

Charlotte Volunteer Fire & Rescue Services, Inc.

Financial Statements

For The Year Ended June 30, 2011

Charlotte Volunteer Fire & Rescue Services, Inc.

Table of Contents

For The Year Ended June 30, 2011

		<u>Page Number</u>
--	Independent Auditors' Report	2
EXHIBIT I	Statement of Financial Position	3
EXHIBIT II	Statement of Activities	4-5
EXHIBIT III	Statement of Cash Flows	6
--	Notes to Financial Statements	7-12

Independent Auditors' Report

To the Board of Directors
Charlotte Volunteer Fire & Rescue Services, Inc.

We have audited the accompanying statement of financial position of Charlotte Volunteer Fire & Rescue Services, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organizations Management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Volunteer Fire & Rescue Services, Inc., as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Batchelder Associates, P.C.

Batchelder Associates, PC
Barre, Vermont
License #945
October 4, 2011

Charlotte Volunteer Fire & Rescue Services, Inc.
Statement of Financial Position
Operating Fund
June 30, 2011

ASSETS

Current Assets:		
Cash	\$	101,421
Cash - Restricted		90,456
Accounts Receivable		16,994
Prepaid Expenses		<u>2,764</u>
Total Current Assets		211,635
Other Assets:		
Fixed Assets - net of accumulated depreciation		<u>603,804</u>
Total Other Assets		<u>603,804</u>
TOTAL ASSETS	\$	<u><u>815,439</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts Payable	\$	<u>11,183</u>
Total Liabilities		11,183
Net Assets:		
Designated		694,260
Undesignated		<u>109,996</u>
Total Net Assets		<u>804,256</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>815,439</u></u>

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire & Rescue Services, Inc.
Statement of Activities
Operating Fund
For the Year Ended June 30, 2011

Operating Revenues:

Patient Billing	\$ 82,687	
Town Funds/EMT Payroll (See Note 8)	463,019	
Lease Income	25,091	
Public Support	10,243	
Trust Income	18,711	
Donated Services	215,285	
Program Income	23,292	
Grant Income	800	
Interest Income	241	
Total Operating Revenues	<u>839,369</u>	\$ <u>839,369</u>

Operating Expenses:

Fire/Rescue Corporate Expenses:

Electricity	6,687	
Heating/Fuel	6,414	
Telephone	3,179	
Building Maintenance	15,033	
Administration	2,236	
Insurance	25,429	
Professional Memberships	1,068	
Publications	431	
Dispatching	8,272	
Radio Maintenance	2,291	
Apparatus Operation	7,413	
Apparatus Maintenance	16,979	
Miscellaneous	3,174	
Legal Fees	433	
Professional Services	6,770	
Office Supplies	876	
Member Incentives	22,506	
Public Education	386	
Workers Compensation	35,771	
Uniforms	2,248	
Federal Taxes	3,325	
Finance Charge	6	
Total Fire/Rescue Corporate Expenses	<u>170,927</u>	170,927

Fire Department Expenses:

Equipment Replacement	16,393
Equipment Maintenance	3,637
Miscellaneous	65
Training	7,332
Fire Prevention	255

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire & Rescue Services, Inc.
Statement of Activities
Operating Fund
For the Year Ended June 30, 2011

Fire Department Expenses (Continued):		
Hose/Fittings	\$	3,665
Hydrants/Ponds		2,538
AirPack Maintenance		1,695
Radio Replacement		479
Protective Equipment		11,202
Total Fire Department Expenses		<u>\$ 47,261</u>
Rescue Squad Expenses:		
Equipment Replacement		3,829
Equipment Maintenance		386
Medical Supplies		13,854
Oxygen		1,036
Training		2,452
Protective Clothing		4,823
Patient Billing to Town		69,489
Payroll Expenses		225,916
Health Benefits		16,164
Total Rescue Squad Expenses		<u>337,949</u>
Subtotal Town Funded Expenses		556,137
Donated Services		215,285
Depreciation		<u>131,008</u>
Total Operating Expenses		<u>902,430</u>
Operating Income (Loss)		(63,061)
Net Assets, July 1, 2010		<u>867,317</u>
Net Assets, Jun 30, 2011	\$	<u><u>804,256</u></u>

