered by the Small Business Administration (SBA). On April 20, 2020, the Company received loan proceeds in the amount of \$92,300 under the PPP by executing a PPP Term Note with ACNB. The PPP loan is payable over two years at an interest rate of 1%. Upon application to the SBA, the loan and accrued interest may be forgiven provided the Company uses the loan proceeds for eligible purposes. The amount of loan forgiveness may be reduced if the Company terminated employees or reduced salaries during the applicable covered period.

The Company recognized the loan following government grant accounting by analogy to International Accounting Standards (“IAS”) 20, “Accounting for Government Grants and Disclosure of Government Assistance” (“IAS 20”). In accordance with IAS 20, a deferred income liability is recognized for the principal amount estimated to be forgiven and is amortized to other income on a systematic and rational basis. The Company is reasonably certain they have met all the requirements for forgiveness; therefore, the deferred income liability has been fully amortized. The amortized balance has been reported as Paycheck Protection Program loan forgiveness on the Statements of Support and Revenue, Expenses and Changes in Net Assets - Modified Cash Basis.

Subsequent to year-end, the Company received confirmation from the SBA stating, based on the application for loan forgiveness as filed (and subject to audit), 100% of the PPP loan and accrued interest was forgiven, as provided in the CARES Act.

Reclassifications: Certain amounts in the financial statements have been reclassified for comparative purposes to conform to the current year financial statements presentation. These reclassifications had no effect on the Company’s financial position or changes in net assets as of and for the year ended December 31, 2019.

Subsequent Events: In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 29, 2021, the date the financial statements were available to be issued. See Note 12 for subsequent event disclosure.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 607,364	\$ 493,729
Municipal appropriations receivable	1,141,840	1,242,550
Total financial assets	<u>1,749,204</u>	<u>1,736,279</u>
Less amounts not available for use within one year:		
Board designated net assets with liquidity horizons greater than one year	48,773	54,041
Net assets subject to donor restrictions	100,000	104,006
Non-current municipal appropriations receivable	1,053,840	1,141,800
	<u>1,202,613</u>	<u>1,299,847</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 546,591</u>	<u>\$ 436,432</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.

#### Note 3. Cash and Cash Equivalents

Cash and cash equivalents is comprised of the following balances at December 31, 2020 and 2019:

	2020	2019
Operations	\$ 558,591	\$ 439,688
Cash restricted for:		
Building Fund	<u>48,773</u>	<u>54,041</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 607,364</u>	<u>\$ 493,729</u>

Interest income from cash and cash equivalents was \$2,077 in 2020, and \$781 in 2019.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 4. 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, 2020 and 2019, consist of the following:

	2020	2019
Municipal appropriations receivable	\$ 1,141,840	\$ 1,242,550
Less: unamortized discount	(227,712)	(262,530)
	<u>\$ 914,128</u>	<u>\$ 980,020</u>
Amounts due in:		
Less than one year	\$ 88,000	\$ 100,750
One to five years	352,000	352,000
More than five years	701,840	789,800
	<u>\$ 1,141,840</u>	<u>\$ 1,242,550</u>

The amortization discount was \$34,818 and \$36,839 for December 31, 2020 and 2019.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. Property and Equipment

Property and equipment at December 31, 2020 and 2019, consists of the following:

	2020	2019
Land	\$ 605,010	\$ 605,010
Buildings and improvements	4,905,195	4,905,195
Vehicles	2,459,788	2,459,788
Firefighting equipment	320,079	332,763
Ambulance equipment	44,224	66,866
Furniture and fixtures	100,909	100,909
Kitchen equipment	151,099	147,859
Buildings and grounds equipment	50,998	33,998
Office and computer equipment	13,062	17,847
	<hr/>	<hr/>
	8,650,364	8,670,235
Less accumulated depreciation	(3,778,966)	(3,544,220)
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	\$ 4,871,398	\$ 5,126,015

Depreciation expense was \$274,857 in 2020, and \$273,110 in 2019.

#### Note 6. Long-Term Debt

Long-term debt at December 31, 2020 and 2019, consists of the following:

	2020	2019
Note payable, ACNB, payable in monthly installments of \$13,680 including interest of 66.7% of the highest Prime Rate published (3.25% as of December 31, 2020), not to exceed 10.0%, through November 2034. Collateralized by real estate.	\$ 1,784,380	\$ 1,897,911
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.	371,388	517,404
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	2,155,768	2,415,315
Less current portion	(164,694)	(233,542)
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	\$ 1,991,074	\$ 2,181,773

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 6. Long-Term Debt (Continued)

Future maturities of long-term debt are as follows:

Year	Amount
2021	\$ 164,694
2022	167,962
2023	167,830
2024	142,831
2025	142,174
Thereafter	1,370,277
	<u>\$ 2,155,768</u>

Interest expense related to long-term debt was \$58,493 in 2020, and \$91,953 in 2019.

#### Note 7. 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, 2020 and 2019:

	2020	2019
Income from fundraising activities	\$ 993,252	\$ 1,587,689
Directly related costs	(767,562)	(1,161,896)
	<u>\$ 225,690</u>	<u>\$ 425,793</u>

Fundraising expenses paid to outside parties were \$7,398 in 2020, and \$11,523 in 2019.

#### Note 8. 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, 2020, are as follows:

Year	Amount
2021	<u>\$ 5,400</u>

Rental income related to operating leases to unrelated parties was \$10,800 in 2020 and 2019.

## SOUTHEASTERN ADAMS VOLUNTEER EMERGENCY SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Related Party Transactions

Southeastern Adams Volunteer Emergency Services, Inc. (SAVES) is affiliated with Southeastern Adams Volunteer Emergency Services Relief Association (Relief Association) through common board oversight. The Relief Association provides support to SAVES 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 \$59,931 in 2020, and \$64,519 in 2019.

In addition, the Relief Association leases administrative space from SAVES. Rental income received was \$20,640 for the years ended December 31, 2020 and 2019.

#### Note 10. 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, 2020 and 2019, consist of the following:

	2020	2019
Subject to expenditure for specified purpose:		
Municipal appropriations receivable	\$ 914,128	\$ 980,020
Capital improvements	100,000	100,000
Project Santa	-	4,006
	<u>\$ 1,014,128</u>	<u>\$ 1,084,026</u>

Net assets were released from donor restrictions by satisfying the following restricted purposes during the years ended December 31, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions:		
Municipal appropriations collected	\$ 100,710	\$ 87,960
Project Santa	4,006	1,000
	<u>\$ 104,716</u>	<u>\$ 88,960</u>

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

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 11. Uncertainties**

Developments arising from the coronavirus pandemic and efforts to mitigate the disease's effects continue to disrupt the global economy. Until the pandemic is brought under control in the view of the public, and in the view of the governmental entities restricting the operations of businesses, the impact on the financial well-being of the Company remains unknown. Therefore, the ultimate effects of this crisis on the financial position, results of operations, and cash flows of the Company are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

#### **Note 12. Subsequent Events**

On April 19, 2021, the SAVES received loan proceeds in the amount of \$92,966 under the Paycheck Protection Program by executing a PPP Term Note with ACNB. The Paycheck Protection Program loan is payable over five years at an interest rate of 1%. Upon application to the SBA, the loan and accrued interest may be forgiven provided the SAVES uses the loan proceeds for eligible purposes. The amount of loan forgiveness may be reduced if the SAVES terminated employees or reduced salaries during the applicable covered period.