

**CYPRESS CREEK EMERGENCY MEDICAL
SERVICES ASSOCIATION**

FINANCIAL STATEMENTS

AND

SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2008

WITH

INDEPENDENT AUDITOR'S REPORT

SVADLENK, SEE & COMPANY, P.C.

Certified Public

Accountants

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INDEPENDENT AUDITOR'S REPORT

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SVADLENAK, SEE & COMPANY, P.C.
Certified Public Accountants

A.I.C.P.A.
Division For CPA Firms
A.I.C.P.A.
T.S.C.P.A.
H.C.P.A.S.

1600 TOWNHURST DRIVE
HOUSTON, TEXAS 77043-3227

(713) 464-6390
(713) 464-9177 – FAX
www.svadlenak-see.com

Ernest R Svadlenak
Melvin R See
Mark E Owens
Michael J Burcham

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Cypress Creek Emergency Medical Services Association
Houston, Texas

We have audited the accompanying statement of financial position of Cypress Creek Emergency Medical Services Association (a non-profit association) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 Cypress Creek Emergency Medical Services Association, as of December 31, 2008, and the changes in its net assets and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Svadlenak, See & Company P.C.

SVADLENAK, SEE & COMPANY, P.C.

March 20, 2009

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

ASSETS

Current assets:

Cash	\$ 363,433
Accounts receivables	7,479,859
Inventories	384,984
Prepaid expenses	<u>775,190</u>

Total current assets 9,003,466

Land, buildings and equipment-at cost 9,397,860

Other assets: 118,512

Total assets \$18,519,838

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 781,394
Current portion of long-term debt	160,172
Deferred revenue	4,623
Accruals	<u>118,090</u>

Total current liabilities 1,064,279

Long-term debt

Note payable 5,783,616

Commitments and contingent liabilities -

Net Assets:

Unrestricted 11,671,943

Total liabilities and net assets \$18,519,838

SEE ACCOMPANYING NOTES.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED

DECEMBER 31, 2008

Support and revenue:

Support:

Donations	\$ 7,943,850
Insurance billings-net	4,090,422
Mutual aid income	500
Educational funds	12,837
Special events-fundraisers	7,327
Dispatch fees-communications centers	<u>267,958</u>
Total support	<u>12,322,894</u>

Revenue:

Interest income	8,053
Gain (loss) on sale of property	45,789
Unrealized gain (loss) on investments/properties	<u>(6,216)</u>
Total revenue	<u>47,626</u>

Total support and revenue 12,370,520

Expenses:

Program services	11,781,098
General and administrative	<u>2,005,507</u>

Total expenses 13,786,605

Change in net assets (1,416,085)

Net assets-unrestricted at the beginning of the year 13,088,028

Net assets-unrestricted at the end of the year \$11,671,943

SEE ACCOMPANYING NOTES.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

DECEMBER 31, 2008

Cash flows from operating activities:

Change in net assets – increase (decrease) \$(1,416,085)
Adjustments to reconcile change in net assets – increase (decrease) to
net cash provided (used) by operating activities:

Depreciation	\$755,913	
Realized (gain) loss on investments/properties	<u>-</u>	<u>755,913</u>
		(660,172)

Change in operating assets and liabilities:

Accounts receivable	1,663,558	
Inventories	(46,653)	
Prepaid expenses	(42,198)	
Other assets	(77,709)	
Accounts payable	28,163	
Deferred revenue	1,539	
Accruals	<u>4,649</u>	<u>1,531,349</u>

Net cash provided (used) by operating activities 871,177

Cash flows from investing activities:

Plant and equipment purchases (6,876,149)

Cash flows from financing activities:

Proceeds from long-term debt 5,943,788

Net increase (decrease) in cash (61,184)

Cash at the beginning of the year 424,617

Cash at the end of the year \$ 363,433

Supplemental information

Interest paid in cash during the year. \$ 140,633

SEE ACCOMPANYING NOTES.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. Summary of significant accounting policies:

Nature of Organization

Cypress Creek Emergency Medical Services Association is a non-profit association incorporated on July 25, 1975 to provide emergency medical services and educational programs to the communities along FM 1960 from Jones Road to the Houston city limits at Humble. In October 1996, CCEMSA purchased and is now operating the FM 1960 Area Emergency Communications Center, Inc. which provides centralized emergency communications for certain fire departments and associations in the area.

