

**Fairview Volunteer Fire Department, Inc.
Asheville, North Carolina**

Financial Statements

June 30, 2022



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**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Directors
Fairview Volunteer Fire Department, Inc.
Fairview, North Carolina

Opinion

We have audited the accompanying financial statements of Fairview Volunteer Fire Department, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairview Volunteer Fire Department, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fairview Volunteer Fire Department, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairview Volunteer Fire Department, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fairview Volunteer Fire Department Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairview Volunteer Fire Department Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
February 2, 2023

FAIRVIEW VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022

Assets

Current Assets:

Cash and cash equivalents, unrestricted	\$ 2,019,350
Due from other governments	502,918
Sales tax refund receivable	12,301
Inventoy - diesel fuel	9,302
Total current assets	<u>2,543,871</u>

Property and equipment, net	<u>3,416,161</u>
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Other Assets:

Restricted cash - fireman's relief fund	<u>68,505</u>
	<u><u>\$ 6,028,537</u></u>

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 37,251
Accrued wages and payroll liabilities	32,939
Contributions - fireman's benefit	10,646
Current portion of notes payable	262,208
Total current liabilities	<u>343,044</u>

Long-term Liabilities:

Notes payable, net	839,775
Compensated absences	30,268
Funds held for others - relief fund	68,505
Total long-term liabilities	<u>938,548</u>

Total liabilities	<u>1,281,592</u>
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Net Assets:

Without donor restrictions:

Undesignated	2,432,767
Invested in property and equipment, net of related debt	2,314,178
Total net assets	<u>4,746,945</u>

<u><u>\$ 6,028,537</u></u>

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

FAIRVIEW VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

	Without Donor Restrictions
Revenues:	
Buncombe County fire district tax	\$ 3,164,819
Sales tax revenue	1,116,142
Ambulance service revenue	245,834
FEMA grant	265,373
Sales and gas tax refunds	25,296
Interest income	7,875
Gain on sale of assets, net	17,708
Other revenues	14,577
	<u>4,857,624</u>
Public support:	
Contributions	<u>6,450</u>
	<u>4,864,074</u>
Total revenues	
Expenses:	
Program services	3,639,608
Supporting services:	
Administrative	<u>104,504</u>
Total expenses	<u>3,744,112</u>
Change in net assets	1,119,962
Net assets, beginning of fiscal year	<u>3,626,983</u>
Net assets, end of fiscal year	<u><u>\$ 4,746,945</u></u>

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

FAIRVIEW VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

Cash Flows from Operating Activities:

Change in net assets	\$ 1,119,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	308,520
Gain on sale of fixed assets	(17,708)
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	(150,541)
(Increase) decrease in inventory	(4,481)
(Increase) decrease in prepaid expenses	44,695
Increase (decrease) in accounts payable	(7,492)
Increase (decrease) in accrued expenses	(67,918)
Increase (decrease) in compensated absences	(15,523)
	<hr/>
Net cash provided by operating activities	<hr/> 1,209,514 <hr/>

Cash Flows from Investing Activities:

Proceeds from sale of assets	31,200
Purchases of fixed assets	(304,709)
	<hr/>
Net cash used for investing activities	<hr/> (273,509) <hr/>

Cash Flows from Financing Activities:

Net contributions to the Firemen's Relief Fund	9,237
Proceeds from financing	150,000
Payments on notes payable	(263,489)
	<hr/>
Net cash used by financing activities	<hr/> (104,252) <hr/>

Decrease in cash and cash equivalents	831,753
Cash and cash equivalents, beginning of year	<hr/> 1,256,102 <hr/>
Cash and cash equivalents, end of year	<hr/> \$ 2,087,855 <hr/>
Cash and cash equivalents, unrestricted	\$ 2,019,350
Restricted cash - firemen's relief fund	68,505
Cash and cash equivalents, end of year	<hr/> \$ 2,087,855 <hr/>

