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April 4, 2018

Board of Directors  
Osolo Emergency Medical Services, Inc.  
25600 County Road 4  
Elkhart, IN 46514

We have reviewed the report prepared by Osolo Emergency Medical Services, Inc. and opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Osolo Emergency Medical Services, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cullar & Associates, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

*FINANCIAL REPORT*

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**

December 31, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Osolo Emergency Medical Services, Incorporated  
Elkhart, Indiana

We have audited the accompanying financial statements of Osolo Emergency Medical Services, Incorporated, which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1 to financial statements; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Osolo Emergency Medical Services, Incorporated as of December 31, 2016 and 2015, and its revenues, expenses, and changes in net assets and its cash flows for the years

then ended, in accordance with the modified cash basis of accounting as described in Note 1 to financial statements.

***Basis of Accounting***

We draw attention to Note 1 to financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Matter - Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal, state, and local awards, as required by *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Cullen & Associates, P.C.*

South Bend, Indiana  
September 14, 2017

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**  
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Current Assets:		
Cash and cash equivalents	\$ <u>675,908</u>	\$ <u>534,680</u>
Property and Equipment:		
Land	22,182	22,182
Building and improvements	531,945	531,945
Vehicles	15,000	15,000
Operating equipment	<u>164,105</u>	<u>149,618</u>
	733,232	718,745
Less accumulated depreciation	<u>(394,979)</u>	<u>(371,042)</u>
<i>Net property and equipment</i>	<u>338,253</u>	<u>347,703</u>
<i>Total assets</i>	<u>\$ 1,014,161</u>	<u>\$ 882,383</u>
<b>Liabilities and Net Assets:</b>		
Current Liabilities:		
Payroll withholdings	\$ <u>9,479</u>	\$ <u>3,059</u>
Net Assets, unrestricted	<u>1,004,682</u>	<u>879,324</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,014,161</u>	<u>\$ 882,383</u>

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

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**Years Ended December 31, 2016 and 2015**

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	<u>2016</u>	<u>2015</u>
<b>Revenues and Other Support:</b>		
Grants from Osolo Township	\$ 460,000	\$ 417,500
Ambulance service fees	230,818	210,194
Rent	3,000	3,000
Interest	1,276	988
Other	<u>300</u>	<u>-</u>
<i>Total revenues and other support</i>	<u>695,394</u>	<u>631,682</u>
<b>Expenses:</b>		
Ambulance services	522,230	532,946
Management and general	<u>47,806</u>	<u>38,444</u>
<i>Total expenses</i>	<u>570,036</u>	<u>571,390</u>
<b>Change in net assets</b>	125,358	60,292
Net assets, unrestricted - beginning of year	<u>879,324</u>	<u>819,032</u>
<i>Net assets, unrestricted - end of year</i>	<u>\$ 1,004,682</u>	<u>\$ 879,324</u>

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

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**  
**STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
Years Ended December 31, 2016 and 2015

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	2016			2015		
	<u>Ambulance Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Ambulance Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 217,231	\$ 5,824	\$ 223,055	\$ 224,217	\$ 5,777	\$ 229,994
Payroll-related expenses	73,853	1,980	75,833	61,518	1,585	63,103
Ambulance supplies and expenses	78,097	-	78,097	107,183	-	107,183
Volunteer expenses	42,554	-	42,554	44,572	-	44,572
Occupancy	30,292	3,436	33,728	21,777	2,405	24,182
Insurance	51,255	-	51,255	44,106	-	44,106
Office supplies	-	6,558	6,558	-	9,541	9,541
Communications	2,931	-	2,931	3,117	-	3,117
Legal and accounting	-	11,766	11,766	-	1,599	1,599
Billing services	-	16,167	16,167	-	15,462	15,462
Public relations	4,155	-	4,155	3,111	-	3,111
Depreciation	<u>21,862</u>	<u>2,075</u>	<u>23,937</u>	<u>23,345</u>	<u>2,075</u>	<u>25,420</u>
<i>Totals</i>	<u>\$ 522,230</u>	<u>\$ 47,806</u>	<u>\$ 570,036</u>	<u>\$ 532,946</u>	<u>\$ 38,444</u>	<u>\$ 571,390</u>

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

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**

## STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

Years Ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>Change in Cash and Cash Equivalents:</b>		
Cash Flows from Operating Activities:		
Cash received from patients and grantors	\$ 690,818	\$ 627,694
Cash received from others	3,300	3,000
Interest income received	1,276	988
Cash paid to employees, suppliers, and others	<u>(539,679)</u>	<u>(562,751)</u>
<i>Net cash provided by operating activities</i>	<u>155,715</u>	<u>68,931</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(14,487)</u>	<u>(4,096)</u>
<b>Net change in cash and cash equivalents</b>	141,228	64,835
Cash and cash equivalents, beginning of year	<u>534,680</u>	<u>469,845</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 675,908</u>	<u>\$ 534,680</u>
<b>Reconciliation of Change in Net Assets to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Change in net assets	\$ 125,358	\$ 60,292
Add (deduct) items not requiring (providing) cash:		
Depreciation	23,937	25,420
Increase (decrease) in payroll withholdings	6,420	(4,811)
(Decrease) in accounts payable	<u>-</u>	<u>(11,970)</u>
<i>Net cash provided by operating activities</i>	<u>\$ 155,715</u>	<u>\$ 68,931</u>