Method of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting, revenues are recorded when earned and expenses when incurred.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, support, 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.

Financial Reporting and Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles as applied to non-profit organizations. Cypress Creek Emergency Medical Services Association follows accounting and financial reporting guidelines set forth in the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations.

The Organization reports its financial position and activities, including contributions received, according to the classification and presentation described in Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made and Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. Summary of significant accounting policies: (cont'd.)

Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purposed restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Under SFAS 117, information regarding financial position and activities are reported according to three classes of assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions

Contributions are made by individual homeowners and are collected by municipal utility (water) districts in the area served by the Organization. Those water districts then remit the funds to the Organization.

Distributions

The Organization has a contract as the Emergency Service District #11 provider. The designated provider will receive monies from taxing authorities in order to provide these services.

Consideration of credit risk

The Organization maintains its cash in bank deposit accounts at a high credit quality financial institution. The balances, at times, may exceed federally insured limits. At December 31, 2008, the Organization exceeded the insured limit by approximately \$355,500.

Cash and cash equivalents

For purpose of the statement of cash flows, cash equivalents include all highly liquid debt instruments with an original maturity of three month or less.

Accounts receivable

Accounts receivable represent amounts due from patients, Medicare and insurance companies. All claims representing amounts due to the Organization are being processed and collected by an outside service.

The gross fees for the various services rendered are difficult to collect due the discounts and limitations placed on claims by insurance companies and the patients' inability to pay for the services. Uncollected claims and insurance adjustments totaled \$7,004,942 and \$4,160,612 respectively, are net against insurance billings for the year ended December 31, 2008.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. Summary of significant accounting policies: (cont'd.)

Management feels that it is impracticable to evaluate each individual receivable (claim) due to the numerous accounts and historical data is insufficient to properly establish an accurate allowance for uncollectible accounts. Therefore, management intends to follow its previous practice and charge off the accounts to operations as they are deemed worthless.

Inventory

Inventory consists of medical supplies which are valued at the lower of cost or market using current replacement cost as market.

Property and equipment

Property and equipment are carried at cost. Depreciation is calculated utilizing the straight-line method over estimated useful lives of the assets. It is the Organization's policy to capitalize all assets with continuing value and to expense other cost as repairs and maintenance.

Donations

Donations are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials, equipment, and services are reflected as donated in the accompanying statements at their estimated value at date of receipt. Donated services consist of time donated by volunteers, drivers, emergency care technicians and assistants and paramedics. They are valued at the estimated cost that the Organization would have incurred had the Organization been required to employ individuals to provide those services.

Income Tax Status

The Organization is exempt from income taxes under section 501(C)(3) of the Internal Revenue Code.

2. Accounts receivable:

Accounts receivables as of December 31, 2008 consists of:

	<u>Amount</u>
Billings of insurance companies for services rendered	\$7,159,423
Communication center revenue from fire departments	<u>320,436</u>
Total accounts receivable	<u>\$7,479,859</u>

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

3. Land, buildings and equipment:

As of December 31, 2008, land, buildings and equipment consisted of the following:

	<u>Amount</u>	<u>Useful Lives</u>
Construction in progress	\$ 6,057,003	-
Land	218,500	-
Buildings and improvements	1,882,848	5
Vehicles	2,506,966	5
Vehicle repair equipment	65,372	5
Bicycles	26,314	5
Communications equipment	2,122,424	3-5
Leasehold improvements	170,535	3-19
Office equipment	81,638	5
Furniture and fixtures	736,702	5-7
Medical equipment	1,225,490	5
Other equipment	<u>28,471</u>	3-5
	15,122,263	
Less: Accumulated depreciation	<u>(5,724,403)</u>	
Net assets	<u>\$ 9,397,860</u>	

Depreciation expense for the year ended December 31, 2008 amounted to \$755,913.

4. Long-term debt:

Note payable to bank dated November 7, 2007 in the original amount of \$7,400,000. Interest only is due on the outstanding balance for the first 18 months at 4.65%. Thereafter, principle and interest payments of \$35,199 will be due monthly until maturity when the remaining principle balance and any unpaid interest will be due at November 2017. The note is collateralized by a deed of trust and properties.