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

FAIVIEW VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

		Supporting Services		
	Program	Administration	Total Supporting Services	Total
Personnel Expenses:				
Payroll	\$ 2,085,125	\$ 52,993	\$ 52,993	\$ 2,138,118
Payroll taxes	172,098	4,054	4,054	176,152
Group insurance	268,223	-	-	268,223
Worker's comp insurance	44,695	-	-	44,695
Cell phones and air cards	7,620	-	-	7,620
Training and education	23,572	-	-	23,572
Protective gear and uniforms	12,369	-	-	12,369
Meal supplies	13,787	-	-	13,787
Employee retirement expenses	64,811	-	-	64,811
Total salaries and related expenses	<u>2,692,300</u>	<u>57,047</u>	<u>57,047</u>	<u>2,749,347</u>
Vehicles and Equipment Expenses:				
Interest expense	22,473	-	-	22,473
Medical supplies	133,292	-	-	133,292
Radio equipment and supplies	3,501	-	-	3,501
Fuel	66,214	-	-	66,214
Vehicle and equipment insurance	25,728	-	-	25,728
Rescue equipment and supplies	35,791	-	-	35,791
Vehicle repairs and maintenance	114,516	-	-	114,516
Radio repairs	219	-	-	219
Fire and rescue supplies	16,898	-	-	16,898
Other supplies	14,334	-	-	14,334
Equipment repairs and maintenance	8,235	-	-	8,235
Turn out gear	6,324	-	-	6,324
Total vehicles and equipment expenses	<u>447,525</u>	<u></u>	<u></u>	<u>447,525</u>
Main Facility Expenses:				
Interest expense	807	-	-	807
Utilities	12,831	-	-	12,831
Trash pickup	11,067	-	-	11,067
Telephone	8,816	-	-	8,816
Insurance	31,691	-	-	31,691
Building repairs and supplies	16,369	-	-	16,369
Total main facility expenses	<u>81,581</u>	<u>-</u>	<u>-</u>	<u>81,581</u>

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

FAIVIEW VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

		Supporting Services		
	Program	Administration	Total Supporting Services	Total
Substation #1 Facility Expenses:				
Interest expense	6,949	-	-	6,949
Utilities	7,841	-	-	7,841
Trash pickup	3,551	-	-	3,551
Telephone	628	-	-	628
Building insurance	1,950	-	-	1,950
Building repairs and supplies	6,327	-	-	6,327
Total substation #1 facility expenses	27,246	-	-	27,246
Substation #2 Facility Expenses:				
Interest expense	6,182	-	-	6,182
Utilities	5,647	-	-	5,647
Trash pickup	4,581	-	-	4,581
Telephone	1,428	-	-	1,428
Building insurance	1,950	-	-	1,950
Building repairs and supplies	7,414	-	-	7,414
Total substation #2 facility expenses	27,202	-	-	27,202
Other Operating Expenses:				
Computer supplies and expense	-	21,017	-	21,017
Equipment lease expense	2,683	-	-	2,683
Auxiliary expense	4,594	-	-	4,594
Office supplies and expense	-	5,797	-	5,797
Professional dues and memberships	3,777	-	-	3,777
Departmental activities	642	-	-	642
Accounting services	-	20,643	-	20,643
Travel expenses	12,898	-	-	12,898
Miscellaneous	15	-	-	15
Subscriptions and magazines	1,847	-	-	1,847
Other professional services	28,778	-	-	28,778
Total other operating expenses	55,234	47,457	-	102,691
Total expenses before depreciation	3,331,088	104,504	57,047	3,435,592
Depreciation	308,520	-	-	308,520
Total expenses	\$ 3,639,608	\$ 104,504	\$ 57,047	\$ 3,744,112

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

FAIRVIEW VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 - Summary of Significant Accounting PoliciesOrganization

Fairview Volunteer Fire Department, Inc. was incorporated on July 13, 1961. The Department's purpose is to promote and carry on any activities that may result or aid in the protection of life and property in the Fairview community, Buncombe County, North Carolina, and in surrounding communities. The Department is supported primarily through fire district taxes and sales taxes collected and distributed by Buncombe County.

