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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

September 6, 2018

Board of Directors
Porter Township Volunteer Firemen, Inc.
P.O. Box 211
Boone Grove, IN 46302

We have reviewed the report prepared by Porter Township Volunteer Firemen, Inc. and opined upon by Audit One, Ltd., Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Porter Township Volunteer Firemen, Inc. as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Audit One, Ltd. prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

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

Porter Township Volunteer Firemen, Inc.
Financial Statements

For The Year Ended
December 31, 2017

Prepared By:
AUDIT ONE, LTD.
PO Box 567
Peotone, IL 60468
(708) 258-6247

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Audit One, Ltd.

PO Box 567, 403 Garfield Ave.
Peotone, IL 60468
708-258-6247 708-247-3109 Fax
AuditOne.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Porter Township Volunteer Firemen Inc.:

We have audited the accompanying financial statements of **Porter Township Volunteer Firemen Inc.** (a not-for-profit association), which comprise the statement of assets, liabilities, and net assets – income tax basis as of **December 31, 2017**, and the related statements of support, revenues and expenses, functional expenses and cash flows – income tax basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting **Porter Township Volunteer Firemen Inc.** uses for income tax purposes; this includes determining that the income tax basis of accounting is an acceptable basis for 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

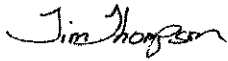
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **Porter Township Volunteer Firemen Inc.** as of **December 31, 2017**, and its revenues, expenses, and other changes in net asset for the year then ended in accordance with basis of accounting the organization used for income tax purposes as describe in Note 2 and corrections to be made as described in Note 8.

Basis of Accounting & Correction to Income Tax Basis

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the accounting basis the organization uses for income tax purposes, 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.

As described in Note 8 of the financial statements, adjustments to the financial statement were made to have them reflect the findings discovered.



Audit One, Ltd.
P.O. Box 567
Peotone, IL 60468
Date: August 16, 2018

Porter Township Volunteer Firemen, Inc.

Statement of Assets, Liabilities and Net Assets-Income Tax Basis

For the Year Ended

12-31-17

ASSETS	
Current Assets	
Checking/Savings	\$ 131,631
C/Ds	159,492
Cash Accounts	\$ 291,123
Prepays	-
Total Current Assets	291,123
Fixed Assets	
Building & Leasehold Improvements	171,393
Equipment & Vehicles	1,799,607
Less: Accum Depreciation	(1,413,998)
Total Fixed Assets	557,002
TOTAL ASSETS	\$ 848,125
LIABILITIES & NET ASSETS	
Current Liabilities	
Accounts Payable	\$ -
Current Portion of Long-Term	41,521
Total Current Liabilities	41,521
Long Term Liabilities	
Notes Payable	173,917
Less: Current Portion	(41,521)
Total Liabilities	173,917
NET ASSETS	
Without Restriction-Net Assets	674,208
With Restriction-Net Assets	-
Total Net Assets	674,208
TOTAL LIABILITIES & NET ASSETS	\$ 848,125

Porter Township Volunteer Firemen, Inc.

Statement of Support, Revenue and Expenses-Income Tax Basis

For the Year Ended

	12/31/17		
	Without Restrictions	With Restricted	Total
REVENUES, GAINS AND SUPPORT			
Public Support			
Government Grant	\$ 231,857	\$ -	\$ 231,857
Flowers/Plant Sale	859		859
Safety Signs	120		120
Swimming Pools	625		625
Table & Chairs	135		135
CPR Instructions	490		490
Misc Income	546		546
Equipment Sales/Gain	4,600		4,600
Fundraising	21,148		21,148
Investments			
Interest Income	3,403	-	3,403
Total Revenues and Support	263,783	-	263,783
EXPENSES			
Program Services			
Program Expenses	176,155	-	176,155
Total Program Services	176,155	-	176,155
Supporting Services			
Management & General	84,190	-	84,190
Fundraising Expenses	7,316	-	7,316
Total Supporting Services	91,506	-	91,506
Total Expense	267,661	-	267,661
INCREASE (Decrease) in Net Assets	\$ (3,878)	\$ -	\$ (3,878)
NET ASSETS, Beginning of year	678,086	-	678,086
NET ASSETS, End of year	\$ 674,208	\$ -	\$ 674,208

Porter Township Volunteer Firemen, Inc.