\$5,493,145

Note payable to bank dated November 7, 2007 in the original amount of \$1,285,000. Interest only is due on the outstanding balance for the first three months at 4.65%. Thereafter, principle and interest payments of \$8,432 will be due in 60 monthly payments until maturity, Mary 2014. The note is collateralized by furniture and equipment

450,643

5,943,788

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

4. Long-term debt: (con't.)

Less current portion of long-term debt	<u>160,172</u>
Long term debt	<u>\$5,783,616</u>

The current maturities on the long-term debt are as follows

Year ending
December 31,

2010	\$ 260,129
2011	272,486
2012	285,431
2013	298,990
2014	253,477
Thereafter	<u>4,413,103</u>
	<u>\$5,783,616</u>

5. Pension plan:

Effective July 1, 1999, the Organization adopted a 401(K) pension plan for the Organization's employees. Employee contributions are voluntary and are made on a pretax basis. Employer contributions are a percentage of wages, up to a maximum of 7.00%. The employer's contributions are contributed semi-monthly. The contributions for the year ended December 31, 2008 were \$292,682.

6. Commitments and contingencies:

A sublease exists with a fire department for Station 5. Under the terms of the lease, the Organization pays a monthly rental amount based upon the percentage of time in a calendar month that the Organization operates an advanced life support ambulance from the premises more than 60% of a 24 hour day. Since the inception of the lease, the Organization has operated an ambulance at least 95% of a 24 hour day and therefore pays a rental fee of \$515 a month. If the usage were to decrease, the rent would increase. The lease is month to month.

On October 1, 1996, a lease was entered into for station space. Rental payments are \$1,650 per month through October 31, 2009 at which time the lease expires.

The Organization has entered into a lease with a member of the ESD #11 board of directors for a facility for operations and storage which requires rental payments of \$1,000 per month. The lease is on a month to month basis.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

6. Commitments and contingencies: (cont'd.)

Aggregate year minimum future rentals under the leases are as follows:

<u>December 31,</u>	<u>Amount</u>
2009	<u>\$16,500</u>

During the normal course of business, the Organization could be named in frivolous and immaterial lawsuits. It is management's opinion that any such lawsuit outstanding as of the period ended December 31, 2008 (none were known to management) would not have a material effect on the financial statements.

Substantially all of the Organization's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Organization expect such compliance to have, any material effect upon the capital expenditures, change in net assets, financial conditions or competitive position of the Organization. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal and state requirements.

7. Annexation:

The Organization is within the extra-territorial jurisdiction of the city of Houston, Texas (the City). The City has the power to annex, without the approval of the residents. Should that occur and the Organization not make servicing arrangements with the City, most services currently provided by the Organization would be provided by the City and the Organization as it is known and operates today would likely be seriously affected.

8. Subsequent event:

The Organization is in the process of constructing a new facility on land that they own. Construction is estimated to be completed in April 2009. New financing was obtained for the construction period and will be classified as long-term. The approximate cost of the new facilities is anticipated to be \$7,400,000. The loan will be secured by the land and building under construction.

SUPPLEMENTAL INFORMATION

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ACCOUNTANT'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Cypress Creek Emergency Medical
Services Association
Houston, Texas

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, contained in the following pages, is presented for purposes of additional analysis and is not a required part of the basic financial statements. However, except for that portion marked "unaudited" on which we express no opinion, the following data was subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Svadlenak, See & Company P.C.

SVADLENAK, SEE & COMPANY, P.C.

March 20, 2009

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Functional expenses:</u>	<u>Program Services</u>	<u>General and Administrative</u>
Salaries	\$ 6,329,432	\$ 903,700
Employee health benefits	1,052,089	175,368
Accounting and legal	-	(15,965)
Bicycle program expense	-	-
CCATT program expense	57,007	-
Communication center expense	118,029	-
Contract labor	61,507	10,252
Credit card bank charges	-	4,128
Dues	-	3,612
Education courses	35,555	-
Fundraising expenses	-	4,675
Infection control	-	-
Insurance	958,367	-
Interest expense	-	140,663
Miscellaneous	-	42,174
Oil and gasoline	353,026	-
Pension expense	250,866	45,423
Postage	-	10,873
Printing and office	-	17,276
Recruiting and advertising	46,603	-
Rent	41,329	-
Repairs and maintenance	262,049	142,970
Supplies	645,730	-
Taxes-other	-	494
Taxes-payroll	463,000	77,175
Telephone	135,783	-
Third party billing	-	369,288
Uniforms, pins, gifts, etc.	35,789	5,965
Utilities	95,964	-
Volunteer expenses	<u>150,496</u>	<u>-</u>
Total expenses before depreciation	11,092,621	1,938,071
Depreciation	<u>688,477</u>	<u>67,436</u>
Total expenses	<u>\$11,781,098</u>	<u>\$2,005,507</u>

