

**CYPRESS CREEK EMERGENCY MEDICAL  
SERVICES ASSOCIATION**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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

**CYPRESS CREEK EMERGENCY MEDICAL  
SERVICES ASSOCIATION**

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**FOR THE YEAR ENDED DECEMBER 31, 2015**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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SVADLENAK, SEE & COMPANY, P.C.

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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 financial statements of Cypress Creek Emergency Medical Services Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes 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 financial position of Cypress Creek Emergency Medical Services Association, as of December 31, 2015, 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.  
HOUSTON, TEXAS

March 30, 2016

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**

**ASSETS**

Current assets:

Cash	\$ 177,501
Accounts receivables	4,721,787
Inventories	772,105
Prepaid expenses	<u>779,721</u>

Total current assets 6,451,114

Land, buildings and equipment-at cost, less accumulated depreciation 9,376,285

Other assets 9,452

Total assets \$ 15,836,851

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 828,686
Current portion of long-term debt	876,796
Accruals	<u>324,686</u>

Total current liabilities 2,030,168

Long-term debt:

Notes payable 6,120,442

Commitments and contingent liabilities

Net Assets:

Total net assets 7,686,241

Total liabilities and net assets \$ 15,836,851

**SEE ACCOMPANYING NOTES.**

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2015**

Support and revenue:

Support:

ESD 11 funds	\$ 10,992,518
Insurance billings-net	9,469,141
Educational funds	23,353
Special events-fundraisers	70,627
Dispatch fees-communications centers	<u>460,815</u>
Total support	<u>21,016,454</u>

Revenue:

Interest income	757
Other income	6,842
Gain (loss) on sale of investments/property	70,332
Unrealized gain (loss) on investments/properties	<u>(10,678)</u>
Total revenue	<u>67,253</u>

Total support and revenue 21,083,707

Expenses:

Program services	16,905,452
General and administrative	<u>3,214,706</u>
Total expenses	<u>20,120,158</u>

Change in net assets 963,549

Net assets-unrestricted at the beginning of the year 6,722,692

Net assets-unrestricted at the end of the year \$ 7,686,241

**SEE ACCOMPANYING NOTES.**



**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2015**

Cash flows from operating activities:

Change in net assets – increase (decrease)	\$ 963,549
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	

Depreciation	917,830
Unrealized gain (loss) on investments	<u>10,678</u>
	1,892,057

Change in operating assets and liabilities:

Accounts receivable	\$ 152,784	
Inventories	(144,825)	
Prepaid expenses	91,104	
Other assets	36,064	
Accounts payable	(262,460)	
Accruals	<u>100,959</u>	<u>(26,374)</u>

Net cash provided (used) by operating activities	<u>1,865,683</u>
--	------------------

Cash flows from investing activities:

Purchase of fixed assets	<u>(776,101)</u>
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Cash flows from financing activities:

Proceeds from long-term debt	3,574,200	
Repayment of long-term debt	<u>(4,490,331)</u>	<u>(916,131)</u>

Net increase (decrease) in cash	173,451
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Cash at the beginning of the year	<u>4,050</u>
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Cash at the end of the year	<u><u>\$ 177,501</u></u>
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**Supplemental information**

Interest paid in cash during the year.	<u><u>\$ 278,274</u></u>
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**SEE ACCOMPANYING NOTES.**

# CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

Date of Management's review

Subsequent events were evaluated through March 30, 2016, which is the date the financial statements were available to be issued.

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 Board (FASB) ASC 958, Financial Statements of Not-for-Profit Organizations.

# CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

Under FASB ASC 958, 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 FASB ASC 958, 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, 2015, 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.

Property and equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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

Property and equipment (cont'd)

Property and equipment are stated at cost. It is the Organization's policy to capitalize all assets with continuing value and to expense other cost as repairs and maintenance. Major renewals and betterments are capitalized. Depreciation was calculated by using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Buildings and Improvements	15 to 39
Equipment, Furniture and fixtures	5 to 7
Vehicles	5 to 15

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 totaling \$11,045,889 and insurance adjustments totaling \$10,784,574 are netted against insurance billings for the year ended December 31, 2015.

