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April 2, 2019


Board of Directors  
Needham Community Volunteer Fire Department, Inc.  
PO Box 219  
Franklin, IN 46131

We have reviewed the audit report of Needham Community Volunteer Fire Department, Inc. which was opined upon by LWG CPAs & Advisors, Independent Public Accountants, for the period January 1, 2015 to December 31, 2016. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Needham Community Volunteer Fire Department, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* which may be found on pages 11 through 13.

In our opinion, LWG CPAs & Advisors prepared the audit report in accordance with 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, CPA  
State Examiner

**NEEDHAM COMMUNITY VOLUNTEER  
FIRE DEPARTMENT, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

# NEEDHAM COMMUNITY VOLUNTEER FIRE DEPARTMENT, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Needham Community Volunteer Fire Department, Inc.

We have audited the statements of financial position of Needham Community Volunteer Fire Department, Inc. as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

### *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.

### *Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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. An audit also includes evaluating significant accounting estimates made by management as well as evaluating the overall presentation of financial statements.

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Needham Community Volunteer Fire Department, Inc. as of December 31, 2016 and 2015, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

In accordance with Government Auditing Standards, we have issued our report dated January 29, 2019 on our consideration of the Needham Community Volunteer Fire Department, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*LWG CPAs & Advisors*

LWG CPAs & Advisors  
January 29, 2019

# Needham Community Volunteer Fire Department, Inc.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

### ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 434,932	\$ 564,194
Prepaid insurance	2,741	2,611
<b>TOTAL CURRENT ASSETS</b>	437,673	566,805
Property and equipment, net	469,255	423,498
<b>TOTAL ASSETS</b>	<u>\$ 906,928</u>	<u>\$ 990,303</u>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 44,071	\$ 44,121
Accrued liabilities	822	554
Accounts payable	0	110,000
<b>TOTAL CURRENT LIABILITIES</b>	44,893	154,675
Note payable, less current portion	26,015	70,086
<b>TOTAL LIABILITIES</b>	70,908	224,761
<b>NET ASSETS</b>		
Assets Unrestricted	836,020	765,542
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 906,928</u>	<u>\$ 990,303</u>

The accompanying notes are an integral part of these statements.

# Needham Community Volunteer Fire Department, Inc.

## STATEMENTS OF ACTIVITIES

Year Ended December 31, 2016 and 2015

	Amount		Percent	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>	\$ 283,312	\$ 529,448	100.0	100.0
<b>OPERATING EXPENSES</b>				
Payroll	15,398	17,666	5.4	3.3
Depreciation	76,279	61,298	26.9	11.6
Insurance	39,263	41,114	13.9	7.8
Professional fees	1,831	2,720	0.6	0.5
Small tools	22,429	20,218	7.9	3.8
Travel and entertainment	1,312	1,614	0.5	0.3
Truck expenses	11,073	14,292	3.9	2.7
Utilities	15,185	16,737	5.4	3.2
Building repairs and maintenance	6,266	20,040	2.2	3.8
Equipment rental and maintenance	3,957	5,160	1.4	1.0
Medical supplies	5,066	7,572	1.8	1.4
Office supplies, postage, and printing	6,266	7,188	2.2	1.4
All other	5,497	6,643	2.0	1.2
<b>TOTAL OPERATING EXPENSES</b>	<u>209,822</u>	<u>222,262</u>	<u>74.1</u>	<u>42.0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>73,490</u>	<u>307,186</u>	<u>25.9</u>	<u>58.0</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Donations	300	2,525	0.1	0.5
Interest expense	(3,364)	(4,879)	(1.2)	(0.9)
Interest	52	92	0.0	0.0
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(3,012)</u>	<u>(2,262)</u>	<u>(1.1)</u>	<u>(0.4)</u>
<b>CHANGE IN NET ASSETS</b>	70,478	304,924	<u>24.9</u>	<u>57.6</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>765,542</u>	<u>460,618</u>		
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 836,020</u>	<u>\$ 765,542</u>		

The accompanying notes are an integral part of these statements.

