

**CYPRESS CREEK EMERGENCY MEDICAL  
SERVICES ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**SVADLENAK, SEE & COMPANY, P.C.**

Certified Public

Accountants

**CYPRESS CREEK EMERGENCY MEDICAL  
SERVICES ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12
SUPPLEMENTAL INFORMATION	
Accountants' Opinion on Supplemental Information	14
Statement of Activities - Actual and Budget	15-16

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.T.S.C.P.A.

1600 TOWNHURST DRIVE  
HOUSTON, TEXAS 77043-3227  
  
(713) 464-6390  
(713) 464-9177 – FAX  
[www.svadlenak-see.com](http://www.svadlenak-see.com)

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of financial position of Cypress Creek Emergency Medical Services Association, Inc. (a non-profit association) as of December 31, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association'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, Inc., as of December 31, 2006, 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 21, 2007

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

ASSETS

Current assets:

Cash	\$ 508,548
Accounts receivables	9,449,322
Inventories	259,282
Prepaid expenses	<u>387,395</u>
Total current assets	10,604,547
Land, buildings and equipment-at cost	2,855,141
Other assets	<u>32,526</u>
Total assets	<u>\$13,492,214</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 297,502
Deferred revenue	7,551
Accruals	<u>90,208</u>
Total current liabilities	395,261

Long-term debt:

Note payable - bank -

Commitments and contingencies:

Net Assets:

Unrestricted	<u>13,096,953</u>
Total liabilities and net assets	<u>\$13,492,214</u>

SEE ACCOMPANYING NOTES.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED

DECEMBER 31, 2006

**Support and revenue:**

Support:

Donations	\$ 5,298,366
Insurance billings-net	6,332,727
Donated services	158,709
Mutual aid income	500
Educational funds	11,683
Special events-fundraisers	30,574
Contact fees-communications centers	146,750
Dispatch fees-communications centers	<u>79,276</u>
Total support	<u>12,058,585</u>

Revenue:

Interest income	20,488
Unrealized gain (loss) on investments/properties	<u>(3,538)</u>
Total revenue	<u>16,950</u>
Total support and revenue	<u>12,075,535</u>

**Expenses:**

Program services	9,012,499
General and administrative	<u>1,580,654</u>
Total expenses	<u>10,593,153</u>

Change in net assets	1,482,382
Net assets-unrestricted at the beginning of the year	<u>11,614,571</u>
Net assets-unrestricted at the end of the year	<u>\$13,096,953</u>

SEE ACCOMPANYING NOTES.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED

DECEMBER 31, 2006

<u>Functional expenses:</u>	<u>Program Services</u>	<u>General and Administrative</u>
Salaries	\$4,306,328	\$ 528,751
Donated services	158,209	-
Employee health benefits	740,371	228,289
Accounting and legal	-	116,387
Bicycle program expense	3,132	-
CCATT program expense	69,566	-
Communication center expense	89,754	-
Contract labor	53,017	16,347
Credit card bank charges	-	28,622
Dues	-	5,086
Education courses	55,934	-
Fundraising expenses	-	7,432
Golf outing	7,940	-
Infection control	26,423	-
Insurance	813,110	-
Miscellaneous	-	27,077
Oil and gasoline	207,608	-
Pension expense	117,737	36,303
Postage	-	6,121
Printing and office	-	22,400
Recruiting and advertising	38,320	-
Rent	46,194	-
Repairs and maintenance	141,522	103,219
Supplies	834,092	-
Taxes-other	-	4,002
Taxes-payroll	277,403	85,236
Telephone	116,898	-
Third party billing	-	327,923
Uniforms, pins, gifts, etc.	33,082	10,201
Utilities	94,263	-
Volunteer expenses	133,689	-
Total expenses before depreciation	8,364,592	1,553,396
Depreciation	647,907	27,258
Total expenses	<u>\$9,012,499</u>	<u>\$1,580,654</u>

SEE ACCOMPANYING NOTES.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

DECEMBER 31, 2006

Cash flows from operating activities:

Change in net assets		\$ 1,482,382
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	\$ 675,165	
Unrealized (gain) loss on investments/properties	3,538	678,703
		<u>2,161,085</u>

Change in operating assets and liabilities:

Accounts receivable	(1,340,587)	
Inventories	269,521	
Prepaid expenses	(204,622)	
Other assets	8,394	
Accounts payable	122,915	
Deferred revenue	7,551	
Accruals	(28,924)	(1,165,752)

Net cash provided (used) by operating activities 995,333

Cash flows from investing activities:

Plant and equipment purchases (922,039)

Cash flows from financing activities:

Payment of long-term debt (620,610)

Net increase (decrease) in cash (547,316)

Cash at the beginning of year 1,055,864

Cash at the end of year \$ 508,548

Supplemental information

Interest paid in cash during the year was \$24,712.