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire & Rescue Services, Inc.
Statement of Cash Flows
Operating Fund
For the Year Ended June 30, 2011

Cash Flows From Operating Activities:		
Received From Patients and Others	\$	148,966
Received from Town		463,019
Payments To Employees and Fringe Benefits		(242,080)
Payments To Vendors and Supplies		<u>(324,784)</u>
Net Cash Used By Operating Activities		45,121
Cash Flows From Noncapital Financing Activities:		
None		
Cash Flows From Capital and Related Financing Activities:		
Purchase of Fixed Assets		<u>(31,766)</u>
Net Cash Used By Capital and Related Financing Activities		(31,766)
Cash Flows From Investing Activities:		
Interest Income		
Net Increase (Decrease) in Cash		<u>13,355</u>
Cash, July 1, 2010		<u>178,522</u>
Cash, June 30, 2011	\$	<u><u>191,877</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)	\$	(63,061)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	131,008	
(Increase) Decrease in Accounts Receivable	(12,099)	
(Increase) Decrease in Prepaid Expenses	(1,204)	
Increase (Decrease) in Accounts Payable	8,142	
Increase (Decrease) in Accrued Expenses	(15,605)	
Increase (Decrease) in Deferred Revenue	<u>(2,060)</u>	
Total Adjustments		<u>108,182</u>
Net Cash Provided (Used) By Operating Activities	\$	<u><u>45,121</u></u>

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire & Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Charlotte Volunteer Fire and Rescue Services, Inc., (the Organization), is a private nonprofit organization dedicated to providing fire protection and ambulance services to the surrounding community in Chittenden County, Vermont. Approximately 79% of the organization's support for the year ended June 30, 2011 came from allocations from town funding.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the guidelines issued by the Financial Accounting Standards Board. Under these guidelines 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. The Organization had only unrestricted net assets and temporarily restricted net assets at June 30, 2011.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and Cash Equivalents for purposes of the statement of cash flows exclude permanently restricted Cash and Cash Equivalents.

Accounts Receivable

The Organization carries its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions.

Property and Equipment

The Organization capitalized all property, equipment, furniture, and leasehold improvement acquisitions in excess of \$5,000 at cost. Lesser amounts are expensed. Donations of property, equipment, furniture, and leasehold improvements are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donate asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be

Charlotte Volunteer Fire & Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Cont.)

maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property equipment and furniture are being depreciated using the straight-line method over their estimated useful lives, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

Deferred Revenues

Deferred revenues result from the Organization recognizing fee for services and contract revenues in the period in which the program services are performed.

Public Support and Revenue Recognition

Annual campaign contributions and special event revenues are generally available for unrestricted use in the related campaign event year unless specifically restricted by the donor.

Grant and other contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their fair value in the period received. 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 donations, are recorded at their fair values in the period received.

Charlotte Volunteer Fire & Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Cont.)

Income Taxes

The Organization is a not-for-profit corporation whose revenues are derived from contributions, grants and other fund-raising activities and is not subject to federal or state income taxes.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

However, income from rental of space of an antenna tower, not directly related to the Organization's tax-exempt purpose, is subject to taxation as unrelated business income.

Functional Expenses

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on methods determined by management.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

NOTE 2 – CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Organization to concentration of credit and market risk consist primarily of cash equivalents and investments. Credit exposure is not limited to any one institution. The Organization has not experienced any losses on its cash equivalents.

NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of property, equipment, furniture and leasehold improvements as of June 30, 2011:

Charlotte Volunteer Fire & Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 3 – PROPERTY AND EQUIPMENT (CONTINUED)

Other Capital Assets:	
Leasehold Improvements	\$ 16,653
* Furniture and Equipment	1,331,008
Vehicles	
2006 Ambulance	140,000
2008 Pumper	180,000
Marine #3	<u>24,166</u>
Subtotal	1,691,827
Less Accumulated Depreciation	<u>(1,088,023)</u>
Total Capital Assets, Net:	<u>\$ 603,804</u>

*Furniture and Equipment listed are assets combined prior to year 2006.