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

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Osolo Emergency Medical Services, Incorporated (the "Organization") is an Indiana nonprofit corporation organized to provide high quality ambulance service to Osolo Township, Indiana and the surrounding areas. Its operations are supported primarily by grants from Osolo Township and fees for ambulance services provided to the public.

Significant Accounting Policies:

*Basis of accounting:*

The Organization's accounts are maintained, and these statements are prepared, on a modified cash basis of accounting, under which only revenues collected, costs and expenses paid, assets and net assets arising from cash transactions, a provision for depreciation, and contributed support are recognized. Consequently, accounts receivable, prepaid expenses, deferred revenues, accounts payable, and accrued liabilities, which may be material, are not reflected, and the financial statements are not intended to present financial position and activities in conformity with accounting principles generally accepted in the United States of America.

*Use of estimates:*

The process of preparing financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in the accompanying financial statements include the allocations of costs between the program and supporting services, which are based on time and facility usage studies and other methods of cost allocation.

*Net asset classes:*

The Organization reports its activities and financial position by the following classes of net assets:

- *Unrestricted net assets* are those currently available for use by the Organization.
- *Temporarily restricted net assets* are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

*Cash and cash equivalents:*

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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*Property and equipment:*

Property and equipment is generally stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Depreciation is computed by the straight-line method for buildings and improvements and by declining-balance methods for other assets over the estimated useful lives of the assets, which are generally as follows:

Building .....	39 years
Building improvements.....	7-15 years
Operating equipment .....	5-7 years
Vehicles .....	5 years

Under an agreement with Osolo Township, the Organization is provided the use of two ambulances and related equipment that is owned by Osolo Township. The Organization is required to maintain the vehicles and obtain insurance and has the option of purchasing the assets at fair market value.

*Gifts and grants:*

The Organization reports gifts and grants of cash and other assets as revenue when received, and considers such gifts to be available for unrestricted use unless specifically restricted by donor. When a donor restriction expires (that is, when a purpose restriction is accomplished or a time restriction expires), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

*Income taxes:*

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for taxes on unrelated business income. Consequently, the accompanying financial statements generally contain no provision for income taxes. The Organization is classified by the Internal Revenue Service as other than a private foundation under Internal Revenue Code Section 509(a)(1).

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2016 or 2015, or any interest or penalties expense

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016 and 2015

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related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2013.

**NOTE 2. RETIREMENT PLAN**

The Organization sponsors a qualified defined contribution pension plan under Section 401(k) of the Internal Revenue Code, covering all full-time employees who meet the age and service requirements. Employees may contribute up to 100% of their compensation not to exceed IRS limitations. Organization matching contributions are discretionary. No matching contributions were made in either 2016 or 2015.

**NOTE 3. CONCENTRATIONS AND SUBSEQUENT EVENT**

The Organization's activities and contributors are concentrated in Elkhart County, Indiana. Accordingly, its fees, grants, and other sources of support and revenue may be affected by conditions in that area. In addition, approximately 66% of total revenues for both 2016 and 2015 were received from Osolo Township. Subsequent to December 31, 2016, the City of Elkhart annexed several commercial areas of Osolo Township, which will cause a shift of property tax revenues from Osolo Township to the City beginning in 2018. The Organization expects to lose between \$115,000 and \$230,000 of annual funding as a result.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation and are not otherwise collateralized. At December 31, 2016 the Organization had funds on deposit with one financial institution that exceeded federal deposit insurance coverage by approximately \$236,000.

**NOTE 4. CONTINGENCIES**

The Organization is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Organization's financial position or results of operations.

**NOTE 5. SUBSEQUENT EVENTS INFORMATION**

The date through which events occurring subsequent to December 31, 2016 have been evaluated for possible adjustment to the financial statements or disclosure is September 14, 2017, the date on which the financial statements were available to be issued.

**OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED**

**SCHEDULE OF FEDERAL, STATE, AND LOCAL AWARDS**

Year Ended December 31, 2016

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<u>Grantor/Pass-Through Grantor/ Program/Title</u>	<u>Identifying Number</u>	<u>Beginning Balance</u>	<u>Award Received</u>	<u>Award Expended</u>	<u>Ending Balance</u>
<b>LOCAL AWARDS</b>					
Osolo Township, Elkhart County:					
Ambulance Service Contract	N/A	<u>\$ 230,000</u>	<u>\$ 460,000</u>	<u>\$ 460,000</u>	<u>\$ 230,000</u>