Basis of Accounting

The Department's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Department considers all demand deposits and certificates of deposit with a maturity of 90 days or less to be cash equivalents. At June 30, 2022 the Department had no certificates of deposit.

Concentration of Credit Risk

The Department maintains cash balances in accounts at high credit quality financial institutions. At June 30, 2022, the Department's deposits exceeded combined Federal Deposit Insurance Corporation and National Credit Union Association coverage by \$1,528,547. Management does not consider this to be a significant risk.

Due From Other Governments

Amounts due from other governments consists primarily of fire district ad valorem and sales tax due from Buncombe County as well as reimbursements from FEMA under the ongoing SAFER grant. At June 30, 2022, the balance due to the Department included an annual true-up adjustment to ad valorem tax to bring remittances to the Department in line with actual collections by the County, three months of sales tax collections from the County, and three months of payroll reimbursement under the terms of the SAFER grant from FEMA. Due to the source of the revenue, management has determined that no allowance for doubtful accounts is necessary.

Property and Equipment

It is the Department's policy to capitalize property and equipment with a cost greater than \$5,000. Purchased property and equipment is capitalized at cost. Donated assets are recorded as contributions at their estimated fair value as of the date of the donation. Such donations are unrestricted contributions unless the donor has restricted the donated asset for a specific purpose. Gains and losses from property and equipment dispositions are recognized when the assets are sold or abandoned. Expenditures for major renewals and betterments are capitalized. Repairs, maintenance, and minor renewals, not in the nature of capital expenditures, are expensed in the current period. Depreciation is computed using the straight-line method based on the following estimated useful lives of the assets:

	<u>Years</u>
Building	20-40
Building contents	7-10
Trucks and autos	10
Equipment	5-10

Revenue and Revenue Recognition

Revenue is recognized when earned. Fire district taxes and sales tax collections are earned in the corresponding period in which the County collects the taxes. Contributions received with donor restrictions that limits its use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to nets assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions having donor restrictions that are satisfied in the same period received or earned are reported as revenue and net assets with donor restrictions and shown as net assets released from restrictions. There were no contributions with donor restrictions for the year ended June 30, 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2022, there were no net assets with donor restrictions.

Income Taxes

The Department qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal or state income taxes.

Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures at the date of the financial statements. Actual results could differ from those estimates.

Subsequent Events

The Department evaluated the effect subsequent events would have on the financial statements through February 2, 2023, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2022:

	2022
Cash and cash equivalents, unrestricted	\$ 2,019,350
Total receivables	515,219
	<u>\$ 2,534,569</u>

As part of the Department's liquidity management plan, the Department invests cash in excess of its operating requirements in money market funds or certificates of deposit.

The \$2,534,569 of financial assets as of June 30, 2022 is available to be used for the operating expenditures for the fiscal year ending June 30, 2023, current liabilities of \$343,044 and the future.

Note 3 - Property and Equipment, net

The Department's property and equipment at June 30, 2022 consists of the following:

	2022
Land and improvements	\$ 417,623
Construction in process	12,247
Buildings and improvements	2,963,969
Equipment	1,449,094
Vehicles	3,925,099
	<u>8,768,032</u>
Accumulated depreciation	(5,351,871)
Property and equipment, net	<u>\$ 3,416,161</u>

Depreciation expense for the year ended June 30, 2022 was \$308,520.

Note 4 - Concentration of Contractual Revenue

The Department operates under a contract with Buncombe County. The contract, dated May 13, 2021, is effective for the period July 1, 2021 through June 30, 2024 with an additional three year term upon written consent of both parties. The contract states that in return for providing fire protection and rescue services to the Fairview Fire District, the Department will receive a monthly budgeted allocation of fire district taxes (ad valorem and DMV taxes) with an annual true up or down to actual collections and monthly collections of County sales tax within the District. Determination of the allocation of sales taxes provided to the Department is made in accordance with North Carolina General Statute (GS 159-14(a)). For the year ended June 30, 2022, these revenues totaled \$4,280,961 (approximately 88% of total revenues for the year ended June 30, 2022).