# Needham Community Volunteer Fire Department, Inc.

## STATEMENTS OF FUNCTIONAL EXPENSE

Year Ended December 31, 2016

	Management & General	Programs	Fundraising
<b>EMPLOYEE COMPENSATION</b>			
Salaries	\$ 15,398	\$ 0	\$ 0
<b>TOTAL EMPLOYEE COMPENSATION</b>	<u>15,398</u>	<u>0</u>	<u>0</u>
<b>OPERATING EXPENSES</b>			
Insurance	39,263	0	0
Professional fees	1,831	0	0
Small tools	22,429	0	0
Travel and entertainment	1,312	0	0
Truck expenses	11,073	0	0
Utilities	15,185	0	0
Building repairs and maintenance	6,266	0	0
Equipment rental and maintenance	3,957	0	0
Medical supplies	5,066	0	0
Office supplies, postage, and printing	6,266	0	0
All other	5,497	0	0
<b>TOTAL OPERATING EXPENSES</b>	<u>118,145</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNCTIONAL EXPENSE BEFORE DEPRECIATION</b>	133,543	0	0
<b>DEPRECIATION</b>	<u>76,279</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 209,822</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

# Needham Community Volunteer Fire Department, Inc.

## STATEMENTS OF FUNCTIONAL EXPENSE

Year Ended December 31, 2015

	Management & General	Programs	Fundraising
<b>EMPLOYEE COMPENSATION</b>			
Salaries	\$ 17,666	\$ 0	\$ 0
<b>TOTAL EMPLOYEE COMPENSATION</b>	<u>17,666</u>	<u>0</u>	<u>0</u>
<b>OPERATING EXPENSES</b>			
Insurance	41,114	0	0
Professional fees	2,720	0	0
Small tools	20,218	0	0
Travel and entertainment	1,614	0	0
Truck expenses	14,292	0	0
Utilities	16,737	0	0
Building repairs and maintenance	20,040	0	0
Equipment rental and maintenance	5,160	0	0
Medical supplies	7,572	0	0
Office supplies, postage, and printing	7,188	0	0
All other	6,643	0	0
<b>TOTAL OPERATING EXPENSES</b>	<u>143,298</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNCTIONAL EXPENSE BEFORE DEPRECIATION</b>	160,964	0	0
<b>DEPRECIATION</b>	<u>61,298</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 222,262</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

# Needham Community Volunteer Fire Department, Inc.

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors and service	\$ 283,612	\$ 531,973
Cash paid to employees and suppliers	(243,406)	(18,266)
Interest paid	(3,364)	(4,879)
All other	52	92
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>36,895</u>	<u>508,920</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<u>(122,036)</u>	<u>(136,492)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(122,036)</u>	<u>(136,492)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments	<u>(44,121)</u>	<u>(42,728)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(44,121)</u>	<u>(42,728)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(129,262)	329,700
<b>CASH, BEGINNING OF YEAR</b>	<u>564,194</u>	<u>234,494</u>
<b>CASH, END OF YEAR</b>	<u>\$ 434,932</u>	<u>\$ 564,194</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 70,478	\$ 304,924
Non-cash items		
Depreciation and amortization	76,279	61,298
Decrease (increase) in assets		
Prepaid insurance	(130)	(2,611)
Increase (decrease) in liabilities		
Accounts payable	268	552
Accrued liabilities	<u>(110,000)</u>	<u>144,757</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 36,895</u>	<u>\$ 508,920</u>

The accompanying notes are an integral part of these statements.

# Needham Community Volunteer Fire Department, Inc.

## NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

### 1) Summary of significant accounting policies

The significant accounting policies followed by the Needham Community Volunteer Fire Department, Inc. (Department) are summarized below.

Nature of operations - The Department was established in 1963 as a community based non-profit organization established to furnish fire protection and assistance in the event of a disastrous nature, as well as to further the development and improvement of Needham Township and the surrounding communities.

Preparation of financial statements - The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP), in relation to "Financial Statements of Not-for-profit Organizations." The Department 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. In addition, the Department is required to present a statement of cash flows.

Cash and cash equivalents - Cash and cash equivalents are defined as cash on hand and in bank accounts. At times, such cash may be in excess of the FDIC insurance limit.

Revenue - Revenues are classified as either operating or non-operating. Operating revenues consist of amounts received for contracted fire service protection. All other items are considered non-operating.

Depreciation and amortization - The Department has a capitalization policy of capitalizing expenditures for fixed asset related items in excess of \$300. Depreciation for the building and improvements is computed on straight-line basis over estimated useful lives of 40 years and 7 years, respectively. Equipment is depreciated on straight-line basis over estimated useful lives of 5-15 years.

Financial statement estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes - The Department operates as a nonprofit organization, as provided for in Section 501(c) (4) of the Internal Revenue Code, and therefore is exempt from income taxes. The Department does not believe they are taking any uncertain tax positions. No penalties or interest are included in these financial statements.

Advertising - Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2016 and 2015 were \$0 and \$2,180, respectively.

# Needham Community Volunteer Fire Department, Inc.

## NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

### 1) Summary of significant accounting policies (continued)

Subsequent events – Subsequent events have been evaluated through the date of the Independent Auditors' Report, the date of which the financial statements were available for distribution.

