

Crowders Mountain Volunteer Fire & Rescue, Inc.

Audited Financial Statements

Gastonia, North Carolina

As of and for the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Crowders Mountain Volunteer Fire & Rescue, Inc.
Gastonia, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Crowders Mountain Volunteer Fire & Rescue, Inc. which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Auditors' 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 auditors' 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.

Certified Public Accountants

Greensboro, NC

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Matthews, NC

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Mount Airy, NC

336.789.8989

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crowders Mountain Volunteer Fire & Rescue, Inc. as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

LBA Haynes Strand, PLLC

Matthews, North Carolina
January 15, 2016

Certified Public Accountants

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Crowders Mountain Volunteer Fire & Rescue, Inc.

Statement of Financial Position
As of June 30, 2015

Assets	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash and cash equivalents	\$ 255,247	\$ 75,046	\$ 330,293
Accounts receivable	7,189	-	7,189
Sales tax refund receivable	7,098	-	7,098
Total Current Assets	<u>269,534</u>	<u>75,046</u>	<u>344,580</u>
Noncurrent Assets			
Land, buildings and equipment net of accumulated depreciation	<u>2,261,054</u>	<u>-</u>	<u>2,261,054</u>
Total Noncurrent Assets	<u>2,261,054</u>	<u>-</u>	<u>2,261,054</u>
Total Assets	<u>\$ 2,530,588</u>	<u>\$ 75,046</u>	<u>\$ 2,605,634</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 2,594	\$ -	\$ 2,594
Accrued payroll and payroll taxes	20,317	-	20,317
Current portion of notes payable	109,359	-	109,359
Total Current Liabilities	<u>132,270</u>	<u>-</u>	<u>132,270</u>
Noncurrent Liabilities			
Notes payable, less current portion	<u>1,917,840</u>	<u>-</u>	<u>1,917,840</u>
Total Noncurrent Liabilities	<u>1,917,840</u>	<u>-</u>	<u>1,917,840</u>
Net Assets			
Net Assets	<u>480,478</u>	<u>75,046</u>	<u>555,524</u>
Total Liabilities and Net Assets	<u>\$ 2,530,588</u>	<u>\$ 75,046</u>	<u>\$ 2,605,634</u>

The accompanying notes are an integral part of these financial statements.

Crowders Mountain Volunteer Fire & Rescue, Inc.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2015

Revenue	Unrestricted	Temporarily Restricted	Total
Program Revenue and Other Income			
Gaston county	\$ 886,101	\$ 4,676	\$ 890,777
In-kind contributions	212,670	-	212,670
Interest income	4,903	37	4,940
Other income	37,218	-	37,218
Total Revenue	<u>1,140,892</u>	<u>4,713</u>	<u>1,145,605</u>
Expenses			
Program Services			
Depreciation	\$ 352,042	\$ -	\$ 352,042
Firefighting and EMS services	914,422	-	914,422
	<u>1,266,464</u>	<u>-</u>	<u>1,266,464</u>
Supporting Services			
Depreciation	3,484	-	3,484
General and administrative	9,162	-	9,162
Professional services	22,842	-	22,842
	<u>35,488</u>	<u>-</u>	<u>35,488</u>
Fundraising			
	<u>4,378</u>	<u>-</u>	<u>4,378</u>
	4,378	-	4,378
Total Program, Supporting and Fundraising Expenses	<u>1,306,330</u>	<u>-</u>	<u>1,306,330</u>
(Decrease) Increase in Net Assets	(165,438)	4,713	(160,725)
Net Assets, Beginning of Year	<u>645,916</u>	<u>70,333</u>	<u>716,249</u>
Net Assets, End of Year	<u>\$ 480,478</u>	<u>\$ 75,046</u>	<u>\$ 555,524</u>

The accompanying notes are an integral part of these financial statements.

