

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.
Cedar Mountain, North Carolina

Audited Financial Statements

For the Years Ended June 30, 2021 and 2020

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.
Cedar Mountain, North Carolina

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cedar Mountain Volunteer Fire Rescue, Inc.

We have audited the accompanying financial statements of Cedar Mountain Volunteer Fire Rescue, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Cedar Mountain Volunteer Fire Rescue, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Goldsmith Molis & Gray, PLLC

Goldsmith Molis & Gray, PLLC
Asheville, North Carolina
September 30, 2021

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 110,881	\$ 51,160
Cash - restricted	30,447	28,495
Sales tax receivable	2,874	2,366
Prepaid expenses	16,413	12,720
Total current assets	<u>160,615</u>	<u>94,741</u>
Property and equipment, net	<u>1,045,193</u>	<u>975,863</u>
Total assets	<u>\$ 1,205,808</u>	<u>\$ 1,070,604</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	\$ 37,432	\$ 26,917
Accounts payable and accrued expenses	4,346	3,775
Total current liabilities	<u>41,778</u>	<u>30,692</u>
Long-term liabilities:		
Long-term debt, net of current portion	<u>612,155</u>	<u>605,952</u>
Total long-term liabilities	<u>612,155</u>	<u>605,952</u>
Total liabilities	<u>653,933</u>	<u>636,644</u>
Net assets		
Without donor restrictions	521,428	405,465
With donor restrictions	30,447	28,495
Total net assets	<u>551,875</u>	<u>433,960</u>
Total liabilities and net assets	<u>\$ 1,205,808</u>	<u>\$ 1,070,604</u>

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

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Statements of Activities

For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Local government tax revenue	\$ 262,576	\$ -	\$ 262,576	\$ 287,054	\$ -	\$ 287,054
Grants and contributions	1,190	133,299	134,489	1,082	25,554	26,636
Fundraising	25,907	-	25,907	23,513	-	23,513
Investment income	771	-	771	723	-	723
Insurance proceeds	13,673	-	13,673	-	-	-
Other income	4,713	-	4,713	6	-	6
Gain on sale of property and equipment	5,043	-	5,043	-	-	-
Net assets released from restrictions	131,347	(131,347)	-	21,977	(21,977)	-
Total public support and revenues	445,220	1,952	447,172	334,355	3,577	337,932
Expenses:						
Program services	298,950	-	298,950	335,865	-	335,865
Management and general	29,011	-	29,011	50,479	-	50,479
Fundraising	1,296	-	1,296	3,485	-	3,485
Total expenses	329,257	-	329,257	389,829	-	389,829
Change in net assets	115,963	1,952	117,915	(55,474)	3,577	(51,897)
Net assets, beginning of year	405,465	28,495	433,960	460,939	24,918	485,857
Net assets, end of year	\$ 521,428	\$ 30,447	\$ 551,875	\$ 405,465	\$ 28,495	\$ 433,960

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

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Program Services	Management & General	Fund Raising	Total Expenses	Program Services	Management & General	Fund Raising	Total Expenses
Salaries and related expenses:								
Salaries	\$ 41,723	\$ 4,636	\$ -	\$ 46,359	\$ 53,879	\$ 7,306	\$ -	\$ 61,185
Benefits	3,813	423	-	4,236	8,700	1,358	-	10,058
Pension	1,836	204	-	2,040	1,868	292	-	2,160
Payroll taxes	3,475	386	-	3,861	4,303	671	-	4,974
Total salaries and related expenses	50,847	5,649	-	56,496	68,750	9,627	-	78,377
Other operating expenses								
Depreciation	100,026	-	-	100,026	99,518	-	-	99,518
Repairs and maintenance	55,700	-	-	55,700	48,038	-	-	48,038
Insurance	28,591	-	-	28,591	23,777	-	-	23,777
Interest	24,560	-	-	24,560	24,844	-	-	24,844
Utilities	9,979	-	-	9,979	10,219	-	-	10,219
Office expense	-	9,688	-	9,688	-	10,634	-	10,634
Other expenses	1,723	6,328	-	8,051	7,809	15,602	-	23,411
Communications	7,800	-	-	7,800	6,053	-	-	6,053
Telephone	4,830	-	-	4,830	5,021	-	-	5,021
Training and education	4,888	-	-	4,888	9,740	-	-	9,740
Fuel	4,334	-	-	4,334	7,201	-	-	7,201
Dues and subscriptions	-	4,016	-	4,016	-	4,004	-	4,004
Equipment	3,108	-	-	3,108	4,499	-	-	4,499
Professional fees	-	1,875	-	1,875	-	8,175	-	8,175
Medical supplies	1,635	-	-	1,635	2,612	-	-	2,612
Auxiliary - fundraising	-	-	1,296	1,296	-	-	3,462	3,462
Refuse disposal	-	1,241	-	1,241	-	2,276	-	2,276
Personal protective equipment	611	-	-	611	15,882	-	-	15,882
Supplies	318	-	-	318	1,028	-	-	1,028
Postage	-	214	-	214	-	152	-	152
Bank service charges	-	-	-	-	-	9	23	32
Fire prevention	-	-	-	-	874	-	-	874
Total operating expenses	248,103	23,362	1,296	272,761	267,115	40,852	3,485	311,452
Total functional expenses	\$ 298,950	\$ 29,011	\$ 1,296	\$ 329,257	\$ 335,865	\$ 50,479	\$ 3,485	\$ 389,829