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.

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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

ESD 11 funds

ESD 11 funds 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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has conclude that as of December 31, 2015, there are no uncertain positions taken or expected to be taken.

The federal income tax returns of the Organization are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

2. Accounts receivable:

Accounts receivables as of December 31, 2015 consists of:

	<u>Amount</u>
Billings of insurance companies for services rendered	\$4,682,787
Communication center revenue from fire departments	<u>39,000</u>
Total accounts receivable	<u>\$4,721,787</u>

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

3. Land, buildings and equipment:

As of December 31, 2015, land, buildings and equipment consisted of the following:

	<u>Useful Lives</u>	<u>Amount</u>
Land		\$ 363,654
Buildings and improvements	5-39	9,273,727
Vehicles	5	4,133,352
Vehicle repair equipment	5	59,429
Bicycles	5	22,905
Communications equipment	3-5	3,497,685
Leasehold improvements	5-10	281,155
Office equipment	5	99,224
Furniture and fixtures	5-7	862,567
Medical equipment	5	2,536,898
Other equipment	3-5	<u>134,982</u>
		21,265,578
Accumulated depreciation		<u>(11,889,293)</u>
Net assets		<u>\$ 9,376,285</u>

Depreciation expense for the year ended December 31, 2015 amounted to \$917,830.

4. Long-term debt:

Note payable to bank dated November 10, 2010 in the original amount of \$8,100,000 accruing interest at a variable rate of approximately 4.00% at December 31, 2014. Principle and interest payments are due quarterly until maturity when the remaining principle balance and any unpaid interest will be due in February 2021. The note is collateralized by a deed of trust and properties.

\$6,042,204

Note payable to bank dated May 6, 2015 in the original amount of \$599,200 accruing interest at a variable rate of approximately 3.77% at December 31, 2015. Principle and interest payments of \$13,468 are due in 48 monthly payments until maturity, May 2019. The note is collateralized by automotive equipment.

517,336

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

4. Long-term debt (cont'd)

Line of credit to a bank dated April 10, 2015 with a borrowing maximum of \$1,000,000. Interest is due monthly at prime plus .75%. Principle and any unpaid interest is due at April 10, 2016. The line of credit is unsecured. -

Note payable to vendor dated January 2, 2013 in the original amount of \$929,892. The note does not accrue interest. Principal payments are due monthly in the amount of \$20,474 until maturity in December of 2016. The note is not collateralized by the equipment purchased. 437,698

6,997,238

Less current portion of long-term debt

876,796

Long term debt

\$6,120,442

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

Year ending  
December 31,

2017	\$ 848,421
2018	682,728
2019	614,931
2020	570,481
2021	3,403,881
Thereafter	<u>-</u>

\$6,120,442

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, 2015 were \$389,400.

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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. 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, 2017 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.

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

<u>December 31,</u>	<u>Amount</u>
2016	\$19,800
2017	<u>16,500</u>
	<u>\$36,300</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, 2015 (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.



**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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, 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.

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**SUPPLEMENTAL INFORMATION**

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**INDEPENDENT AUDITOR’S REPORT**

**ON SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of Cypress Creek Emergency Medical Services Association as of and for the year ended December 31, 2015, and our report thereon dated March 30, 2016, which expressed an unmodified opinion on those financial statements, appears on page 2 and 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses and statement of activities – actual and budget are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Organization’s 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 and other accounting 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 schedule of functional expenses and statement of activities – actual and budget are fairly stated in all material respects in relation to the financial statements as a whole.

