

**SOUTHWEST VIRGINIA EMERGENCY MEDICAL
SERVICES COUNCIL, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2011

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KEEN, PROFFITT & CO., P.C.

**Certified Public Accountants
468 East Main Street, Suite 317A
Abingdon, VA 24210**

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Southwest Virginia Emergency Medical Services Council, Inc.**

We have audited the accompanying statement of financial position of the Southwest Virginia Emergency Medical Services Council, Inc. as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Southwest Virginia Emergency Medical Services Council, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Virginia Emergency Medical Services Council, Inc. as of June 30, 2011, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Keen, Proffitt & Co., P.C.

**Abingdon, Virginia
January 25, 2012**

SOUTHWEST VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS	Unrestricted	Temporarily Restricted	Totals
CURRENT ASSETS			
Cash and equivalents	\$ 33,842	\$ 23,926	\$ 57,768
Accounts receivable	225	-	225
Prepaid expenses	931	-	931
Total current assets	34,998	23,926	58,924
PROPERTY AND EQUIPMENT			
Office furniture and equipment	123,774	-	123,774
Training equipment	61,869	-	61,869
Vehicles	31,605	-	31,605
Communication equipment	260	-	260
Leasehold Improvements	7,452	-	7,452
	224,960	-	224,960
Less: accumulated depreciation	(181,015)	-	(181,015)
Total property & equipment, net	43,945	-	43,945
Total assets	\$ 78,943	\$ 23,926	\$ 102,869
LIABILITIES & NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 1,544	\$ -	\$ 1,544
Accrued salaries and wages	10,791	-	10,791
Other current liabilities	3,272	-	3,272
Total current liabilities	15,607	-	15,607
NET ASSETS	63,336	23,926	87,262
Total liabilities and net assets	\$ 78,943	\$ 23,926	\$ 102,869

The accompanying notes are an integral part of these financial statements.

SOUTHWEST VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE			
State training income	\$ 283,940	\$ 107,270	\$ 391,210
Local governments	47,427	-	47,427
Other training income	3,722	-	3,722
Contributions	29,235	-	29,235
United Way	250	-	250
Interest	78	-	78
Other income	2,991	-	2,991
Net assets released from restrictions:			
Satisfaction of donor restrictions	88,212	(88,212)	-
Total support and revenue	<u>455,855</u>	<u>19,058</u>	<u>474,913</u>
EXPENSES			
Salaries and wages	219,535	-	219,535
Training programs expense	88,816	-	88,816
Rent	33,610	-	33,610
Payroll taxes	18,879	-	18,879
Depreciation	17,899	-	17,899
Telephone and utilities	13,744	-	13,744
Legal and accounting	13,379	-	13,379
Office	11,653	-	11,653
Repairs and maintenance	8,761	-	8,761
Travel and meetings	8,284	-	8,284
Textbook expense	3,747	-	3,747
Insurance	3,715	-	3,715
Miscellaneous	3,505	-	3,505
Taxes and licenses	1,653	-	1,653
Penalties	1,638	-	1,638
Employee tuition reimbursement	1,093	-	1,093
Postage	1,068	-	1,068
Dues and subscriptions	700	-	700
Contract labor	164	-	164
Interest	63	-	63
Total expenses	<u>451,906</u>	<u>-</u>	<u>451,906</u>
Theft loss	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS	3,949	19,058	23,007
NET ASSETS, BEGINNING OF YEAR	<u>59,387</u>	<u>4,868</u>	<u>64,255</u>
NET ASSETS, END OF YEAR	<u>\$ 63,336</u>	<u>\$ 23,926</u>	<u>\$ 87,262</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 3,949	\$ 19,058	\$ 23,007
Adjustments to reconcile changes in net assets to cash provided by operating activities:			
Depreciation	17,899	-	17,899
Accounts receivable	1,357	-	1,357
Prepaid expenses	(431)	-	(431)
Accounts payable	399	-	399
Other liabilities	(19,367)	-	(19,367)
	<u>3,806</u>	<u>19,058</u>	<u>22,864</u>
Net cash provided (used) by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	<u>(15,303)</u>	<u>-</u>	<u>(15,303)</u>
NET INCREASE (DECREASE) IN CASH	<u>(11,497)</u>	<u>19,058</u>	<u>7,561</u>
CASH, BEGINNING OF PERIOD	<u>45,339</u>	<u>4,868</u>	<u>50,207</u>
CASH, END OF PERIOD	<u><u>33,842</u></u>	<u><u>23,926</u></u>	<u><u>57,768</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

A. Business Activity

Southwest Virginia Emergency Medical Services Council, Inc. (the Council) is a non-stock, non-profit corporation, serving thirteen counties and three cities in southwest Virginia. The Council is the sole regional agency operating in the area to plan and implement an improved and functional EMS delivery system through the coordination of activities among volunteer rescue squads, government agencies, hospitals, and individuals among the general public.

