

**CYPRESS CREEK EMERGENCY MEDICAL  
SERVICES ASSOCIATION**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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

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**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, 2010, 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, 2010, 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 7, 2011

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2010**

**ASSETS**

Current assets:

Cash	\$ 643,475
Accounts receivables	3,498,745
Inventories	455,237
Prepaid expenses	<u>661,135</u>

Total current assets 5,258,592

Land, buildings and equipment-at cost 10,787,985

Other assets 36,793

Total assets \$16,083,370

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 713,314
Current portion of long-term debt	532,303
Deferred revenue	1,031,021
Accruals	<u>140,378</u>

Total current liabilities 2,417,016

Long-term debt

Note payable 7,351,560

Commitments and contingent liabilities -

Net Assets:

Unrestricted 6,314,794

Total liabilities and net assets \$16,083,370

**SEE ACCOMPANYING NOTES.**

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2010**

Support and revenue:

Support:

Donations	\$ 9,236,941
Insurance billings-net	786,501
Mutual aid income	500
Educational funds	10,068
Special events-fundraisers	41,102
Dispatch fees-communications centers	<u>397,064</u>
Total support	<u>10,472,176</u>

Revenue:

Interest income	255
Unrealized gain (loss) on investments/properties	<u>3,697</u>
Total revenue	<u>3,952</u>

Total support and revenue 10,476,128

Expenses:

Program services	13,808,224
General and administrative	<u>2,556,937</u>

Total expenses 16,365,161

Change in net assets (5,889,033)

Net assets-unrestricted at the beginning of the year 12,203,827

Net assets-unrestricted at the end of the year \$ 6,314,794

**SEE ACCOMPANYING NOTES.**

CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

DECEMBER 31, 2010

Cash flows from operating activities:

Change in net assets – increase (decrease) \$(5,889,033)  
Adjustments to reconcile change in net assets – increase (decrease) to  
net cash provided (used) by operating activities:

Depreciation 1,158,630  
(4,730,403)

Change in operating assets and liabilities:

Accounts receivable \$5,370,462  
Inventories (24,104)  
Prepaid expenses 105,885  
Other assets 11,018  
Accounts payable (521,928)  
Deferred revenue 1,031,020  
Accruals (1,878) 5,970,475

Net cash provided (used) by operating activities 1,240,072

Cash flows from investing activities:

Plant and equipment purchases (283,475)  
Retirement of fixed assets 35,077 (248,398)

Cash flows from financing activities:

Repayment of long-term debt (497,688)

Net increase (decrease) in cash 493,986

Cash at the beginning of the year 149,489

Cash at the end of the year \$ 643,475

**Supplemental information**

Interest paid in cash during the year. \$ 384,939

SEE ACCOMPANYING NOTES.

# CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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, 2010

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, 2010, the Organization did not exceed the insured limit.

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 \$10,541,321 and \$5,099,220 respectively, are netted against insurance billings for the year ended December 31, 2010.



# CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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, 2010 consists of:

	<u>Amount</u>
Billings of insurance companies for services rendered	\$3,086,417
Communication center revenue from fire departments	<u>412,328</u>
Total accounts receivable	<u>\$3,498,745</u>

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**3. Land, buildings and equipment:**

As of December 31, 2010, land, buildings and equipment consisted of the following:

	<u>Amount</u>	<u>Useful Lives</u>
Land	\$ 363,654	-
Buildings and improvements	9,236,777	5
Vehicles	2,708,436	5
Vehicle repair equipment	34,103	5
Bicycles	22,905	5
Communications equipment	3,149,243	3-5
Leasehold improvements	291,647	3-19
Office equipment	83,881	5
Furniture and fixtures	842,332	5-7
Medical equipment	977,477	5
Other equipment	<u>51,303</u>	3-5
	17,761,758	
Less: Accumulated depreciation	<u>(6,973,773)</u>	
Net assets	<u>\$10,787,985</u>	

Depreciation expense for the year ended December 31, 2010 amounted to \$1,158,630.

**4. Long-term debt:**

Note payable to bank dated November 7, 2007 in the original amount of \$7,400,000. Principle and interest payments of \$47,695 are 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.

\$6,921,445

Note payable to bank dated November 7, 2007 in the original amount of \$1,285,000. Principle and interest payments of \$24,781 are due in 60 monthly payments until maturity, March 2014. The note is collateralized by furniture and equipment.

873,661

# CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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

Note payable to bank dated July 27, 2009 in the original amount of \$100,000. Principle and interest payments of \$1,077 are due in 120 monthly payments until maturity, July 2019. The note is collateralized by deed of trust and properties.

	<u>88,757</u>
	7,883,863
Less current portion of long-term debt	<u>532,303</u>
Long term debt	<u>\$7,351,560</u>

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

Year ending  
December 31,

2012	\$ 551,987
2013	578,265
2014	352,268
2015	318,801
2016	334,011
Thereafter	<u>5,216,228</u>
	<u>\$7,351,560</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 based on 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, 2010 were \$366,910.