*Svadlenak, See & Company P.C.*

SVADLENAK, SEE & COMPANY, P.C.  
HOUSTON, TEXAS

March 30, 2016

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functional expenses:</u>	<u>Program Services</u>	<u>General and Administrative</u>
Salaries	\$ 9,195,022	\$ 1,219,511
Employee health benefits	2,390,158	210,185
Accounting and legal	-	327,859
CCATT program expense	102,591	-
Communication center expense	258,195	-
Contract labor	62,913	5,532
Credit card bank charges	-	32,535
Dues	-	6,300
Education courses	65,207	-
Fundraising expenses	18,051	-
Insurance	744,081	-
Interest expense	-	271,274
Miscellaneous	-	87,607
Oil and gasoline	362,516	-
Pension expense	357,925	31,475
Postage	-	5,619
Printing and office	-	38,152
Recruiting and advertising	26,071	-
Rent	31,800	-
Repairs and maintenance	274,516	186,122
Supplies	918,880	-
Taxes-payroll	713,659	62,019
Telephone	204,838	-
Third party billing	-	670,013
Uniforms, pins, gifts, etc.	51,278	4,509
Utilities	176,395	-
Volunteer expenses	<u>89,520</u>	<u>-</u>
Total expenses before depreciation	16,043,616	3,158,712
Depreciation	<u>861,836</u>	<u>55,994</u>
Total expenses	<u>\$ 16,905,452</u>	<u>\$ 3,214,706</u>

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

**CYPRESS CREEK EMERGENCY MEDICAL SERVICES ASSOCIATION**

**STATEMENT OF ACTIVITIES – ACTUAL AND BUDGET**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Actual</u>	<u>Budget Unaudited</u>	<u>Variance</u>
Support and revenue:			
ESD 11 funds	\$10,992,518	\$ 11,003,665	\$ (11,147)
Third party insurance payments	9,469,141	8,970,510	498,631
Educational funds	23,353	-	23,353
Special events-fund raisers	70,627	97,000	(26,373)
Dispatch fees-communications center	460,815	480,000	(19,185)
Other income	6,842	-	6,842
Interest and dividend income	757	-	757
Unrealized gain (loss) on investments	(10,678)	-	(10,678)
Gain (loss) on sale of assets	<u>70,332</u>	<u>-</u>	<u>70,332</u>
Total support and revenue	<u>\$ 21,083,707</u>	<u>\$ 20,551,175</u>	<u>\$ 532,532</u>
Expenses:			
Salaries	\$10,414,532	\$ 11,043,345	\$ (628,813)
Employee health benefits	2,600,344	2,700,000	(99,656)
Accounting and legal	327,859	140,000	187,859
Bank and credit card charges	32,535	-	32,535
CCATTS program expenses	102,591	95,000	7,591
Communication center expenses	258,195	202,500	55,695
Contract labor	68,445	-	68,445
Dues	6,300	12,000	(5,700)
Education courses	65,207	35,000	30,207
Fundraising expenses	18,051	-	18,051
Insurance	744,081	750,000	(5,919)
Interest expense	271,274	320,000	(48,726)
Miscellaneous	87,607	100,000	(12,393)
Oil and gasoline	362,516	500,000	(137,484)
Pension expense	389,400	400,000	(10,600)
Postage	5,619	6,000	(381)
Printing and office	38,152	20,000	18,152
Recruit and advertising	26,071	50,000	(23,929)
Rent	31,800	48,000	(16,200)
Repairs and maintenance	460,638	398,925	61,713
Supplies	918,880	802,075	116,805
Taxes-other	-	-	-
Taxes-payroll	775,678	800,000	(24,322)
Telephone	204,838	170,000	34,838

**SEE INDEPENDENT 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, 2015**

Expenses (cont'd):

	<u>Actual</u>	<u>Budget Unaudited</u>	<u>Variance</u>
Third party billing	670,013	632,230	37,783
Uniforms pins and gifts	55,787	45,000	10,787
Utilities	176,395	170,000	6,395
Volunteer expenses	<u>89,520</u>	<u>105,000</u>	<u>(15,480)</u>
Total expenses before depreciation	19,202,328	19,545,075	(342,747)
Depreciation expense	<u>917,830</u>	<u>900,000</u>	<u>17,830</u>
Total expenses	<u>20,120,158</u>	<u>20,445,075</u>	<u>(324,917)</u>
Change in net assets – increase (decrease)	<u>\$ 963,549</u>	<u>\$ 106,100</u>	<u>\$ 857,449</u>

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

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