

Is your ambulance corporation for profit or not for profit?

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Many ambulance providers are confused about whether their corporation is "for profit" or "not for profit". The confusion arises either because the company pays employees or because the corporation bills for services and shows a positive balance (ie: makes money) at the end of the financial year.

Neither of these facts makes a company "for profit". First, at the time a corporation is created, the corporation is designated as being "for profit" or "not for profit". Think of the word "for" as being synonymous with "the goal of". In other words, is the goal to make a profit or not to make a profit.

Neither paying employees nor compiling cash reserves from billing ambulance user fees or from receiving donations makes a company "for profit". The confusion arises because of the misconception as to the definition of a "profit". A profit is not simply a positive cash flow or paying out money made by the corporation.

The most common method used to determine whether a corporation is acting for profit is to determine if the cash at the end of the year is divided amongst the officers, directors or shareholders. Think of a for profit corporation such as General Motors which pays its profits out as a dividend to the shareholders at the end of the year.

A not for profit corporation in New York State does not have any shareholders. Instead, an ambulance or fire protection corporation has members. Members are not permitted to share in a split of the cash reserves. However, the corporation is permitted to have employees who work on a fixed salary, as paying such a salary is not viewed as paying out profits.

Therefore, the concern of many people that the corporation will become "for profit" simply because employees are paid or the corporation has a positive cash balance at the end of the year is unfounded.