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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 20, 2014

Board of Directors
Cleveland Township Volunteer Fire Department
51233 County Road 5 N.
Elkhart, IN 46514

We have reviewed the audit report prepared by Kruggel, Lawton & Company, LLC, for the period January 1, 2012 to December 31, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Cleveland Township Volunteer Fire Department, as of December 31, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report, except for the capitalization of certain equipment at appraised value rather than acquisition cost. Please refer to the Report of Independent Auditors and Note 1. We call your attention to this matter.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



ANNUAL REPORT
December 31, 2012



Elkhart, Indiana

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

Elkhart, Indiana

ANNUAL REPORT

December 31, 2012

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Cleveland Township Volunteer Fire Department, Inc.
Elkhart, Indiana

We have audited the accompanying financial statements of Cleveland Township Volunteer Fire Department, Inc. (a nonprofit Organization), which comprise the statements of assets and net assets - modified cash basis as of December 31, 2012 and 2011, and the related statements of support, revenue, and expenses - modified cash basis, expenses by functional and natural classification - modified cash basis, and statements of cash flows - modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 1 to the financial statements, the Organization has stated certain assets at appraised value in the accompanying statements of assets and net assets - modified cash basis. In our opinion, such assets should be stated at acquisition cost to conform with the modified cash basis of accounting. The effects on the accompanying financial statements of the failure to record certain assets at acquisition cost have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Cleveland Township Volunteer Fire Department, Inc. as of December 31, 2012 and 2011, and its support, revenue, expenses, and changes in net assets and cash flows for the years then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana
November 29, 2013

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.Elkhart, Indiana

STATEMENTS OF ASSETS AND NET ASSETS - MODIFIED CASH BASIS

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	370,711	121,404
Total Current Assets	370,711	121,404
PROPERTY AND EQUIPMENT		
Land	20,793	20,793
Buildings and improvements	393,129	391,054
Equipment	506,200	441,612
Vehicles	333,820	361,076
Total	1,253,942	1,214,535
Accumulated depreciation	856,272	860,013
Net Property and Equipment	397,670	354,522
TOTAL ASSETS	768,381	475,926
<u>LIABILITIES AND NET ASSETS</u>		
NET ASSETS		
Unrestricted	757,905	462,875
Temporarily restricted	10,476	13,051
Total Net Assets	768,381	475,926
TOTAL LIABILITIES AND NET ASSETS	768,381	475,926

The Notes to Financial Statements are an integral part of this statement.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.Elkhart, Indiana

STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Public Support		
Contributions	3,097	315
Total Public Support	3,097	315
Revenue		
Contract revenue	824,229	584,282
Service revenue	108,809	102,607
Other township income	84,044	17,418
Other income	3,233	1,714
Interest income	25	1
Gain (loss) on disposal of assets	3,662	(5,923)
Total Revenue	1,024,002	700,099
Total Public Support and Revenue	1,027,099	700,414
Net assets reclassified:		
Restrictions satisfied by payments	18,009	19,101
Total Net Assets Reclassified	18,009	19,101
Expenses		
Program services	707,523	670,333
Supporting services:		
Management and general	32,025	25,479
Fundraising	10,530	11,612
Total Expenses	750,078	707,424
Increase In Unrestricted Net Assets	295,030	12,091
TEMPORARILY RESTRICTED NET ASSETS		
Revenue		
Fundraising events	15,430	32,141
Interest income	4	11
Total Contributions to Temporarily Restricted Net Assets	15,434	32,152
Net assets released from restrictions:		
Restrictions satisfied by payments	(18,009)	(19,101)
Total Net Assets Released from Restrictions	(18,009)	(19,101)
Increase (Decrease) In Temporarily Restricted Net Assets	(2,575)	13,051
INCREASE IN NET ASSETS	292,455	25,142
NET ASSETS AT BEGINNING OF YEAR	475,926	450,784
NET ASSETS AT END OF YEAR	768,381	475,926

The Notes to Financial Statements are an integral part of this statement.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.Elkhart, Indiana