Crowders Mountain Volunteer Fire & Rescue, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2015

Cash Flows from Operating Activities		
Decrease in net assets		\$ (160,725)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		355,526
Changes in assets and liabilities:		
(Increase) in:		
Accounts receivable		(7,189)
Sales tax refund receivable		(2,765)
Increase in:		
Accounts payable		1,308
Accrued payroll and payroll taxes		5,259
	Net Cash Provided by Operating Activities	<u>191,414</u>
Cash Flows From Investing Activities		
Purchase of property and equipment		<u>(796,638)</u>
	Net Cash (Used) in Investing Activities	(796,638)
Cash Flows From Financing Activities		
Principle payments on notes payable		<u>(105,482)</u>
	Net Cash (Used) in Financing Activities	<u>(105,482)</u>
	Net (Decrease) in Cash and Cash Equivalents	(710,706)
Cash and cash equivalents		
Beginning		<u>1,040,999</u>
	Ending	<u><u>\$ 330,293</u></u>
Supplementary Disclosure of Cash Flow Information:		
Interest paid		<u><u>\$ 79,918</u></u>

The accompanying notes are an integral part of these financial statements.

Crowders Mountain Volunteer Fire & Rescue, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services	Supporting Services	Fundraising	Total
Donated services	\$ 212,670	\$ -	\$ -	\$ 212,670
Dues and subscriptions	3,324	-	-	3,324
Fuel	43,352	-	-	43,352
Fundraising expenses	-	-	4,378	
General and administrative	-	9,162	-	9,162
Incentives	26,031	-	-	26,031
Insurance	49,118	-	-	49,118
Interest	79,918	-	-	79,918
Maintenance - building and grounds	4,550	-	-	4,550
Maintenance - equipment	5,894	-	-	5,894
Maintenance - vehicles	32,858	-	-	32,858
Medical screening and supplies	3,432	-	-	3,432
Payroll taxes	39,543	-	-	39,543
Professional services	-	22,842	-	22,842
Salaries and wages	373,153	-	-	373,153
Telephone	6,928	-	-	6,928
Travel and training	2,773	-	-	2,773
Uniforms and personal equipment	4,556	-	-	4,556
Utilities	26,322	-	-	26,322
Total Expenses Before Depreciation	914,422	32,004	4,378	950,804
Depreciation	352,042	3,484	-	355,526
Total Expenses	\$ 1,266,464	\$ 35,488	\$ 4,378	\$ 1,306,330

The accompanying notes are an integral part of these financial statements.

CROWDERS MOUNTAIN VOLUNTEER FIRE & RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Crowders Mountain Volunteer Fire & Rescue, Inc., (the “Organization”) was formed in North Carolina for the purpose of providing fire protection, rescue and life safety services to the citizens of southwestern Gaston County. The Organization was formed on July 1, 2000 through a merger of three organizations – the Chapel Grove Volunteer Fire Department, Inc., the South Gastonia Volunteer Fire Department, Inc., and the Bessemer City Rescue Squad, Inc. The Organization is supported primarily through contracts with Gaston County.

The Organization operates out of two stations that are located on Bethany Road and E. Virginia Ave in Gaston County and provide services within approximately a six-mile radius to residents of southwestern Gaston County. The department is a “rated” fire department as defined by the NC Department of Insurance. The Organization also features paid fire personnel to offset lapses in coverage by relying solely on volunteer fire personnel.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying basic financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Revenue Recognition

Funds are recorded as revenue when received or unconditionally pledged.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions and that are available for the general operating expenses of the Organization.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. As of June 30, 2015, the Organization did not possess any permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted cash includes amounts held in a separate account and designated for the benefit of firefighters meeting criteria established by a separate board of trustees. The account is funded by a portion of homeowner insurance premiums controlled by the Insurance Commissioner of NC. Restricted cash totaled \$75,046 at June 30, 2015.

Accounts Receivable and Bad Debts

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. No provision has been made for bad debt on these financial statements as all amounts due at June 30, 2015 were deemed collectible.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, have exceeded federally insured limits. The Federal Deposit Insurance Corporation (FDIC) guarantees bank deposit accounts up to \$250,000. The Organization has not experienced any losses on any deposit accounts as a result of their funds in excess of federally insured limits.

Sales Tax Refund Receivable

Represents refunds due from state taxing authorities for sales taxes paid during the previous year.

Property and Equipment

Property and equipment are stated at cost, except for earlier years, which are stated at estimated cost. Donated land and equipment are valued at fair market value on the date of donation. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Building	25-39 years
Fire vehicles	5-20 years
Other vehicles	5-10 years
Equipment	5 years
Furniture and fixtures	5 years

The Organization expenses small tools and operating gear when the useful life does not exceed one year. Maintenance and repairs are charged to expense when incurred; major renewals and betterments over \$1,000 are capitalized.