NOTE 4 – UNRESTRICTED NET ASSETS

There are no donor restrictions on the Organization's unrestricted net assets. However, at June 30, 2011 the Organization's directors have chosen to designate unrestricted net assets for the following purposes:

Designated for Barrows Fund	\$ 12,729
Designated for Towers Fund	45,750
Designated for Rescue Services Fund	2,058
Designated for Fire Services Fund	29,919
Designated Fixed Assets for Fire & Rescue	603,804
Undesignated	<u>109,996</u>
Total unrestricted net assets:	<u>\$804,256</u>

NOTE 5 – DONATED SERVICES

The Organization receives donated services from a variety of unpaid volunteers assisting the organization in fund raising and special projects. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB issued guidelines have not been satisfied.

The value of donated services included in the accompanying financial statements and the corresponding expenses for the year ended June 30, 2011 are as follows:

Program	Service	Hours	Amount
Health and Welfare	On-Call Fire Dept. Duty	2,805	\$52,229
Health and Welfare	On-Call Rescue Service Duty	10,191	<u>\$163,056</u>
			<u>\$215,285</u>

Charlotte Volunteer Fire & Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 6 – DESCRIPTION OF PROGRAM AND SUPPORT SERVICES

The Organization provides Fire and Rescue Services to the Town of Charlotte, VT and its surrounding areas. The Organization is staffed primarily by volunteers. In the past year Fire and Rescue Squad members volunteered over 16,000 hours. Rescue received 279 calls during the past year, while Fire received 121 calls.

Management and General includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board; maintain competent professional services for the program administration of the organization; and manage the financial and budgetary responsibilities of the Organization.

NOTE 7 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs, fund-raising and other activities have been summarized on a functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs, fund-raising, and other activities benefited.

NOTE 8 – TOWN FUNDED EXPENSES

The Town of Charlotte, VT has funded directly the following expenses incurred by Fire and Rescue Services:

Payroll	\$225,919
Workers Comp Insurance	35,771
Equipment Replacement/Maintenance	34,975
Insurance	25,429
Apparatus Maintenance/Fuel	24,393
Member Incentives	22,506
Occupancy	16,280
Benefits	16,164
Medical Supplies/Oxygen	14,890
Building Maintenance	14,782
Training	10,179
Dispatch	8,272
Professional Services	7,203
Protective Clothing	4,677
Administration/Memberships	<u>4,369</u>
Total Town Funded Expenses	\$465,809

Charlotte Volunteer Fire & Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 9 – OPERATING LEASE (LESSOR)

On November 22, 2010, Charlotte Volunteer Fire and Rescue Services, Inc. entered into a lease agreement with Ikon Financial Services for the lease of a copier. The total amount due is \$7,890, to be paid in monthly installments of \$131 over 5 years. The following is a schedule of future minimum lease payments under this lease.

For the Year ending June 30, 2012	\$1,572
2013	1,572
Thereafter	<u>3,698</u>
Total	<u>\$6,842</u>

The total lease payments during the year ended June 30, 2011 was \$1,524.

NOTE 10 – OPERATING LEASES (LESSEE)

On August 28, 2008, Charlotte Volunteer Fire and Rescue Services, Inc. entered into a lease agreement with Verizon Wireless for the lease of a space of land where a tower is maintained for communication purposes. The total amount due to Charlotte Volunteer Fire and Rescue Services, Inc. starting on 2009 is \$24,000, to be received in monthly installments starting at \$2,000 over 5 years. The agreement will automatically extend for 4 additional 5 year terms unless the agreement is terminated or the lease payments are in default. Also, lease payments over the extension shall increase by 3% each year from the annual lease amount paid in the immediate preceding year. The following is a schedule of future minimum lease payments to be received by Charlotte Fire and Rescue Services under this lease:

For the Year Ending June 30, 2012	\$ 25,844
2013	26,619
2014	27,418
2015	28,240
2016	29,087
Thereafter	<u>651,986</u>
Total	<u>\$789,194</u>

Total lease payments received during the year ended June 30, 2011 were \$25,091.

NOTE 11– RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Organization maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Organization.

Charlotte Volunteer Fire & Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2011

NOTE 12 – COMMITMENTS

On February 16, 2005, the Charlotte Fire and Rescue Services, Inc. entered into an agreement with Newport Ambulance Service, Inc. for contracted patient billing service to be in effect until terminated. The minimum annual cost to the Charlotte Fire and Rescue Services, Inc. for 2012 will be 8% of the billed services collected.