

Audited Financial Statements  
Crowder's Mountain Volunteer  
Fire & Rescue, Inc.  
Gastonia, North Carolina  
June 30, 2014

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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 statement of Crowders Mountain Volunteer Fire & Rescue, Inc. which comprise the statement of financial position as of June 30, 2014, 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.

### **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 Crowders Mountain Volunteer Fire & Rescue, Inc. as of June 30, 2014, 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.

*LB&A, Certified Public Accountants, PLLC*

LB&A, Certified Public Accountants, PLLC  
Matthews, North Carolina

January 13, 2015

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Financial Position

June 30, 2014

(See Auditors' Report)

Assets	Unrestricted	Temporarily Restricted	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 970,666	\$ 70,333	\$ 1,040,999
Sales tax refund receivable	4,333	-	4,333
Total Current Assets	974,999	70,333	1,045,332
<b>Noncurrent Assets</b>			
Land, buildings and equipment net of accumulated depreciation	1,819,942	-	1,819,942
	1,819,942	-	1,819,942
Total Assets	\$ 2,794,941	\$ 70,333	\$ 2,865,274
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of notes payable	\$ 105,487	\$ -	\$ 105,487
Accrued payroll and payroll taxes	15,058	-	15,058
Accounts payable	1,286	-	1,286
Total Current Liabilities	121,831	-	121,831
<b>Noncurrent Liabilities</b>			
Notes payable, less current portion	2,027,194	-	2,027,194
Total Liabilities	2,149,025	-	2,149,025
<b>Net Assets</b>			
Net Assets	645,916	70,333	716,249
Total Liabilities and Net Assets	\$ 2,794,941	\$ 70,333	\$ 2,865,274

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Activities and Changes in Net Assets  
for the Year Ended June 30, 2014  
(See Auditors' Report)

Revenue	Unrestricted	Temporarily Restricted	Total
<b>Program Revenue and Other Income</b>			
Gaston county service district	\$ 873,862	\$ 5,877	\$ 879,739
Donated services	256,240	-	256,240
Interest income	1,556	34	1,590
Other income	35,898	-	35,898
Total Revenue	<u>1,167,556</u>	<u>5,911</u>	<u>1,173,467</u>
<b>Expenses</b>			
<b>Program Services</b>			
Firefighting and EMS services	<u>979,982</u>	<u>-</u>	<u>979,982</u>
	979,982		979,982
<b>Supporting Services</b>			
Depreciation	<u>212,963</u>	<u>-</u>	<u>212,963</u>
	212,963	-	212,963
Total Program and Support Expenses	<u>1,192,945</u>	<u>-</u>	<u>1,192,945</u>
(Decrease) Increase in Net Assets	\$ (25,389)	\$ 5,911	\$ (19,478)
Net Assets, Beginning of Year	<u>671,305</u>	<u>64,422</u>	<u>735,727</u>
Net Assets, End of Year	<u>\$ 645,916</u>	<u>\$ 70,333</u>	<u>\$ 716,249</u>

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2014

(See Auditors' Report)

Cash Flows from Operating Activities		
Decrease in net assets		\$ (19,478)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		212,964
Decrease in operating assets		
Accounts receivables		5,324
Increase in operating assets		
Sales tax refund receivable		(614)
Increase in operating liabilities		
Accounts payable		(8,783)
Accrued payroll and payroll taxes		5,690
	Net Cash Provided by Operating Activities	<u>195,103</u>
Cash Flows From Investing Activities		
Purchase of property and equipment		(50,437)
	Net Cash (Used) in Investing Activities	<u>(50,437)</u>
Cash Flows From Financing Activities		
Principle payments on notes payable		640,642
	Net Cash (Used) in Financing Activities	<u>640,642</u>
	Net (Decrease) in Cash and Cash Equivalents	<u>785,308</u>
Cash and cash equivalents		
Beginning		<u>255,692</u>
	Ending	<u>\$ 1,041,000</u>
Supplementary Disclosure of Cash Flow Information:		
Interest paid		<u>\$ 80,584</u>

The notes are an integral part of these financial statements.

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Functional Expenses

Year Ended June 30, 2014

(See Auditors' Report)

	Total Program Services	Administration	Fundraising	Total
Donated services	\$ 256,240	\$ -	\$ -	\$ 256,240
Dues and subscriptions	3,313	-	-	3,313
Educational materials	-	-	-	-
Fuel	57,088	-	-	57,088
Salaries and wages	314,378	-	-	314,378
Payroll taxes	32,001	-	-	32,001
Incentives	31,204	-	-	31,204
Insurance	38,196	-	-	38,196
Interest	80,584	-	-	80,584
Maintenance - building and grounds	7,771	-	-	7,771
Maintenance - equipment	8,954	-	-	8,954
Maintenance - vehicles	57,037	-	-	57,037
Medical screening and supplies	1,285	-	-	1,285
Office supplies	883	-	-	883
Professional services	34,797	-	-	34,797
Scholarships	3,000	-	-	3,000
Telephone	7,050	-	-	7,050
Travel and training	1,282	-	-	1,282
Uniforms and personal equipment	4,213	-	-	4,213
Utilities	30,773	-	-	30,773
Other functional expenses	9,934	-	-	9,934
Total Expenses Before Depreciation	<u>\$ 979,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 979,982</u>
Depreciation	<u>212,963</u>	<u>-</u>	<u>-</u>	<u>212,963</u>
Total Expenses	<u><u>\$ 1,192,945</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,192,945</u></u>