### 2) Property and equipment, net

Property and equipment, net, consists of the following:

	<u>2016</u>	<u>2015</u>
Cost		
Building and improvements	\$ 159,066	\$ 159,066
Equipment and trucks	<u>1,142,786</u>	<u>1,020,749</u>
Total cost	1,301,852	1,179,815
Accumulated depreciation	<u>832,597</u>	<u>756,317</u>
 PROPERTY AND EQUIPMENT, NET	 <u>\$ 469,255</u>	 <u>\$ 423,498</u>

Depreciation expense was \$76,279 for 2016 and \$61,298 for 2015. The depreciation and capitalization policies followed by the Department are described in Note 1.

In addition, the Department has access to the fire-fighting equipment owned by the Needham Fire District. The Department does not own or lease any of the equipment at the Needham Fire District.

### 3) Note payable

Note payable consists of the following:

	<u>2016</u>	<u>2015</u>
3.208% note, payable to First Financial Bank in semi-annual installments of approximately \$24,000, including interest, with the final maturity in 2018. Secured by all Department assets.	\$ <u>114,156</u>	\$ <u>158,328</u>
Total note payable	114,156	158,328
Less: current portion	<u>44,071</u>	<u>44,121</u>
 NOTE PAYABLE, less current portion	 <u>\$ 70,085</u>	 <u>\$ 114,207</u>

As of December 31, 2016, future maturities of the note payable principal are as follows: 2016 - \$44,071; 2017 - \$45,582; and 2018 - \$24,503.

# **Needham Community Volunteer Fire Department, Inc.**

## **NOTES TO FINANCIAL STATEMENTS** **Years Ended December 31, 2016 and 2015**

### **4) Concentration of credit risk**

The Department is predominately funded by the Needham Fire District based on an annual contract. In the event that the Fire District did not offer the contract to the Fire Department, the Fire Department would cease to exist. The contract is renewed annually on January 1<sup>st</sup>.

### **5) Related Party Transaction**

The Department entered into a related party transaction with the Fire Chief in 2014. The Fire Chief entered into a verbal agreement as the general contractor for the Department's building remodel project. The Fire Chief's labor related to the project totaled \$26,450 for the year ended December 31, 2014 and \$1,500 for the year ended December 31, 2015. The agreement was terminated in January of 2015 and the Fire Chief resigned in March of 2015.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

January 29, 2019

To the Board of Directors  
of Needham Community Volunteer Fire Department, Inc.

We have audited the financial statements of Needham Community Volunteer Fire Department, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated January 29, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Needham Community Volunteer Fire Department, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Needham Community Volunteer Fire Department, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Department's internal control to be significant deficiencies:

The client performs monthly bank reconciliations. However, this process does not accurately reconcile the bank statement to the general ledger balance. The lack of an effective reconciliation process can, and did, lead to inaccurate cash balances on the books and records of the company. We recommend the client implement effective processes and controls in order to properly reconcile the monthly bank statement to the general ledger balance.

The client entered into a related party transaction that was not disclosed. A related party transaction can lead to a conflict of interest where an individual's private interest interferes, or appears to interfere, with the interest of the organization. A conflict can arise when one's interest make it difficult to preform work for the organization in an objective and effective manner. In order to rectify this situation all future related party transactions will be reviewed by board members and disclosed to the appropriate parties when applicable.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exists that have not been identified. We consider the following deficiencies in internal control that we consider to be significant deficiencies.

There is an absence of appropriate segregation of duties in certain accounting areas consistent with control objectives. However, the hiring of additional employees in order to segregate the duties may not be economically practical for the benefit to be derived.

The client does not maintain continuing property records or depreciation calculations. The absence of this process precludes the client from presenting financial statements in accordance with Generally Accepted Accounting Principles. In order to rectify this situation, they have engaged our firm to prepare these records for the financial statements and submit to the company for review and approval.

The client did not demonstrate sufficient, capable expertise to prepare a complete set of financial statements and required related footnote disclosures. In order to rectify this situation, they have engaged our firm to prepare the complete set of financial statements including the footnote disclosures, which they review and approve.

The client did not monitor and adjust various accounts based on estimates as of the year end date. This lack of monitoring led to inaccurate account balances at year end and could cause the financial records to be misrepresentative as well as allow possible irregularities to exist and continue without notice. We recommend that the accounts be reviewed and adjusted on an annual basis.

**Purpose of the Report**

The purpose of these report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

*LWG CPAs & Advisors*

LWG CPAs & Advisors  
January 29, 2019