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

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Statements of Cash Flows

For The Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 117,915	\$ (51,897)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	100,026	99,518
Gain on sale on property and equipment	(5,043)	-
Changes in operating assets and liabilities:		
Sales tax receivable	(508)	17
Prepaid expenses	(3,693)	(3,888)
Accounts payable and accrued expenses	571	2,649
Net cash provided by operating activities	<u>209,268</u>	<u>46,399</u>
Cash flows from investing activities:		
Purchase of property and equipment	(170,873)	(25,296)
Proceeds from sale of property and equipment	6,560	-
Net cash used in investing activities	<u>(164,313)</u>	<u>(25,296)</u>
Cash flows from financing activities:		
Proceeds on long-term debt	49,000	-
Principal repayments on long-term debt	(32,282)	(25,905)
Net cash provided by (used in) financing activities	<u>16,718</u>	<u>(25,905)</u>
Net change in cash and restricted cash	61,673	(4,802)
Cash and restricted cash, beginning of year	<u>79,655</u>	<u>84,457</u>
Cash and restricted cash, end of year	<u>\$ 141,328</u>	<u>\$ 79,655</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 24,560</u>	<u>\$ 24,844</u>
Non-cash investing and financing activities:		
Property and equipment purchased through debt financing	<u>\$ 49,000</u>	<u>\$ -</u>

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

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Activities and Significant Accounting Policies

Cedar Mountain Volunteer Fire Rescue, Inc. (the “Department”) is a nonprofit organization located in Cedar Mountain, North Carolina. The Department was incorporated in the State of North Carolina on July 1, 1980 and provides fire protection and rescue services to the Cedar Mountain, North Carolina service district as well as designated areas of Greenville County, South Carolina.

Basis of Presentation

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Department to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Department. These net assets may be used at the discretion of the Department’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Department or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Department’s ongoing services and interest and dividends earned on investments. Non-operating activities are limited to resources and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

Cedar Mountain Volunteer Fire Rescue, Inc. considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2021 and 2020, there were no cash equivalents.

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Activities and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from five to forty years. The Department's policy is to capitalize property and equipment acquired for greater than \$500 and expense normal repairs and maintenance as incurred. The Department's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Public Support and Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Revenue and Revenue Recognition

During the year ended June 30, 2021, the Department adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as management believes the standards improve the usefulness and understandability of the Department's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

A substantial portion of the Department's revenue is derived through the collection of ad valorem and sales taxes. Revenue is recognized in the period funds are received.

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Activities and Significant Accounting Policies (continued)

At times, the Department's also receives grant funds, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Department has incurred expenditures in compliance with specific grant provisions.

The Department recognizes contributions when cash, securities or other assets; an unconditional promise to give; is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional promises to give at June 30, 2021 or 2020.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Department. No amounts have been reflected in the financial statements for these services, because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Income Taxes

Cedar Mountain Volunteer Fire Rescue, Inc. is exempt from Federal and State income taxes under Internal Revenue Code 501(c)(3). Furthermore, the Department has been determined not to be a private foundation under Code Section 509(a).

FASB ASC 740, *Accounting for Uncertainty in Income Taxes*, clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax positions taken or expected to be taken in a tax return.

The Department's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, and court decisions and other evidence.

The Department's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2021, years subject to examination include 2017, 2018 and 2019. The Department does not have any uncertain tax positions or unrelated business income.

Fair Values of Financial Instruments

The Department discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Activities and Significant Accounting Policies (continued)

of financial assets and liabilities. If there is a change in the valuation technique, then the Department discloses both the change and the reasons for the change.

The Department estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

The estimated fair value amounts have been determined by the Department using available market information and appropriate valuation methodologies. The Department's financial instruments consist primarily of cash, receivables, prepaid expenses, accounts payable and accrued expenses, and debt.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis and, accordingly, certain expenses have been allocated among the program and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include salaries and related expenses using a time and effort method of allocation.

Use of Estimates

The preparation of financial statements in accordance 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 and disclosures 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 may differ from those estimates.