CROWDER'S MOUNTAIN VOLUNTEER FIRE & RESCUE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A – ORGANIZATION

Crowder's 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. During the calendar year 2010, the Organization incorporated to their staff, paid fire personnel to offset lapses in coverage by relying solely on volunteer fire personnel. The Organization is considered a 'combo' department but still relies primarily on volunteer fire personnel.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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.

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 and Unrestricted Net Assets

Contributions are classified as permanent, temporarily restricted or unrestricted in accordance with donor stipulations. Once a restriction is satisfied or has expired, it is reported as a decrease in restricted net assets with a corresponding increase in unrestricted net assets. All receipts from Gaston County are considered unrestricted in the year they are received.

Donated Services and Property

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 donated 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.

## NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### Sales Tax Refund Receivable

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

### 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.

### 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.

### Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Fair Value Measurements

At June 30, 2014, the Organization's financial instruments include cash, accounts receivable, accounts payable and a note payable. The carrying amount of cash, accounts receivable and accounts payable approximates fair value due to the short maturities of these instruments.

### 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. As of June 30, 2014, there were no permanent restrictions on net assets of the Organization. Certain changes in classification and presentation have been made to the current year financial statements.

*Unrestricted net assets* are currently available for operating purposes under the direction of the Board.

*Temporarily restricted net assets* are available for the benefit of the firefighters. See Note C for further detail.

### Reclassifications

Certain amounts previously reported in the prior year financial statements have been reclassified to conform to the current year presentations. The reclassification affects the classification of functional expenses and changes in current classifications of individual line items from the most recent prior year audited financial statements.

### Subsequent Events

In accordance with ASC Codification No. 855, Subsequent Events, which applies to annual periods ending after June 15, 2009, Board of Directors have considered subsequent events occurring between July 1, 2014 and the issuance of the financial statements on January 13, 2015, and identified the following event necessitating financial statement disclosure.

On June 25, 2014, the Organization secured a promissory note in the amount of \$700,000 for the purchase of a new vehicle for services. Due to timing of the note and the close of the fiscal year, the vehicle was purchased subsequent to the end of the fiscal year. These funds were held in the operating account until the purchase. The new vehicle was purchased on July 10, 2014. The loan was recognized as a long-term debt at the receipt of the funds.

### NOTE C – RESTRICTED CASH AND NET ASSETS

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. As of July 1, 2013, there were no disbursements from this account.

#### NOTE D – LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment consist of the following:

Land	\$ 82,702
Buildings	2,032,112
Building improvements	191,670
Equipment	671,200
Furniture and fixtures	54,692
Vehicles	<u>1,697,723</u>
Total	4,730,099
Accumulated depreciation	<u>( 2,910,157)</u>
Land, buildings, and equipment, net	<u>\$ 1,819,942</u>

Depreciation expense for the year ending June 30, 2014, was \$ 212,963.

#### NOTE E – NOTES PAYABLE

Notes payable consists of the following:

Fidelity Bank, 4.15%, due June, 2019	\$ 700,000
Fidelity Bank, 4.15%, due May, 2019	282,500
Fidelity Bank, 3.45%, due May, 2019	<u>1,150,181</u>
Total notes payable	2,132,681
Less current maturities	<u>(105,487)</u>
Long-term notes payable	<u>\$2,027,194</u>

All notes payable are collateralized with the underlying equipment or vehicles.

Current maturities of notes payable are as follows:

Year Ending June 30,	2015	105,487
	2016	109,359
	2017	113,796
	2018	118,199
	Thereafter	<u>1,685,840</u>
		<u>\$ 2,132,681</u>

The company recorded interest expense of \$80,584 for the year ended June 30, 2014.

#### NOTE F – CONCENTRATIONS (REVENUES)

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 76% of the Organization's support for the year ended June 30, 2014 was provided by Gaston County. Donated services account for 22.2% of the Organizations support and the remaining 1.8% comes from interest income and other revenue sources.

#### NOTE G – 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 H – DONATED SERVICES

During the year, the Organization received volunteer services requiring specialized skills provided by EMS technicians and firefighters. Pursuant to ASC 958-605, services requiring specialized skills shall be recognized by either the fair market value of the services received or the fair market value of the asset enhancement resulting from the services. During the year, the Organization improved its system of tracking volunteer hours, including training and standby hours. As a result, the value of donated services recognized during the year increased significantly.

For the fiscal year ending June 30, 2014, estimated fair market value of donated services received is \$256,240.