SEE ACCOMPANYING NOTES.

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

1. Summary of significant accounting policies:

Nature of Organization

Cypress Creek Emergency Medical Services Association, Inc. 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 Association 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, Inc. follows accounting and financial reporting guidelines set forth in the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

The Association 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.

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 Association 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 Association. Those water districts then remit the funds to the Association.

The Association 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 Association 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, 2006, the Association exceeded the insured limit by approximately \$401,300.

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.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

Accounts receivable

Accounts receivable represent amounts due from patients, Medicare and insurance companies. All claims representing amounts due to the Association 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 \$3,546,659 and \$2,884,052 respectively, for the year ended December 31, 2006.

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 Association'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 Association would have incurred had the Association been required to employ individuals to provide those services.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

Income Tax Status

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

2. Accounts receivable:

Accounts receivables as of December 31, 2006 consists of:

	<u>Amount</u>
Billings of insurance companies for services rendered	\$9,442,595
Communication center revenue from fire departments	<u>6,727</u>
Total accounts receivable	<u>\$9,449,322</u>

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

3. Land, buildings and equipment:

As of December 31, 2006, land, buildings and equipment consisted of the following:

	<u>Amount</u>	<u>Useful Lives</u>
Land	\$ 218,500	-
Buildings and improvements	1,864,553	5
Vehicles	2,460,979	5
Vehicle repair equipment	56,683	5
Bicycles	19,514	5
Communications equipment	1,829,235	3-5
Leasehold improvements	122,025	3-19
Office equipment	65,524	5
Furniture and fixtures	88,680	5-7
Medical equipment	1,101,459	5
Other equipment	<u>8,218</u>	3-5
	7,835,370	
Less: Accumulated depreciation	<u>(4,980,229)</u>	
Net assets	<u>\$ 2,855,141</u>	

Depreciation expense for the year ended December 31, 2006 amounted to \$675,165.

4. Pension plan:

Effective July 1, 1999, the Association adopted a 401(k) pension plan for the Association'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, 2006 were \$154,040.

5. Commitments and contingencies:

A sublease exists with a fire department for Station 5. Under the terms of the lease, the Association pays a monthly rental amount based upon the percentage of time in a calendar month that the Association operates an advanced life support ambulance from the premises more than 60% of 24 hour day. Since the inception of the lease, the Association has operated an ambulance at least 95% of a 24 hour day and therefore pays a rental fee of \$300. If the usage were to decrease, the rent would increase. The lease is month to month.

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

On October 1, 1996, a lease was entered into for station space. Rental payments are \$1,530 per month through September 30, 2007 at which time the lease expires.

The Association has entered into a lease with a member of the board of directors for a facility for operations and storage which requires rental payments of \$1,000 per month through September 1, 2006 at which time the lease expires. The lease is now on a month to month basis.

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

<u>December 31,</u>	<u>Amount</u>
2007	<u>\$13,770</u>

During the normal course of business, the Association 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, 2006 (none were known to management) would not have a material effect on the financial statements.

Substantially all of the Association'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 Association expect such compliance to have, any material effect upon the capital expenditures, change in net assets, financial conditions or competitive position of the Association. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal and state requirements.

6. Annexation:

The Association 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 Association not make servicing arrangements with the City, most services currently provided by the Association would be provided by the City.

**SUPPLEMENTAL INFORMATION**

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.T.S.C.P.A.

