Cottonwood Shores Volunteer Fire Department, Inc.
Audit Report
for the Year Ended September 30, 2019 with Comparative Totals as of September 30, 2018

Taber & Burnett, P.C.
A Professional Corporation
Certified Public Accountants

Page

Taber & Burnett, P.C.
A Professional Corporation
Certified Public Accountants
P.O. Box 1519, 412 Buchanan Drive, Burnet, Texas 78611
512/756-4904; Fax: 512/756-4227

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cottonwood Shores Volunteer Fire Department, Inc.
Cottonwood Shores, Texas

We have audited the accompanying Statement of Financial Position of the Cottonwood Shores Volunteer Fire Department, Inc., (a non-profit organization), as of September 30, 2019, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year then ended and the related notes to the financial statements. The prior year comparative information has been derived from the Organization's 2018 financial statements, and in our report dated February 19, 2019, an unqualified opinion on those financial statements was expressed.

Management's Responsibility for the Financial Statements

The Organization's 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 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 Organization'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 the Cottonwood Shores Volunteer Fire Department, Inc. as of September 30, 2019, and the results of activities, cash flows, and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements in 2019, Cottonwood Shores Volunteer Fire Department adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958); Preparation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Taber & Burnett, P.C.

Burnet, Texas
February 29, 2020

Assets

	2019	2018
Current Assets		
Cash and cash equivalents (Note 2)	$ 26,958	$ 36,514
County receivable	5,067	-
Prepaid insurance	2,671	2,671
Total Current Assets	34,696	39,185
Property and Equipment (Note 3)		
Building and improvements	298,960	265,145
Land	22,000	22,000
Machinery and equipment	127,466	109,381
Office furniture and equipment	20,211	20,211
Vehicles and equipment	234,581	244,581
Total Property and Equipment	703,218	661,318
Accumulated Depreciation	(346,326)	(304,903)
Net Property and Equipment	356,892	356,415
Total Assets	$ 391,588	$ 395,600

Liabilities and Net Assets

	2019	2018
Current Liabilities		
Current portion of long-term debt (Note 4)	$ 14,467	$ 20,009
Total Current Liabilities	14,467	20,009
Long-term debt, less current portion (Note 4)	8,556	15,590
Total Liabilities	23,023	35,599
Net Assets (Note 5)		
Net assets without donor restrictions	368,565	360,001
Net assets with donor restrictions	-	-
Total Net Assets	368,565	360,001
Total Liabilities and Net Assets	$ 391,588	$ 395,600

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

Cottonwood Shores Volunteer Fire Department, Inc.

Statement of Activities — *For the Year Ended September 30, 2019 with comparative totals for 2018*

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues, Gains, and Other Support:				
Contract income	$ 53,337	$ -	$ 53,337	$ 53,337
Donations	5,541	-	5,541	5,224
Fundraisers	5,868	-	5,868	15,017
Grants	40,663	-	40,663	9,001
In-kind donations	9,377	-	9,377	1,512
Interest income	19	-	19	11
Gain (loss) on disposition of assets	2,028	-	2,028	3,800
Total Revenues, Gains, and Other Support	116,833	-	116,833	87,902
Cost of Special Activities and Programs:				
Depreciation	51,423	-	51,423	52,973
Fuel	567	-	567	1,249
Insurance	12,571	-	12,571	12,221
Interest	1,540	-	1,540	588
Repairs and maintenance	11,967	-	11,967	16,971
Supplies	7,204	-	7,204	10,709
Training and travel	785	-	785	311
Uniforms	2,010	-	2,010	3,368
Utilities	6,820	-	6,820	6,132
Total Cost of Special Activities and Programs	94,887	-	94,887	104,522
Revenues Net of Cost of Special Activities and Programs	21,946	-	21,946	(16,620)
Supporting Services:				
Fundraising	5,263	-	5,263	5,309
Management and general	3,315	-	3,315	5,884
Professional fees	4,804	-	4,804	5,222
Total Supporting Services	13,382	-	13,382	16,415
Changes in Net Assets	8,564	-	8,564	(33,035)
Net Assets at Beginning of Year	360,001	-	360,001	393,036
Net Assets at End of Year	$ 368,565	$ -	$ 368,565	$ 360,001

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

Cottonwood Shores Volunteer Fire Department, Inc.