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, 2011 at which time the lease expires.

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

Commitments and contingencies: (cont'd.)

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.

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

<u>December 31,</u>	<u>Amount</u>
2011	\$16,500
2012	_____
	<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, 2010 (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.

Annexation:

The Organization is within the extra-territorial jurisdiction of the city of Houston, Texas (the City). The City has the power to annex, with the approval of the residents and proper legislation. 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.

Subsequent event:

The Organization is in the final stages of refinancing all of its long-term debt obligations with another financing institution. No formal written documents have been obtained by the Organization as of the date of the report.

**SUPPLEMENTAL INFORMATION**

SVADLENAK, SEE & COMPANY, P.C.

*Certified Public Accountants*

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**AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

to the Board of Directors  
of 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 7, 2011

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functional expenses:</u>	<u>Program Services</u>	<u>General and Administrative</u>
Salaries	\$ 7,440,027	\$ 923,616
Employee health benefits	1,357,797	220,901
Accounting and legal		30,910
CCATT program expense	111,288	
Communication center expense	169,198	
Contract labor	62,670	10,196
Credit card bank charges		6,947
Dues		5,112
Education courses	66,301	
Fundraising expenses	39,294	50
Insurance	833,279	
Interest expense		384,939
Miscellaneous		80,368
Oil and gasoline	297,399	
Pension expense	315,569	34,092
Postage		7,784
Printing and office		25,435
Recruiting and advertising	62,457	
Rent	25,980	
Repairs and maintenance	235,858	169,022
Supplies	727,459	
Taxes—other		134
Taxes—payroll	560,038	87,006
Telephone	141,634	
Third party billing		439,893
Uniforms, pins, gifts, etc.	42,843	6,967
Utilities	175,527	
Volunteer expenses	<u>108,541</u>	
Total expenses before depreciation	12,773,159	2,433,372
Depreciation	<u>1,035,065</u>	<u>123,565</u>
Total expenses	<u><u>13,808,224</u></u>	<u><u>2,556,937</u></u>

**SEE AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION.**

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF ACTIVITIES – ACTUAL AND BUDGET**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>ACTUAL</u>	<u>BUDGET (UNAUDITED)</u>	<u>VARIANCE</u>
Support and revenue:			
Donations	\$ 9,236,941	\$ 7,996,400	\$ 1,240,540
Third party insurance payments	786,501	277,050	509,451
Mutual aid income	500	-	500
Educational funds	10,068	9,600	468
Special events-fund raisers	41,102	36,000	5,102
Dispatch fees-communications center	397,064	572,000	(174,936)
Interest and dividend income	255	-	255
Unrealized gain (loss) on investments	<u>3,697</u>	<u>-</u>	<u>3,697</u>
Total support and revenue	<u>10,476,128</u>	<u>8,891,050</u>	<u>1,585,077</u>
Expenses:			
Salaries	8,363,643	7,245,000	1,118,643
Employee health benefits	1,578,698	1,300,000	278,698
Accounting and legal	30,910	50,000	(19,090)
Bank and credit card charges	6,947	-	6,947
CCATTS program expenses	111,288	50,000	61,288
Communication center expenses	169,198	95,000	74,198
Contract labor	72,866	65,000	7,866
Dues	5,112	4,000	1,112
Education courses	66,301	41,000	25,301
Fundraising expenses	39,344	-	39,344
Insurance	833,279	950,000	(116,721)
Interest expense	384,939	800,000	(415,061)
Miscellaneous	80,368	40,000	40,368
Oil and gasoline	297,399	200,000	97,399
Pension expense	349,661	525,000	(175,339)
Postage	7,784	10,000	(2,216)
Printing and office	25,435	22,500	2,935
Recruit and advertising	62,457	57,500	4,957
Rent	25,980	25,000	980
Repairs and maintenance	404,880	280,000	124,880
Supplies	727,459	700,000	27,459
Taxes-other	134	-	134
Taxes-payroll	647,044	480,000	167,044
Telephone	141,634	140,000	1,634

**SEE AUDITOR'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, 2010**

	<u>ACTUAL</u>	<u>BUDGET (UNAUDITED)</u>	<u>VARIANCE</u>
Third party billing	439,893	367,000	72,893
Uniforms pins and gifts etc	49,810	45,000	4,813
Utilities	175,527	140,000	35,523
Volunteer expenses	<u>108,541</u>	<u>100,000</u>	<u>8,541</u>
Total expenses before depreciation	15,206,531	13,732,000	1,474,530
Depreciation expense	<u>1,158,630</u>	<u>1,120,000</u>	<u>38,630</u>
Total expenses	<u>16,365,161</u>	<u>14,852,000</u>	<u>1,513,160</u>
Change in net assets	<u>\$ (5,889,033)</u>	<u>\$ 5,960,950</u>	<u>\$ 71,917</u>

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