**STATEMENTS OF EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION
- MODIFIED CASH BASIS**

For the Year Ended December 31, 2012

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	417,135	0	0	417,135
Payroll taxes	32,699	0	0	32,699
Fuel expense	19,286	0	0	19,286
Insurance	35,646	0	0	35,646
Group insurance	17,388	0	0	17,388
Education	4,571	0	0	4,571
Expense allowance	11,993	0	0	11,993
Depreciation	43,430	0	0	43,430
Utilities	18,053	0	0	18,053
Medical	618	0	0	618
Retirement expense	29,952	0	0	29,952
Repairs and maintenance	52,144	0	0	52,144
Outside services	24,608	0	0	24,608
Information technology services	0	1,825	0	1,825
Professional fees	0	22,508	0	22,508
Office supplies	0	4,133	0	4,133
Bank fees	0	43	0	43
Charitable contributions	0	1,230	0	1,230
Miscellaneous	0	2,286	0	2,286
Fundraising expenses	0	0	10,530	10,530
Total	707,523	32,025	10,530	750,078

The Notes to Financial Statements are an integral part of this statement.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.Elkhart, Indiana

**STATEMENTS OF EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION
- MODIFIED CASH BASIS**

For the Year Ended December 31, 2011

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	398,289	0	0	398,289
Payroll taxes	30,238	0	0	30,238
Fuel expense	20,600	0	0	20,600
Insurance	26,744	0	0	26,744
Group insurance	29,549	0	0	29,549
Education	3,541	0	0	3,541
Expense allowance	11,954	0	0	11,954
Depreciation	40,677	0	0	40,677
Utilities	16,640	0	0	16,640
Medical	1,597	0	0	1,597
Retirement expense	28,108	0	0	28,108
Repairs and maintenance	47,182	0	0	47,182
Outside services	15,214	0	0	15,214
Information technology services	0	16,748	0	16,748
Office supplies	0	4,210	0	4,210
Bank fees	0	160	0	160
Miscellaneous	0	4,361	0	4,361
Fundraising expenses	0	0	11,612	11,612
Total	670,333	25,479	11,612	707,424

The Notes to Financial Statements are an integral part of this statement.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.Elkhart, Indiana

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	292,455	25,142
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	43,430	40,677
(Gain) loss on disposal of assets	(3,662)	5,923
Adjustments for changes in operating assets and liabilities:		
Other current liabilities	0	(5,000)
Net Cash Flows from Operating Activities	332,223	66,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(86,916)	(30,505)
Proceeds from sale of property and equipment	4,000	0
Net Cash Flows from Investing Activities	(82,916)	(30,505)
INCREASE IN CASH	249,307	36,237
CASH AT BEGINNING OF YEAR	121,404	85,167
CASH AT END OF YEAR	370,711	121,404

The Notes to Financial Statements are an integral part of this statement.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

Elkhart, Indiana

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2012 and 2011

NATURE OF ACTIVITIES

Cleveland Township Volunteer Fire Department, Inc. ("the Organization") is a non-profit corporation that is retained by a local municipality on an annual basis to provide fire services. The Organization is supported primarily by a fee for service contract with Cleveland Township in Elkhart, Indiana. The Organization received and deposited contract revenue of \$824,229 and \$584,282 during 2012 and 2011, respectively. In addition to contract fees provided by the township, the township also provides additional "emergency" funding to the Organization when it experiences negative cash flows. The funding provided to the Organization from Cleveland Township in 2012 consists of contract payments of \$278,029, as well as additional emergency funding of approximately \$546,200. In addition, during 2012, Cleveland Township paid \$9,822 for expenses and \$74,222 for purchases of equipment on behalf of the Organization directly to its vendors. The funding provided to the Organization from Cleveland Township in 2011 consists of contract payments of \$473,476, as well as additional emergency funding of approximately \$110,806. In addition, during 2011, Cleveland Township paid expenses on behalf of the Organization in the amount of \$17,418 directly to its vendors. The Organization also provides ambulatory services for which the Organization is also compensated by either individuals, their insurance companies, or both.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting. Certain revenues are recognized when received rather than when earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

Elkhart, Indiana

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2012 and 2011

CASH

For the purposes of the Statements of Cash Flows - Modified Cash Basis, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at local banks and is insured up to the respective limits by the FDIC.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as unrestricted support at their estimated fair value unless the donor has restricted the donated 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 support. Absent donor stipulations regarding how long those donated assets must be 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. There were no donated assets for the years ended December 31, 2012 and 2011. As part of its fee for service contract with Cleveland Township, the Organization is given the right to house and use equipment purchased by Cleveland Township. Since the Organization does not have legal title to this equipment, the cost of such equipment has not been recorded on the Statement of Assets and Net Assets - Modified Cash Basis.