Statement of Functional Expenses-Income Tax Basis

For the Year Ended

	12/31/17			
	Program Expense	Mgmt and Gen'l	Fund- raising	Total Expenses
Travel	\$ 4,862	\$	\$	\$ 4,862
Conference/Meetings	4,000	2,049		6,049
Depreciation	145,954	359		146,313
Clothing & Vehicle	14,313	7,425		21,738
Misc Expense	429	516		945
Interest Expense	6,597	-		6,597
Prior Period Exp Adj	-	3,996		3,996
Accounting		1,750		1,750
Office Expenses		5,705		5,705
Occupancy		25,399		25,399
Rep & Mtce		36,991		36,991
Fundraising Expenses			7,316	7,316
				-
Total	\$ <u>176,155</u>	\$ <u>84,190</u>	\$ <u>7,316</u>	\$ <u>267,661</u>

Porter Township Volunteer Firemen, Inc.

Statement of Cash Flows-Income Tax Basis

For the Year Ended

	12-31-17
CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in Net Assets	\$ (3,878)
Adjustments	
Unrealized (gain) loss on investments	-
Loss(gain) on Equipment Sale	(4,600)
Depreciation	146,313
(Increase) decrease in Assets	
Accounts Receivable	-
(Increase) decrease in Assets	
Accounts Payable	-
Accrued Expenses	-
Net Cash from Operating Activities	137,835
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Fixed Assets	(65,321)
Net Cash from Investing Activities	(65,321)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment/Advances on Loans	(40,281)
Restructure Debt/Lease Interest Balance	24,870
Net Cash from Financing Activities	(15,411)
NET INCREASE IN CASH AND CASH EQUIVALENT	\$ 57,103
Cash and Cash Equivalent, Beginning of year	234,020
CASH AND CASH EQUIVALENT, End of year	\$ <u>291,123</u>
 Supplemental Disclosure	
Interest Paid	\$ 6,597
Income Taxes Paid	\$ 0

Porter Township Volunteer Firemen, Inc.
Notes to Financial Statements
December 31, 2017

Note 1: Organization and Nature of Activities

Porter Township Volunteer Firemen, Inc. organized in 1983, is a not for profit organization that engages, without charge, in the work of preventing and extinguishing fires in homes and buildings situated within Porter Township and surrounding areas. The Department has 22 dedicated members who are available 24/7-365 days a year. The Department covers 35 square miles and protects approximately 10,000 residents. The Department is equipped to handle fire and chemical emergencies and provides basic and advanced emergency medical services. The fire department is responsible for responding to both warm and cold-water emergencies for a 60-acre lake within their jurisdiction.

Support comes primarily from contracted services in addition to service billings, contributions and fundraisers.

Note 2: Summary of Significant Accounting Policies

Accounting Basis: The Organization's policy is to prepare its financial statements on the income tax basis of accounting. This is a departure from generally accepted accounting principles which recognizes income and expenses when occurred. The organization recognizes revenue when received and expenses when paid as acceptable to filing federal income taxes. This is a departure from the basis of accounting generally accepted in the United States of America (GAAP).

Functions:

Programs: The Organization provides fire protection and public safety for Porter Township. A small part of these functions is to provide public service like filling pools, and CPR training.

Fundraising: The organization has two fundraising events which are an annual pancake breakfast and a fundraising letter.

General and Administrative: These are the expenses necessary for the operation of the organization.

Functional Expense Allocation: As the financial statements are being prepared on the income tax basis, there has not been any expense allocation done for the various functions. Although not performing any allocation for various expense items is not generally accepted accounting principles, these financial statements were prepared on income tax basis.