In-Kind Contributions

Fire and rescue services are provided by trained individuals, primarily on a volunteer basis. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of the contributed services are recorded at their fair values in the period received. Contributions of noncash assets are recorded at their fair value in the period received. For the year ending June 30, 2015, the Organization received contributed services in the amount of \$212,670.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The department was organized as a corporation exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The determination letter has been received from the Internal Revenue Service accepting the exempt status. Accordingly, no income tax liability or expense has been recorded.

The Organization regularly assesses its exempt status using authoritative guidance on income taxes issued by the Financial Accounting Standards Board ("FASB"). The Organization does not believe the financial statements include (or reflect) any uncertain tax positions based on the FASB's 'more-likely-than-not' threshold.

Functional Allocation of Expenses

Operating expenses are allocated to specific functions based on management's judgment.

Fair Value Measurements

Accounting standards established a single definition of fair value and a framework for measuring fair value. Fair value is defined as, "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." The Organization's financial instruments include cash, sales tax receivable, accounts payable and notes payable. The carrying amount of the Organization's financial instruments approximate fair value due to the short maturities of these instruments

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment consist of the following:

Land	\$ 85,752
Buildings	1,853,795
Building improvements	359,042
Equipment	756,966
Furniture and fixtures	54,692
Vehicles	<u>2,416,490</u>
Total	5,526,737
Accumulated depreciation	<u>(3,265,683)</u>
Land, buildings, and equipment, net	<u>\$ 2,261,054</u>

Depreciation expense for the year ending June 30, 2015, was \$355,526.

NOTE D – NOTES PAYABLE

Notes payable consisted of the following at June 30, 2015:

Note payable to Fidelity Bank, 4.15%, dated June 25, 2014 payable in 19 regular quarterly installments of principal and interest of \$12,900, and one final payment on June 25, 2019 estimated at \$590,463.	\$	677,503
Note payable to Fidelity Bank, 3.45%, dated May 6, 2014 payable in 59 regular monthly installments of principal and interest of \$8,250, and one final payment on May 6, 2019 estimated at \$843,736.		1,090,469
Note payable to Fidelity Bank, 4.15%, dated May 6, 2014 payable in 19 regular monthly installments of principal and interest of \$8,700, and one final payment on May 6, 2019 estimated at \$164,484.		259,227
Total notes payable		<u>2,027,199</u>
Less current maturities of notes payable		<u>(109,359)</u>
Notes Payable - long-term	\$	<u><u>1,917,840</u></u>

All notes payable are collateralized by the underlying equipment or vehicles to which the note relates.

Current maturities of notes payable are as follows:

Year Ending June 30,	2016	\$ 109,359
	2017	113,796
	2018	118,199
	2019 & Thereafter	<u>1,685,845</u>
		<u><u>\$ 2,027,199</u></u>

The Organization recorded interest expense of \$79,918 for the year ended June 30, 2015.

NOTE E – CONCENTRATIONS OF REVENUE

Gaston County established two fire districts, South Gastonia and Chapel Grove that service the department in a contract that automatically renews each fiscal year. This agreement specifies that the County will remit all related tax collections to the Organization upon receipt, subject to a budgeted maximum. Approximately 78% of the Organization's support for the year ended June 30, 2015 was provided by Gaston County. In-kind contributions account for 19% of the Organization's support and the remaining 3% comes from interest income and other miscellaneous sources.

NOTE F – PENSION BENEFIT

The department contributes to the Fireman’s Rescue Squad for pensions for long-term volunteer firemen. Any firefighter that feels like they are going to be a long term volunteer can join the Fireman’s Pension Fund. The firefighter must pay \$10 per month or \$120 per year for twenty years, Crowders Mountain Volunteer Fire & Rescue, Inc. has elected to pay the premiums for this benefit.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 are restricted for the following purposes:

	<u>2015</u>
Reserved for benefit of firefighters	\$ 75,046

NOTE H – SUBSEQUENT EVENTS

The Board of Directors have considered subsequent events occurring between July 1, 2015 and the issuance of the financial statements on January 15, 2016, and identified the following event necessitating disclosure:

On January 12, 2016, the Organization secured a loan with Fidelity Bank to purchase extrication equipment. The purchase price of the equipment was \$74,407 with \$18,607 paid in cash and the loan secured in the amount of \$55,800.