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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

December 11, 2019

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

We have reviewed the audit report of Osolo Emergency Medical Services, Inc. which was opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2018. 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, 2018 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 the audit report in accordance with guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

FINANCIAL REPORT

OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED

December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Adoption of New Accounting Standard

As discussed in Note 1 to financial statements, in 2018 Osolo Emergency Medical Services, Incorporated adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on 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
December 3, 2019

OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 919,857	\$ 764,056
Property and Equipment:		
Land	22,182	22,182
Building and improvements	545,413	545,413
Vehicles	72,305	72,305
Operating equipment	<u>164,105</u>	<u>164,105</u>
	804,005	804,005
Less accumulated depreciation	<u>(468,310)</u>	<u>(430,050)</u>
<i>Net property and equipment</i>	<u>335,695</u>	<u>373,955</u>
<i>Total assets</i>	<u>\$ 1,255,552</u>	<u>\$ 1,138,011</u>
Liabilities and Net Assets:		
Liabilities:		
Payroll withholdings	\$ 2,110	\$ 3,282
Net Assets, without donor restrictions and in total	<u>1,253,442</u>	<u>1,134,729</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,255,552</u>	<u>\$ 1,138,011</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue and Support:		
Grants from Osolo Township	\$ 497,500	\$ 472,500
Ambulance service fees	222,568	189,349
Rent	3,600	3,600
Interest	1,777	1,496
Other	<u>300</u>	<u>2,261</u>
<i>Total revenue and support</i>	<u>725,745</u>	<u>669,206</u>
Expenses:		
Program services expenses:		
Ambulance Services	568,902	497,618
Supporting services expenses:		
Management and general	<u>38,130</u>	<u>41,541</u>
<i>Total expenses</i>	<u>607,032</u>	<u>539,159</u>
Change in net assets, without donor restrictions and in total		
	118,713	130,047
Net assets, without donor restrictions and in total - beginning of year	<u>1,134,729</u>	<u>1,004,682</u>
<i>Net assets, without donor restrictions and in total - end of year</i>	<u>\$ 1,253,442</u>	<u>\$ 1,134,729</u>

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, 2018 and 2017

	2018			2017		
	Ambulance Services	Management and General	Total	Ambulance Services	Management and General	Total
Personnel:						
Salaries and wages	\$ 275,808	\$ 6,344	\$ 282,152	\$ 218,631	\$ 6,212	\$ 224,843
Benefits	40,274	926	41,200	39,154	1,112	40,266
Taxes	<u>14,982</u>	<u>345</u>	<u>15,327</u>	<u>18,520</u>	<u>526</u>	<u>19,046</u>
<i>Total personnel</i>	331,064	7,615	338,679	276,305	7,850	284,155
Ambulance supplies and expenses	64,684	-	64,684	73,381	-	73,381
Volunteer expenses	45,246	-	45,246	37,724	-	37,724
Occupancy	26,566	2,955	29,521	22,240	2,477	24,717
Insurance	56,112	-	56,112	48,098	-	48,098
Office supplies	-	11,095	11,095	-	8,005	8,005
Communications	4,463	-	4,463	3,410	-	3,410
Legal and accounting	-	1,700	1,700	-	8,545	8,545
Billing services	-	13,004	13,004	-	12,458	12,458
Public relations	4,268	-	4,268	3,150	-	3,150
Other	-	-	-	-	445	445
Depreciation	<u>36,499</u>	<u>1,761</u>	<u>38,260</u>	<u>33,310</u>	<u>1,761</u>	<u>35,071</u>
<i>Totals</i>	<u>\$ 568,902</u>	<u>\$ 38,130</u>	<u>\$ 607,032</u>	<u>\$ 497,618</u>	<u>\$ 41,541</u>	<u>\$ 539,159</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 497,500	\$ 472,500
Cash received from patients	222,568	189,349
Cash received from others	3,900	5,861
Interest income received	1,777	1,496
Cash paid to employees and related	(339,851)	(290,352)
Cash paid to vendors and others	<u>(230,093)</u>	<u>(219,933)</u>
<i>Net cash provided by operating activities</i>	<u>155,801</u>	<u>158,921</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>-</u>	<u>(70,773)</u>
Net change in cash and cash equivalents	155,801	88,148
Cash and cash equivalents, beginning of year	<u>764,056</u>	<u>675,908</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 919,857</u>	<u>\$ 764,056</u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in net assets	\$ 118,713	\$ 130,047
Add (deduct) items not requiring (providing) cash:		
Depreciation	38,260	35,071
(Decrease) in payroll withholdings	<u>(1,172)</u>	<u>(6,197)</u>
<i>Net cash provided by operating activities</i>	<u>\$ 155,801</u>	<u>\$ 158,921</u>