Basis of Presentation: The financial statements for non-profits are normally presented in accordance with accounting principles generally accepted in the United States of America as codified in the Financial Accounting Standards Board Accounting Standards Codification. As mentioned above, the basis of presentation is income tax basis.

Under accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without restricted net assets and with restricted net assets. The organization has adopted this same accounting policy for income tax basis.

Porter Township Volunteer Firemen, Inc.
Notes to Financial Statements
December 31, 2017

Estimates: The preparation of financial statements in conformity with income tax basis of accounting or generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents : Cash and cash equivalents for purposes of the statement of cash flows includes all checking, savings and money market accounts and all short-term investments with an original maturity of three months or less.

Allowance for Uncollectible Accounts: Management considers all receivables and promises to give to be fully collectible and, therefore, an allowance account is not recorded. In addition, the income tax basis of accounting reflects actual receipts and disbursements.

Property and Equipment: It is the Organizations policy to capitalize property and equipment with useful life of more than one year. Purchased property and equipment are capitalized at cost. Donation of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions 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 contributions. 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 restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using both the bonus and accelerated tax methods.

Public Support and Revenue Recognition: Contracted Income, contributions, fundraising, support services billings, and interest is generally available for unrestricted use in the related year. Contracted Income, contributions, fundraising, support services billings are recognized upon receipt of payment and interest is recognized when earned.

Investment interest, dividends and investment gains are available for unrestricted use and benefit.

Income Taxes: The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and State Income Taxes. The Organization files and has available for viewing the Federal 990 income tax returns.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses-income tax basis. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited. The allocation of functional expense has been reported on the income tax basis rather than generally accepted accounting principles of the United States.

Porter Township Volunteer Firemen, Inc.
Notes to Financial Statements
December 31, 2017

Advertising: The Organization charges advertising costs directly to operations as incurred. Advertising expense was \$ -0- for the year ended December 31, 2017.

Contributed Services: A significant amount of donated services is contributed to the Organization by various members to support the Organization's programs, fundraising, and supporting services. The value of these services has not been included in the financial statements.

Note 3: Concentration of Credit Risk: The Organization maintains several bank accounts at one bank. The Federal Deposit Insurance Corporation (FDIC) insures the total of all accounts at a single institution up to \$250,000. The Organization occasionally has amounts on deposit at financial institutions that exceed the FDIC insurance limit. The Organization believes there is no significant risk with respect to such deposits. The amount in excess of the FDIC limit was \$-0- as of December 31, 2017.

Note 4: Furniture, Equipment and Leasehold Improvements:

The following is a summary of Property and Equipment as of December 31, 2017.

		Estimated Useful Lives
Building & Improvements	\$ 171,393	15 – 39 Years
Equipment & Vehicles	<u>1,799,607</u>	05 - 10 Years
	\$ 1,971,000	
Less Accumulated Depreciation & Amortization	<u>1,413,998</u>	
Total	<u>\$ 557,002</u>	

Depreciation Expense for 2017 was \$146,313.

Note 5: Notes Payable and Capitalized Lease Payable

The Organization has one capitalized lease secured by the fire equipment purchased. The assets and liabilities under the capital lease was recorded at cost and amortized based on the lease to purchase schedule. Except for the use of verbiage 'lease purchase agreement', for income tax purposes, it has been treated as a note payable.

The capitalized lease purchase agreement was originated in May of 2014. Payments of \$46,878 are to be made each year in May. The agreement matures in May of 2021 having a computed interest rate of 7.39 %. Principal balance was \$173,916 for the fiscal years ended December 31, 2017.

Aggregate principal payments of long-term debt including capitalized leases for the five years subsequent to December 31, 2017 are as follows: 2018 - \$41,521, 2019 - \$42,800, 2020 -\$44,118, 2021 - \$45,477, 2022 - \$-0- and Thereafter \$-0-.

Interest paid on all outstanding debt amounted to \$6,597 in 2017.

