



**AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

JUNE 30, 2012



**WESTERN VIRGINIA EMERGENCY MEDICAL
SERVICES COUNCIL, INC.**

**AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Western Virginia Emergency Medical Services Council, Inc.

We have audited the accompanying statement of financial position of Western Virginia Emergency Medical Services Council, Inc. ("Council's") as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 2011 were audited by Dixon Hughes Goodman LLP, and whose report dated November 2, 2011 expressed an unqualified opinion on those statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Western Virginia Emergency Medical Services Council, Inc. and Subsidiary as of June 30, 2012, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 12, 2012

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2012

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 322,925	\$ 358,256
Restricted cash	5,236	2,041
Accounts receivable	262,366	171,940
Prepaid expenses	13,252	7,780
Investments (Note 2)	121,033	-
Custodial funds	26,086	27,775
Total current assets	750,898	567,792
Property and equipment, net (Note 3)	423,648	443,099
Total assets	\$ 1,174,546	\$ 1,010,891
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 41,095	\$ 36,083
Accrued expenses	40,841	32,480
Deferred revenue	124,516	-
Custodial funds liability	26,086	27,775
Other liabilities	2,705	-
Total liabilities	235,243	96,338
NET ASSETS		
Unrestricted	933,036	906,885
Unrestricted-designated (Note 4)	6,001	5,627
Total unrestricted	939,037	912,512
Temporarily restricted (Note 5)	266	2,041
Total net assets	939,303	914,553
Total liabilities and net assets	\$ 1,174,546	\$ 1,010,891

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2012

	2012		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
State government	\$ 482,746	\$ -	\$ 482,746
Federal grant revenue	-	470,804	470,804
Local government (Note 6)	133,332	-	133,332
Other support and income	155,212	-	155,212
United Way organizations	3,365	-	3,365
Unrealized and realized losses	(5,067)	-	(5,067)
Investment income	3,089	-	3,089
Net assets released from restrictions and reclassifications	472,579	(472,579)	-
Total revenues	1,245,256	(1,775)	1,243,480
Expenses (Note 7)			
Program services	976,358	-	976,358
Management and general	242,373	-	242,373
Total expenses	1,218,731	-	1,218,731
Change in net assets	26,525	(1,775)	24,750
NET ASSETS			
Beginning	912,512	2,041	914,553
Ending	\$ 939,037	\$ 266	\$ 939,303

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

STATEMENTS OF ACTIVITIES
Year Ended June 30, 2011

	2011		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
State government	\$ 475,390	\$ -	\$ 475,390
Federal grant revenue	-	344,214	344,214
Local government (Note 6)	132,652	-	132,652
Other support and income	224,431	-	224,431
United Way organizations	4,041	-	4,041
Unrealized and realized losses	-	-	-
Investment income	7,150	-	7,150
Net assets released from restrictions and reclassifications	362,547	(362,547)	-
Total revenues	1,206,211	(18,333)	1,187,878
Expenses (Note 7)			
Program services	949,197	-	949,197
Management and general	225,912	-	225,912
Total expenses	1,175,109	-	1,175,109
Change in net assets	31,102	(18,333)	12,769
NET ASSETS			
Beginning	881,410	20,374	901,784
Ending	\$ 912,512	\$ 2,041	\$ 914,553

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 24,750	\$ 12,769
Adjustments to reconcile the change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	19,451	17,793
Unrealized and realized losses on investments	5,067	-
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(90,426)	(96,664)
Prepaid expense	(5,472)	1,955
Increase in:		
Accounts payable	5,012	1,159
Accrued expenses and other liabilities	11,066	6,616
Deferred revenue	124,516	-
	93,964	(56,372)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(44,968)
Change in investments, net of proceeds from sales	(126,100)	-
	(126,100)	(44,968)
Decrease in cash and cash equivalents	(32,136)	(101,340)
TOTAL CASH AND CASH EQUIVALENTS		
Beginning	360,297	461,637
Ending	\$ 328,161	\$ 360,297

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations:

Western Virginia Emergency Medical Services Council, Inc. (Council) was organized in September 1975 as a not-for-profit, nonstock corporation under the applicable laws of the Commonwealth of Virginia. The purpose of the Council is to plan and implement a system for the arrangement of personnel, facilities, equipment, and supplies for the provision and delivery of health care services under emergency conditions. The Council serves the counties of Alleghany, Botetourt, Craig, Floyd, Franklin, Giles, Henry, Montgomery, Patrick, Pittsylvania, Pulaski, and Roanoke and the cities of Covington, Danville, Martinsville, Radford, Roanoke, and Salem.

Basis of financial statement presentation and accounting:

The financial statements of the Council have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the Council's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Council pursuant to those stipulations.

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various restricted and other operating needs. There are currently no permanently restricted net assets.