B. Accounting Methodology

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

C. Cash and Cash Equivalents

The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. Financial Statement Presentation

The Council reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These financial statements report amounts separately by class of net assets as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – net assets of the organization resulting from (a) inflows of assets whose use by the organization is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations; (b) other asset enhancements and diminishments subject to the same kind of stipulations; (c) reclassifications to (or from) other classes of net assets as a consequence of donor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

SOUTHWEST VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Permanently restricted net assets – net assets subject to donor-imposed stipulations that may be maintained permanently by the organization. The Council had no permanently restricted net assets at June 30, 2011.

The Council reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restriction in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

F. Income Taxes

The Council is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and tax statutes of the Commonwealth of Virginia and incurred no income tax liability on unrelated business income for the year ended June 30, 2011.

G. Subsequent Events

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through January 25, 2012, the date the financial statements were available to be issued.

SOUTHWEST VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

2. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is computed for financial reporting purposes using the straight line method. The estimated useful lives of the assets range from 5 - 10 years.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Office Furniture & Equipment	\$118,004	\$5,770	\$ -0-	\$123,774
Communications Equipment	260	-0-	-0-	260
Training Equipment	59,789	2,080	-0-	61,869
Vehicles	31,605	-0-	-0-	31,605
Leasehold Improvements	-0-	7,452	-0-	7,452
Accumulated Depreciation	<u>(163,116)</u>	<u>(17,899)</u>	<u>-0-</u>	<u>(181,015)</u>
Totals	<u>\$46,542</u>	<u>\$(2,597)</u>	<u>\$ -0-</u>	<u>\$43,945</u>

Expenditures for acquisition, renewals, and betterments are capitalized, whereas maintenance and repair costs are charged to expense as incurred. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to income.

3. COMPENSATED ABSENCES

Each full-time employee earns paid time off (PTO) based on length of employment. Unused PTO hours may be carried forward from year to year. PTO carryover is capped at 500 hours per employee. Upon termination of employment, employees will be paid for unused PTO that has been earned through the last day of work up to a maximum of 200 hours. At June 30, 2011, the accrual for compensated balances was \$10,791.

SOUTHWEST VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4. LEASE AGREEMENT

In November 2010, the Council relocated to Bristol, Virginia and entered into a lease agreement for the facility. The lease terminates in October 2015, with options to renew. The lease provides that the Organization reimburse the lessor for insurance and taxes related to the property. Minimum monthly rent for the new facility is \$3,220 per month, which includes estimates for insurance and taxes. Future minimum rental payments for fiscal years ended are as follows:

June 30, 2012	\$ 38,640
June 30, 2013	38,640
June 30, 2014	38,640
June 30, 2015	38,640
June 30, 2016	<u>9,660</u>
Total future minimum rental payments:	<u>\$ 164,220</u>

5. THEFT LOSS

In June 2010, the Council became aware that an employee had perpetrated a scheme to embezzle cash from the Council beginning in 2006. No theft loss has been recorded in these financial statements.

On November 19, 2010, the defendant pled guilty to bank fraud and identity theft and on April, 17, 2011 was sentenced to 53 months in prison and ordered to pay \$229,079.65 in restitution. However, due to the uncertainty of timing and the amount of actual collection of the restitution, a gain contingency and resulting receivable has not been recorded as of the date of these financial statements.

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INTERNAL CONTROL REPORT

To the Executive Committee & Board of Directors
of Southwest Virginia Emergency Medical Services Council, Inc.

In planning and performing our audit of the financial statements of Southwest Virginia Emergency Medical Services Council, Inc., for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Southwest Virginia Emergency Medical Services Council, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify deficiencies in Southwest Virginia Emergency Medical Services Council, Inc.'s internal control considered to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in United Way of Washington County, Inc.'s internal control to be a significant deficiency.

Cash Disbursements

The responsibility of the disbursement of funds rests solely on one or two individuals. In order to improve the internal controls in the disbursement area, the following are recommended:

- Consistently and in one common location, keep all voided checks.
- Establish a formal written purchasing policy which states Board approval necessary for purchases above dollar limits as determined by the governing Board.

In addition, we noted other matters involving the internal control and its operation that we have reported to management. Our comments and suggestions concerning those matters are identified below.

Other Internal Control Suggestions

Capitalization Policy and Fixed Asset Posting

It is recommended that the Organization establish a formal written capitalization policy for recording property and equipment, including a dollar threshold to be met for capitalization. All assets meeting this policy should then be posted to the property and equipment section of the general ledger.

Payroll Processing

The organization has hourly employees that were not held back for a pay period. In order for the external bookkeeper to timely prepare payroll for distribution, hourly employees hours must be estimated for the days in between processing and delivery of payroll and corrected in a future period if unexpected time off occurs. We recommend hourly employees be converted to a "hold back" period so time paid will reflect actual hours worked.

Organization Structure

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the Executive Director and staff of Southwest Virginia Emergency Medical Services Council, Inc. for their support of our audit.

This communication is intended solely for the information and use of management, Executive Members, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keen, Proffitt & Co., P.C.
Keen, Proffitt & Co., P.C.
Abingdon, Virginia

January 25, 2012