Note 5 - Fireman's Pension Fund and 401K Plan

The Fairview Volunteer Fire Department, Inc. is a participant in the North Carolina Firemen's and Rescue Squad Workers' Pension Fund. The purpose of the Firemen's and Rescue Squad Workers' Pension Fund is to administer and operate a retirement program for all firemen and rescue squad workers (both paid and volunteer) in North Carolina. Firemen must belong to a rated and certified fire department. Rescue squad workers must belong to a certified rescue squad. Membership in the program is on a voluntary basis. The plan states that the amount to be contributed to the fund is \$10 a month per member for 20 years or a maximum of \$2,400 per member. The Department of State Treasurer is responsible for the general administration and management of the Pension Fund. All investment income is reinvested into the Pension Fund.

The Department also maintains a 401(k) plan through Capital Bank and Trust and matches 100% of employees' deferrals up to 5%. All contributions made under this plan are fully vested.

The amount of benefits paid by the Department under these plans for the years ended June 30, 2022 was \$64,811.

Note 6 - Long-Term Liabilities

The Department's long-term liabilities consisted of the following as of June 30, 2022:

	<u>2022</u>
Truck note payable to Local Government Federal Credit Union with \$3,592 due each month including 2.95% interest. The note matures in April, 2025.	\$ 116,954
Truck note payable to Local Government Federal Credit Union with \$6,702 due each month including 3.0% interest. The note matures in January, 2027.	343,896
Equipment note payable to Local Government Federal Credit Union with \$2,322 due each month including 2.95% interest. The note matures in January, 2023.	16,097
Consolidation loan payable to Local Government Federal Credit Union with \$9,935 due each month including 3.0% interest. The note matures in December, 2026.	501,050
Ambulance note payable to Civic Federal Credit Union with \$2,665 due each month including 2.95% interest. The note matures in June, 2026.	123,986
	<u>\$ 1,101,983</u>

Aggregate long-term principal payments for the next fiscal years ended June 30th will approximate the following:

	Principal	Interest
2023	\$ 262,208	\$ 28,741
2024	253,423	21,335
2025	253,678	21,074
2026	227,431	6,805
2027	105,243	980
	<u>\$ 1,101,983</u>	<u>\$ 78,935</u>

Interest paid on long-term liabilities was \$36,411 for the year ended June 30, 2022.

Note 7 - Donated Services

The value of donated volunteer services is not reflected in the accompanying Statements of Activities since there is no objective basis available by which to measure the value of such services.

Note 8 - Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort. The majority of other expenses can be directly identified to their specific function.

General and administrative expenses include those expenses that provide for the overall support and direction of the Department such as administrative salaries, office expense, accounting fees, and computer supplies.

Note 9 - Firemen's Relief Fund

The Firemen's Relief Fund provides financial assistance to firefighters that have been injured or killed while performing fire department duties. All insurance companies licensed to do business in North Carolina are required to report and remit the Firemen's Relief Fund tax, which is equal to one-half of 1% of fire and lightening premiums collected within each rated fire district in North Carolina. Fire departments that meet all requirements are eligible to receive the tax collected within their rated fire district. The Firemen's relief fund checks are mailed to the applicable City or County with a memo instructing them to forward to the respective fire departments. The Firemen's Relief Fund is restricted by the NC State Firemen's Association. Expenditures of local funds must be approved by the Association. A report is filed annually by the Department to report any income and disbursements. Relief fund monies held by the Department as of June 30, 2022 were \$68,505. This amount is reported as restricted cash with an offsetting liability for amounts held for others on the statement of financial position.