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Cash and cash equivalents:

The Council considers cash, money market accounts, and highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value. Cash held for long-term investment is classified as investments.

Restricted cash:

Restricted cash includes funds received by the Near Southwest Preparedness Alliance for the Bioterrorism Hospital Preparedness Program and not yet expended at year-end. This grant is further described in Note 5.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers and agencies having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Net unrealized and realized gains or losses are reflected in the statements of activities.

Custodial funds:

Custodial funds consist of funds and equipment held in a custodial capacity on behalf of a state task force.

Income and realized and unrealized net gains on investments are reported as increases in unrestricted net assets.

Property and equipment:

Property and equipment is stated at cost or, if donated, at fair market value at the date of donation, less accumulated depreciation. Depreciation is recorded using the straight-line method over estimated useful lives of the assets.

Equipment is removed from the records and any gain or loss is recognized at the time of disposal. Expenditures for acquisition, renewals, and replacements exceeding \$5,000 are capitalized. Maintenance and repair costs are charged to expense as incurred.

Deferred revenue:

Deferred revenue principally represents grant proceeds received but not yet expended.

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, benefits, utilities, supplies, and other generic operating expenses, have been allocated among the programs and supporting services benefited.

Fair value measurements:

The Council carries investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used which establishes that fair value is based on the "highest and best use". The Council categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

Income taxes:

The Council is classified as an exempt organization for federal income tax purposes under Section 501(c)(3) of the *Internal Revenue Code*.

The federal Form 990 information returns of the Council for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Credit risk concentrations:

Financial instruments which potentially subject the Council to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and investments. The Council places its cash with high-credit, quality financial institutions. A portion of the Council's bank deposits are in excess of federally insured limits. Concentrations of credit risk with respect to accounts receivables occur due to the limited number of governmental and commercial accounts. Approximately 98% of accounts receivable at June 30, 2012 were from the Council's three largest funding sources. Approximately 80% of accounts receivable at June 30, 2012 were from the Council's two largest funding sources.

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2. Investments

The Council's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Fair Value Measurements at Reporting Date Using:		
	Fair Value	Level 1	Level 3
<u>June 30, 2012</u>			
Mutual funds			
Balanced funds	\$ 33,543	\$ 33,543	\$ -
Mid-cap growth funds	8,933	8,933	-
International funds	14,258	14,258	-
Income funds	38,868	38,868	-
REIT	25,430	-	25,430
Total	\$ 121,032	\$ 95,602	\$ 25,430

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value as of June 30:

	2012
Balance, beginning	\$ -
Initial purchase	25,000
Additional purchases through income reinvestment	430
Balance, ending	\$ 25,430

The fair value of the investment in REIT is based on a per share value estimated by the Trust Manager.

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following as of December 31:

	Estimated Useful Life	2012	2011
Land		\$ 201,600	\$ 201,600
Building	39 years	175,223	175,223
Building improvements	39 years	64,233	64,233
Communications equipment	5-10 years	51,758	151,377
Office equipment	5-10 years	41,880	50,881
Miscellaneous equipment	5-10 years	162,782	191,510
Generator building and equipment	15-20 years	11,402	11,402
		708,878	846,226
Less accumulated depreciation		(285,230)	(403,127)
		\$ 423,648	\$ 443,099

Note 4. Designated Net Assets

A designation of net assets is made to indicate plans for financial resource utilization in a future period. In accordance with policies established by resolution of the Board of Directors of the Council, a reserve fund was established to serve as a future source of operating funds and to support special projects. Transfers from an operating account to this reserve fund, as well as any expenditure from this fund require board action. Unrestricted net assets have been designated for future use in the amounts of \$6,001 and \$5,627 for 2012 and 2011, respectively.

Note 5. Federal Grants

The Near Southwest Preparedness Alliance (NSPA) is a division within the Council. NSPA has received a grant passed through the Virginia Department of Health from the Department of Health and Human Services. This grant is cooperative agreement entitled The Bioterrorism Hospital Preparedness Program. Under this grant, NSPA is to establish a regional emergency preparedness infrastructure for health care institutions in Southwest Virginia. They are also to purchase equipment and pharmaceuticals, which remain the property of the health care institutions, and to provide training on the proper use of this equipment. At June 30, 2012 and 2011, the amount due from the grantor was \$121,823 and \$58,026, respectively, representing 46% and 34% of accounts receivable at June 30, 2012 and 2011, respectively. Net assets temporarily restricted under the grant were \$266 and \$2,041 as of June 30, 2012 and 2011, respectively.