New Accounting Pronouncement

On June 21, 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which gives guidance on determining whether a transaction is a contribution or an exchange. This ASU was implemented during the year ended June 30, 2020, but had no impact to the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 is intended to improve the financial reporting about leasing transactions. The ASU will require entities that lease assets to recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The standard will be effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Department is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Restricted Cash

Cash as of June 30, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 110,881	\$ 51,160
Cash - restricted	<u>30,447</u>	<u>28,495</u>
Cash and restricted cash shown in the statements of cash flows	<u>\$ 141,328</u>	<u>\$ 79,655</u>

Restricted cash represents cash received from the North and South Carolina Fireman’s Insurance and Inspection Funds (1%). These funds may be used for retirement and insurance, training and education or recruitment and retention, consistent with state statutes, and must be approved by at least a 51% of the members of the fire department.

Note 3 – Availability and Liquidity

The following represents the Department’s financial assets at June 30, 2021:

Financial assets at year-end:	
Cash and restricted cash	\$ 141,328
Sales tax receivable	<u>2,874</u>
Total financial assets	<u>\$ 144,202</u>
Less amounts not available to be used within one year:	
Board designated for capital projects	\$ -
Less net assets with purpose restrictions to be met in less than one year	<u>-</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 144,202</u>

The following represents the Department’s financial assets at June 30, 2020:

Financial assets at year-end:	
Cash and restricted cash	\$ 79,655
Sales tax receivable	<u>2,366</u>
Total financial assets	<u>\$ 82,021</u>
Less amounts not available to be used within one year:	
Board designated for capital projects	\$ -
Less net assets with purpose restrictions to be met in less than one year	<u>-</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 82,021</u>

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 4 – Property and Equipment

Property and equipment at June 30 is comprised of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 45,000	\$ 45,000
Buildings	808,248	808,248
Vehicles	1,036,389	1,042,889
Machinery and equipment	981,052	830,563
Furniture and fixtures	<u>29,719</u>	<u>29,719</u>
	2,900,408	2,756,419
Less: accumulated depreciation	<u>(1,855,215)</u>	<u>(1,780,556)</u>
Property and equipment, net	<u>\$ 1,045,193</u>	<u>\$ 975,863</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$100,026 and \$99,518, respectively.

Note 5 – Long-term Debt

Long-term debt consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Note payable with monthly payments of \$4,229 including interest at 3.84%, matures July 2037, secured by building and equipment with a net book value of \$342,671.	\$ 605,952	\$ 632,869
Note payable with monthly payments of \$871 including interest at 2.5%, matures November 2025, secured by vehicles with a Net book value of \$109,994.	<u>43,635</u>	<u>-</u>
Total	649,587	632,869
Less: current portion	<u>(37,432)</u>	<u>(26,917)</u>
Note payable, net of current portion	<u>\$ 612,155</u>	<u>\$ 605,952</u>

Scheduled principal repayments are as follows:

Years Ending June 30:

2022	\$ 37,432
2023	38,764
2024	40,144
2025	41,577
2026	36,930
Thereafter	<u>454,740</u>
Total	<u>\$ 649,587</u>

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 5 – Long-term Debt (continued)

Interest expense included on the statements of functional expenses for the years ended June 30, 2021 and 2020 totaled \$24,560 and \$24,844, respectively.

Note 6 – Net Assets

Net assets with donor restrictions relating to the satisfaction of purpose restrictions totaled \$30,447 and \$28,495 at June 30, 2021 and 2020, respectively.

Net assets without donor restrictions totaled \$521,428 and \$405,465 at June 30, 2021 and 2020, respectively.

Net assets released from net assets with donor restrictions associated with the satisfaction of purpose restrictions for program activities during the years ended June 30, 2021 and 2020 totaled \$131,347 and \$21,977, respectively.

Note 7 – Concentrations of Credit Risk

The Department maintains its cash deposit balances at a regional bank. From time to time cash balances may exceed the amount insured by the National Credit Union Administration (NCUA). As of June 30, 2021, deposit insurance limits total \$250,000. As of June 30, 2021 and 2020, the Department had no uninsured balances.

Note 8 – Concentrations of Support and Revenue

For the year ended June 30, 2021, tax revenues accounted for approximately \$262,600 or 58.8% of total public support and revenue. For the year ended June 30, 2020, tax revenues accounted for approximately \$287,100 or 84.9% of total public support and revenue.

Additionally, for the year ended June 30, 2021, grant funding from two agencies accounted for approximately \$130,000 or 29.1% of total public support and revenue.

Note 9 – Pension Fund

The Department contributes to the North Carolina Firemen's and Rescue Squad Workers' Pension Fund \$120 annually on behalf of each member of Cedar Mountain Volunteer Fire Rescue, Inc. with at least one year of service. For the years ended June 30, 2021 and 2020, the Department contributed \$2,040 and \$2,160, respectively, on behalf of the qualifying members of the Department.

Any member who has served twenty years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina and who has attained the age of fifty-five years is entitled to be paid a monthly pension from the fund in the amount of \$170 per month.

CEDAR MOUNTAIN VOLUNTEER FIRE RESCUE, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 10 – Subsequent Events

The Department has evaluated events and transactions for potential recognition or disclosure through September 30, 2021, the date the statements were available to be issued.