Purchased property and equipment are stated at cost, except for land, building and improvements located at 29500 County Road 12, and land located at 51233 County Road 5, Elkhart, Indiana which are stated at the appraised market value as appraised on March 23, 1991. These assets represent approximately 8% of total net book value of property and equipment at December 31, 2012 and 2011. Expenditures for additions, improvements, and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss arising from the disposition is reflected in income. Depreciation is provided for over the estimated useful lives of the assets by the straight-line method. Depreciation expense was \$43,430 and \$40,677 for the years ended December 31, 2012 and 2011, respectively.

A summary of the range of lives by asset category follows:

Buildings and improvements	15 - 40 years
Equipment	5 - 10 years
Vehicles	10 years

CONTRIBUTIONS

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

Elkhart, Indiana

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2012 and 2011

INCOME TAXES

The Organization's tax exempt status as a not-for-profit organization under IRC Section 501(c)(3) was reinstated as of August 10, 2011. The Organization's 501(c)(3) status was automatically revoked as of May 15, 2010 as a result of the Organization's failure to file federal form 990 for three consecutive reporting periods. The Organization was operating under the premise that it was not required to file form 990 since it should be treated as an affiliate of a governmental unit under guidelines outlined in Revenue Procedure 95-48 which exempts organizations from the filing requirement, but it had not obtained an official determination from the IRS. The Organization has since requested the determination from the IRS but has not yet received a response as of the date of these financial statements. However, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a). The Organization is also considered to be exempt under corresponding provisions of Indiana tax law.

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 and 2011 consist of funds raised by the membership of the fire department through various fundraisers including, but not limited to, a fish fry, and the sale of Christmas trees, as well as, interest accumulated from the deposit accounts containing such funds. The use of the funds is determined by vote of the membership. Common uses include the purchase of fire gear not provided to the membership by the department, the purchase of assets for the department by the membership, and the funding of other purchases not within the department's budget. The funds are not under the direct control of management or the Board of Directors. The funds are released from restriction as expended. During the years ended December 31, 2012 and 2011, the membership raised \$15,430 and \$32,141 through fundraising events and expended \$18,009 and \$19,101 for the aforementioned purposes, including \$2,546 and \$2,132 for assets reflected in Property and Equipment on the Statement of Assets and Net Assets - Modified Cash Basis, respectively. Temporarily restricted net assets available to the membership were \$10,476 and \$13,051 at December 31, 2012 and 2011, respectively.

NOTE 3 - CONCENTRATIONS

The Organization receives most of its operating support from a fee for service contract with Cleveland Township in Elkhart, Indiana. The Organization contracts with Cleveland Township to provide fire protection to the township's residents. If the municipality decides not to renew its annual contract with the Organization or significantly reduces the Organization's allocated funds, the Organization would not be able to operate.

NOTE 4 - RETIREMENT PLAN

On October 10, 2002, the organization joined the Indiana Public Employees Retirement Fund (P.E.R.F.). All employees are eligible to participate by contributing 3% of their wages. The Organization matched 7.50% of all participating employees' wages during 2011. Effective January 1, 2012, the Organization matched 8% of all participating employees' wages. The Organization incurred expenses of \$29,952 and \$28,108 during the years ended December 31, 2012 and 2011, respectively.

CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

Elkhart, Indiana

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 5 - SUBSEQUENT EVENTS

The Subsequent Events Topic of the FASB ASC 855 establishes general standards for non-public entities of accounting for and disclosing events that occur after the balance sheet date but before financial statements are available to be issued. Financial statements are considered available to be issued when they are complete in a form and format that complies with accounting principles generally accepted in the United States of America and all approvals necessary for issuance have been obtained. Accordingly, management has evaluated events or transactions that occurred after the most recent balance sheet date of December 31, 2012 through November 29, 2013, the date the financial statements were available to be issued. Management is not required to and has not evaluated events or transactions that occurred after November 29, 2013. No events or transactions occurred in the mandatory evaluation period requiring recognition or disclosure in the financial statements.