1600 TOWNHURST DRIVE  
HOUSTON, TEXAS 77043-3227  
  
(713) 464-6390  
(713) 464-9177 – FAX  
[www.svadlenak-see.com](http://www.svadlenak-see.com)

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

**ACCOUNTANT'S REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Cypress Creek Emergency Medical  
Services Association, Inc.  
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 21, 2007

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.**

**STATEMENT OF ACTIVITIES - ACTUAL AND BUDGET**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>ACTUAL</u>	<u>BUDGET</u> <u>(UNAUDITED)</u>	<u>VARIANCE</u>
Support and revenue:			
Donations	\$ 5,315,552	\$ 5,248,000	\$ 67,552
Third party insurance payments	6,192,858	4,041,000	2,151,858
Donated services	158,209	180,000	(21,791)
Mutual aid income	500	-	500
Educational funds	14,867	27,000	(12,133)
Special events-fund raisers	30,574	25,000	5,574
Contract fees-communications center	146,750	200,000	(53,250)
Dispatch fees-communications center	199,275	120,000	79,275
Interest and dividend income	20,488	20,000	488
Unrealized gain (loss) on investments	(3,538)	-	(3,538)
Realized gain (loss) on investments	-	-	-
Gain (loss) on sale of property	-	-	-
Total support and revenue	<u>12,075,535</u>	<u>9,861,000</u>	<u>2,214,535</u>
Expenses:			
Salaries	4,835,079	4,935,000	(99,921)
Donated services	158,209	180,000	(21,791)
Employee health benefits	968,659	630,000	338,659
Accounting and legal	116,387	40,000	76,387
Bicycle program expense	3,132	-	3,132
CCATTS program expenses	69,566	80,000	(10,434)
Communication center expenses	89,754	105,000	(15,246)
Contract labor	69,364	105,000	(35,636)
Dues	5,086	5,000	86
Education courses	55,934	95,000	(39,066)
Fundraising expenses	7,432	-	7,432
Golf outing	7,940	-	7,940
Infection control	26,423	25,000	1,423
Insurance	813,110	580,000	233,110
Interest expense	24,712	-	24,712
Leased office equipment	13,254	10,000	3,254
Miscellaneous	30,989	35,000	(4,011)
Oil and gasoline	207,608	175,000	32,608

**SEE ACCOUNTANT'S REPORT ON SUPPLEMENTAL INFORMATION.**

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>ACTUAL</u>	<u>BUDGET (UNAUDITED)</u>	<u>VARIANCE</u>
Pension expense	154,041	250,000	(95,959)
Postage	6,121	10,000	(3,879)
Printing and office	22,400	40,000	(17,600)
Recruit and advertising	38,320	85,000	(46,680)
Rent	34,260	42,000	(7,740)
Repairs and maintenance	243,421	260,000	(16,579)
Settlement-Litigation	-	-	-
Supplies	834,092	320,000	514,092
Taxes-other	4,002	1,000	3,002
Taxes-payroll	362,639	320,000	42,639
Telephone	116,898	95,000	21,898
Third party billing	327,923	320,000	7,923
Uniforms pins and gifts etc	43,282	32,000	11,282
Utilities	94,263	95,000	(737)
Volunteer expenses	<u>133,688</u>	<u>100,000</u>	<u>33,688</u>
 Total expenses before depreciation	 9,917,988	 8,970,000	 947,988
 Depreciation expense	 <u>675,165</u>	 <u>660,000</u>	 <u>15,165</u>
 Total expenses	 <u>10,593,153</u>	 <u>9,630,000</u>	 <u>963,153</u>
 Change in net assets	 <u>\$ 1,482,382</u>	 <u>\$ 231,000</u>	 <u>\$1,251,382</u>

SEE ACCOUNTANT'S REPORT ON SUPPLEMENTAL INFORMATION.

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.T.S.C.P.A.

1600 TOWNHURST DRIVE  
HOUSTON, TEXAS 77043-3227  
  
(713) 464-6390  
(713) 464-9177 – FAX  
[www.svadlenak-see.com](http://www.svadlenak-see.com)

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

February 1, 2007

**PERSONAL AND CONFIDENTIAL**

Mr. Ruben Gonzales  
Cypress Creek Emergency Medical Association, Inc.  
P.O. Box 90670  
Houston, Texas 77290

Dear Mr. Gonzales:

Enclosed please find eight copies of the Cypress Creek Emergency Medical Association, Inc. financial statements for the year ended December 31, 2006 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