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

OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Significant Accounting Policies:

Basis of Accounting:

Our 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 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:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Historically, we have not received net assets subject to donor restrictions.

OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Cash and Cash Equivalents:

We consider all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Property and Equipment:

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated. 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, we are provided the use of two ambulances and related equipment that is owned by Osolo Township. We are required to maintain the vehicles and obtain insurance and have the option of purchasing the assets at fair market value.

Revenue and Revenue Recognition:

Revenue is recognized when received. Contributions are recognized when cash, securities, or other assets are received. Conditional contributions received are not recognized as revenue until the conditions on which they depend have been substantially met. Contributions of the use of facilities and of services are not recognized

We report gifts and grants of cash and other assets as revenue when received, and consider 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.

Functional Allocation of Expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net assets – modified cash basis. The statements of functional expenses – modified cash basis present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, depreciation, and others, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Income Taxes:

We are exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on income derived from business activities that are unrelated to our exempt purpose. We have been determined to not be a private foundation under Internal Revenue Code Section 509(a)(1).

We recognize 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 our tax-exempt status and positions related to the potential sources of unrelated business taxable income. We have 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. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense, and there was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2018 or 2017, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to December 31, 2015.

Financial Instruments and Credit Risk:

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts.

Recent Accounting Pronouncements and Accounting Changes:

In 2018, we adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this guidance include presentation of two net asset classes instead of the previous three; recognition of underwater endowment funds as a reduction of net assets with donor restrictions; and enhanced disclosures for board-designated amounts, composition of net assets without donor restrictions, and liquidity.

In addition, we have elected to change the reporting of our statement of financial position from a classified to an unclassified presentation.

OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Subsequent Events:

We have evaluated events occurring subsequent to December 31, 2018 for possible adjustment to the financial statements or disclosure through December 3, 2019, the date the financial statements were available to be issued.

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 December 31, 2018 are as follows:

Cash and cash equivalents	<u>\$ 919,857</u>
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As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, certificates of deposits, and money market funds.

NOTE 3. RETIREMENT PLAN

We sponsor 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 2018 or 2017.

NOTE 4. CONCENTRATIONS

Our activities and contributors are concentrated in Elkhart County, Indiana. Accordingly, our fees, grants, and other sources of support and revenue may be affected by conditions in that area. In addition, approximately 69% and 71% of total revenues for the years ended December 31, 2018 and 2017, respectively, were received from Osolo Township.

Financial instruments that expose us credit risk consist of cash and cash equivalents. We have 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, 2018, we had funds on deposit with one financial institution that exceeded federal deposit insurance coverage by approximately \$477,000.

NOTE 5. CONTINGENCIES

We are sometimes involved in disputes or legal actions arising in the ordinary course of business. We do not believe the outcome of such legal actions will have a material adverse effect on our financial position or results of operations.

OSOLO EMERGENCY MEDICAL SERVICES, INCORPORATED

SCHEDULE OF FEDERAL, STATE, AND LOCAL AWARDS

Years Ended December 31, 2018 and 2017

<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>
<i>Year Ended December 31, 2018</i>					
LOCAL AWARDS					
Osolo Township, Elkhart County:					
Ambulance Service Contract	N/A	<u>\$ 242,500</u>	<u>\$ 510,000</u>	<u>\$ 497,500</u>	<u>\$ 255,000</u>
<i>Year Ended December 31, 2017</i>					
LOCAL AWARDS					
Osolo Township, Elkhart County:					
Ambulance Service Contract	N/A	<u>\$ 230,000</u>	<u>\$ 485,000</u>	<u>\$ 472,500</u>	<u>\$ 242,500</u>