Porter Township Volunteer Firemen, Inc.
Notes to Financial Statements
December 31, 2017

Note 6: With Restrictions- Net Assets: There are no With Restrictions-Net Assets at this time.

The organization follows SFAS No. 117 which requires classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets-permanently restricted, temporarily restricted, and unrestricted-be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of support, revenue and expenses – income tax basis. For financial presentation both temporary and permanently restricted net assets are call ‘With Restrictions-Net Assets.’

Note 7: Leased Property: The Organization’s two locations are leased and owned by the Porter Civil Township of Porter County, Indiana. The Organization paid leased payment for the years ended December 31, 2017 and 2016, \$-0- and \$-0- respectively.

Note 8: Accounting for Uncertain Tax Provisions: In assessing the recognition of a tax position where “more likely than not” and the measurement of that position, management knows of no tax position that would not be sustained upon potential audit or examination. The Organization consults with third party consultants to review their current tax filings and evaluate for uncertain tax position.

Adjustments that needed to be made to the income tax basis of accounting on the audited financial statements were the addition of interest expense-\$6,597, additional depreciation expense-\$4,657, interest income of \$586 and prior period adjustment expense of \$3,996. The balance sheet was audit showed a balance sheet adjustment to Fixed Assets and Lease Payable of \$24,870 for old items never updated. These findings are being corrected on the tax return to reflect the preparation of these financial statements based on the income basis as reported on the Federal Form 990.

The federal income tax returns of the Company for 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Note 9: Upcoming Account Changes: In May 2014, the Financial Accounting Standards Board (‘FASB’) issued Accounting Standards Update (‘ASU’ No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also require additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flow arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

Porter Township Volunteer Firemen, Inc.
Notes to Financial Statements
December 31, 2017

On February 25, 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under the new standard, lessees will be required to recognize lease assets and liabilities for all leases, with certain exceptions, on their balance sheets. Nonpublic entities are required to adopt the standard for reporting periods beginning after December 15, 2019. That means an effective date of January 1, 2020 for nonpublic entities with a December 31 year end.

The Organization is in the process of evaluating the impact that these new standards may have on its financial statements for upcoming years.

Note 10: Statement of Cash Flows: The statement of cash flows reflects \$6,597 interest and \$0.00 income taxes paid for the year ending December 31, 2017.

Note 11: Schedule of State and Local Grant Awards

Each year, usually in the 4th Quarter, the organization prepares an agreement with the Porter Civil Township to provide volunteer fire and safety protection for the community. The agreement is based on the appropriation set by the Porter County to be distributed to Porter Civil Township which in turn funds the Not-For-Profit organization – Porter Township Volunteer Firemen, Inc. for the following fiscal year.

Funding is given with one half of the appropriations usually in April of the fiscal year, one fourth in the 3rd Quarter and the balance in the 4th Quarter same fiscal year. Attached is the schedule of funding received for the fiscal year ended December 31, 2017.

Date of Request/Agreement	Date of Receipt	Amount
October 12, 2016	04-20-17	60,000
	08-10-17	782
	09-14-17	40,000
	12-30-17	<u>4</u>
	Total for the Year	100,786

\$19,214, part of 2017 funding was not received until

In addition the Porter Civil Township also makes appropriated funding for Fire Equipment and Stipend Allowances. Attached is the schedule of funding received for the fiscal year ended December 31, 2017.

Date of Receipt	Amount	
01-24-17	45,488	(2016 Funding)
12-30-17	<u>85,584</u>	(2017 Funding)
Total for the Year	131,072	

Total received during the fiscal year through local government funding was \$231,858

Porter Township Volunteer Firemen, Inc.
Notes to Financial Statements
December 31, 2017

Note 12: Liquidity Disclosure: The financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprised the following:

Cash & Cash Equivalent	<u>\$291,123</u>
Total Financial Assets Available	<u>\$291,123</u>

Note 13: Subsequent Events: The Organization has evaluated events subsequent to December 31, 2017 for possible adjustment or disclosure to the accompanying financial statements. The evaluation was done through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.