SEE ACCOUNTANT'S REPORT ON SUPPLEMENTAL INFORMATION.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES – ACTUAL AND BUDGET

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>ACTUAL</u>	<u>BUDGET (UNAUDITED)</u>	<u>VARIANCE</u>
Support and revenue:			
Donations	\$ 7,943,850	\$ 7,146,200	\$ 816,317
Third party insurance payments	4,090,422	3,681,117	236,638
Mutual aid income	500	-	500
Educational funds	12,837	18,800	(5,963)
Special events-fund raisers	7,327	25,000	(17,673)
Dispatch fees-communications center	267,958	370,000	51,958
Interest and dividend income	8,053	15,000	(6,947)
Unrealized gain (loss) on investments	(6,216)	-	(6,216)
Gain (loss) on sale of property	<u>45,789</u>	<u>-</u>	<u>45,789</u>
Total support and revenue	12,370,520	11,256,117	1,114,403
Expenses:			
Salaries	7,233,132	6,360,000	873,132
Employee health benefits	1,227,456	1,165,000	62,456
Accounting and legal	(15,965)	40,000	(55,965)
Bicycle program expense	-	-	-
CCATTS program expenses	57,007	75,000	(17,993)
Communication center expenses	118,029	82,500	35,529
Contract labor	71,759	70,000	1,759
Credit card bank charges	-	-	-
Dues	3,612	3,000	612
Education courses	35,555	38,000	(2,445)
Fundraising expenses	4,675	-	4,675
Infection control	-	-	-
Insurance	958,367	985,000	(26,633)
Interest expense	140,663	-	140,663
Leased office equipment	-	-	-
Miscellaneous	46,302	35,000	11,302
Oil and gasoline	353,026	250,000	103,026
Pension expense	296,289	400,000	(103,711)
Postage	10,873	7,500	3,373
Printing and office	17,276	17,500	(224)
Recruit and advertising	46,603	90,000	(43,397)
Rent	41,329	40,000	1,329
Repairs and maintenance	405,020	302,000	103,020
Supplies	645,730	605,000	40,730
Taxes-other	494	1,000	(506)
Taxes-payroll	540,175	451,000	89,175
Telephone	135,783	125,000	10,783

SEE ACCOUNTANT'S REPORT ON SUPPLEMENTAL INFORMATION.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES – ACTUAL AND BUDGET (CONT'D.)

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>ACTUAL</u>	<u>BUDGET (UNAUDITED)</u>	<u>VARIANCE</u>
Third party billing	369,288	350,000	19,288
Uniforms pins and gifts etc	41,755	45,000	(3,245)
Utilities	95,964	120,000	(24,036)
Volunteer expenses	<u>150,496</u>	<u>140,000</u>	<u>10,496</u>
Total expenses before depreciation	13,030,693	11,797,500	1,233,193
Depreciation expense	<u>755,913</u>	<u>695,000</u>	<u>60,913</u>
Total expenses	<u>13,786,606</u>	<u>12,492,500</u>	<u>1,294,106</u>
Change in net assets	<u>\$(1,416,086)</u>	<u>\$(1,236,383)</u>	<u>\$(179,703)</u>

SEE ACCOUNTANT'S REPORT ON SUPPLEMENTAL INFORMATION.

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Ernest R Svadlenak
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Michael J Burcham

March 20, 2009

PERSONAL AND CONFIDENTIAL

Mr. James Cravens
Cypress Creek Emergency Medical
Services Association
P.O. Box 90670
Houston, Texas 77290

Dear Mr. Cravens:

Enclosed please find eight copies of the Cypress Creek Emergency Medical Services Association financial statements for the year ended December 31, 2008 with Independent Auditor's Report.

We have not distributed any reports; please do so at your discretion.

We would like to express our appreciation for all the fine assistance and cooperation extended to us. We sincerely appreciate your business, and hope to continue to serve your accounting needs whenever the occasion should arise.

If we might be of some assistance to you or if you have any questions regarding the enclosed reports, please do not hesitate to call.

Best regards,

Michael Burcham
SVADLENAK, SEE & COMPANY, P.C.

MJB:sp

Enclosures