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Local Government Support

Local government support received by the Council is as follows:

	<u>2012</u>	<u>2011</u>
City of Roanoke	\$ 14,100	\$ 14,100
County of Roanoke	13,922	13,922
County of Montgomery	13,111	13,111
County of Pittsylvania	10,792	9,800
County of Franklin	9,800	10,576
City of Danville	9,060	9,060
County of Henry	7,518	7,518
County of Pulaski	7,352	7,352
County of Botetourt	6,722	6,722
City of Salem	5,973	5,973
County of Patrick	5,278	5,278
County of Alleghany	4,992	4,992
County of Giles	4,958	4,957
City of Martinsville	4,758	4,294
City of Radford	4,816	4,816
County of Floyd	3,506	3,507
City of Covington	3,571	3,571
County of Craig	3,103	3,103
	<u>\$ 133,332</u>	<u>\$ 132,652</u>

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Functional Allocation of Expenses

Expenses incurred were:

	2012		
	Program Services	Management and General	Total
Salaries	\$ 180,456	\$ 152,139	\$ 332,595
NSPA Expenses	348,000	-	348,000
VHHA Expenses	70,072	-	70,072
Contracts for services	90,666	-	90,666
Payroll tax and employee benefits	67,279	40,458	107,737
Salaries – education and testing	52,717	-	52,717
MRC expenses	50,991	-	50,991
BREMS – MRC support expenses	304	-	304
CBA expenses	3,561	-	3,561
Special projects	12,635	-	12,635
Supplies and equipment	6,614	9,235	15,849
Depreciation	-	19,451	19,451
Utilities	17,845	-	17,845
Maintenance and repairs	11,639	-	11,639
Travel, mileage, and lodging	13,315	3,413	16,728
Professional fees	13,355	-	13,355
Insurance	4,928	7,736	12,664
Telecommunications	6,219	5,322	11,541
Textbooks	11,313	-	11,313
Equipment rental	8,100	-	8,100
Staff development	6,040	1,551	7,591
Rent	5,338	-	5,338
Miscellaneous	7,133	-	7,133
Postage	1,191	904	2,095
Printing and publications	2,292	1,439	3,731
CISM conference and miscellaneous	1,946	-	1,946
Dues and membership	410	725	1,135
Inter-divisional rent	(18,000)	-	(18,000)
	\$ 976,359	\$ 242,373	\$ 1,218,732

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Functional Allocation of Expenses (Continued)

Expenses incurred were:

	2011		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 181,185	\$ 136,937	\$ 318,122
NSPA Expenses	312,812	-	312,812
VHHA Expenses	-	-	-
Contracts for services	151,491	-	151,491
Payroll tax and employee benefits	70,690	36,346	107,036
Salaries – education and testing	62,288	-	62,288
MRC expenses	49,735	-	49,735
BREMS – MRC support expenses	-	-	-
CBA expenses	-	-	-
Special projects	23,587	-	23,587
Supplies and equipment	5,835	15,028	20,863
Depreciation	-	17,793	17,793
Utilities	16,923	-	16,923
Maintenance and repairs	15,892	255	16,147
Travel, mileage, and lodging	10,699	2,782	13,481
Professional fees	13,335	-	13,335
Insurance	4,378	7,893	12,271
Telecommunications	7,396	4,404	11,800
Textbooks	11,027	-	11,027
Equipment rental	8,100	-	8,100
Staff development	5,447	1,296	6,743
Rent	5,338	-	5,338
Miscellaneous	4,490	-	4,490
Postage	2,246	935	3,181
Printing and publications	2,128	806	2,934
CISM conference and miscellaneous	1,928	-	1,928
Dues and membership	247	1,437	1,684
Inter-divisional rent	(18,000)	-	(18,000)
	<u>\$ 949,197</u>	<u>\$ 225,912</u>	<u>\$ 1,175,109</u>

WESTERN VIRGINIA EMERGENCY MEDICAL SERVICES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Retirement Plan

The Council has a Simplified Employee Pension Plan covering all salaried employees who are at least 21 years of age, have received at least \$300 in compensation during the current year, and have completed one year of employment. This one year of employment is defined as having any portion of the year prior to the January 1 enrollment date. The Council contributes a 5% match of the employees' eligible contributions. The Council contributed \$18,224 and \$27,701 to the plan in 2012 and 2011.

Note 9. Compensated Absences

Each employee earns paid time off (PTO) in accordance with the Council's policies. At the end of each fiscal year, balances of PTO up to 200 hours are carried forward. At June 30, 2012 and 2011, the accrual for compensated balances was \$28,590 and \$26,153, respectively, and is included in accrued expenses on the statement of financial position.

Note 10. Arrangement with the Alliance for Emergency Medical Education and Research

The Council provides all labor, including office support, and management and fiscal oversight to Alliance for Emergency Medical Education and Research (AEMER), a separate 501(c) organization, to manage an annual education symposium for emergency medical services providers.

Note 11. Subsequent Events

Subsequent events were considered through December 12, 2012, the date the financial statements were available to be issued.