Statements of Cash Flows — *For the Years Ended September 30, 2019 and 2018*

		2019		2018
Cash Flows from Operating Activities:				
Changes in Net Assets	$	8,564	$	(33,035)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used In) Operating Activities:				
Depreciation		51,423		52,973
(Increase) decrease in county receivable		(5,067)		-
(Increase) decrease in prepaid insurance		-		(2,671)
Net Cash Provided by (Used In) Operating Activities		54,920		17,267
Cash Flows from Investing Activities:				
Acquisitions of property and equipment		(51,900)		(28,837)
Dispositions of property and equipment		-		500
Net Cash Provided by (Used In) Investing Activities		(51,900)		(28,337)
Cash Flows from Financing Activities:				
Loan proceeds		9,000		36,800
Principal paid on notes		(21,576)		(5,868)
Net Cash Provided by (Used In) Financing Activities		(12,576)		30,932
Net Increase (Decrease) in Cash and Cash Equivalents		(9,556)		19,862
Cash and Cash Equivalents at Beginning of Year		36,514		16,652
Cash and Cash Equivalents at End of Year	$	26,958	$	36,514
Supplemental Cash Flows Disclosures:				
Cash Paid During the Year for:				
Interest	$	1,540	$	588
Income taxes	$	-	$	-
Noncash Activities				
In-kind donations	$	9,377	$	1,512

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

Cottonwood Shores Volunteer Fire Department

Statement of Functional Expenses

For the Year Ended September 30, 2019
with Comparative Totals for 2018

	Program Services	Supporting Services Administration	Fundraising	2019 Total	2018 Total
Depreciation	$ 51,423	$ -	$ -	$ 51,423	$ 52,973
Fuel	567	-	-	567	1,249
Fundraising	-	-	5,263	5,263	5,309
Insurance	12,571	-	-	12,571	12,221
Interest	1,540	-	-	1,540	588
Management and general	-	3,315	-	3,315	5,884
Professional fees	-	4,804	-	4,804	5,222
Repairs and maintenance	11,967	-	-	11,967	16,971
Supplies	7,204	-	-	7,204	10,709
Travel and training	785	-	-	785	311
Uniforms	2,010	-	-	2,010	3,368
Utilities	6,820	-	-	6,820	6,132
2019 Total	$ 94,887	$ 8,119	$ 5,263	$ 108,269	$ -
2018 Total	$ 104,522	$ 11,106	$ 5,309	$ -	$ 120,937

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cottonwood Shores Volunteer Fire Department, Inc. (the Organization) is a not-for-profit corporation, established to provide fire protection and emergency services necessary for the preservation of life and the protection of property from and during fire or other emergencies within the area of its operation in the City of Cottonwood Shores, Texas.

Basis of Presentation

Resources are classified for accounting and reporting purposes into two classes of net assets, according to externally imposed restrictions.

Net assets without donor restrictions: This is the portion of net assets of the Organization that can be used subject only to the board limits resulting from the nature of the Organization, the environment it operates in, or the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Organization in the course of its business. The Organization has the greatest ability to choose when using these resources.

Net assets without donor restrictions generally result from grants, contracts, and contributions that are not subject to donor-imposed restrictions, and income from investing excess operating cash, reduced by expenses incurred in providing services, raising contributions, and performing administrative functions.

Net assets with donor restrictions: This is the portion of net assets of the Organization that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization's choices when using these resources because the Organization has a fiduciary responsibility to its donors to follow the donor's instructions.

Net assets with donor restrictions generally result from donor-restricted contributions.

Tax Status

Under provisions of the Internal Revenue Code, Section 501(c)(3), the Organization is exempt from taxes on income other than unrelated business income. Since the Organization had no net unrelated business income during the years ended September 30, 2019 and September 30, 2018, no provision for income taxes has been made. The Organization's open audit periods are for the fiscal years ended September 30, 2017 through 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when the donor gives funds to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed Services

The Organization receives many services from volunteers which are not recorded in these financial statements. The Organization records services in the financial statements if the volunteer services create or enhance a non-financial asset; or require specialized skills, are performed by people with those skills, and would otherwise be purchased. No contributed services were recognized in the years ending September 30, 2019 or 2018.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses are allocated based on the nature of the expense.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized information in total. With respect to the statement of activities and the statement of functional expenses, such prior-year information is not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's 2018 financial statements from which the summarized information is derived.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents, if any. The carrying amount for cash and cash equivalents approximates fair value.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. Donated property and equipment is recorded at fair value as of the date donated. The Organization follows the practice of capitalizing all expenditures for or donations of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of activities. Deprecation is computed on the straight line basis over the useful lives of the assets as follows:

Buildings and Improvements	10 to 40 years
Machinery and Equipment	5 years
Vehicles	5 years

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Top 958): Presentation of Financial Statements of Not-for-Profit Entities.* The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 7).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes have the following effect on net assets at September 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 360,001	$ -
Temporarily restricted net assets	-	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	360,001
Net assets with donor restrictions	-	-
	$ 360,001	$ 360,001

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled $26,958 at September 30, 2019 and $36,514 at September 30, 2018. Cash and cash equivalents consist of bank accounts that are available for use in current operations.

NOTE 3 - PROPERTY AND EQUIPMENT

Changes in property and equipment during the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019
Building and Improvements	$ 265,145	$ 33,815	$ -	$ 298,960
Land	22,000	-	-	22,000
Machinery and equipment	109,381	18,085	-	127,466
Office furniture and equipment	20,211	-	-	20,211
Vehicles and equipment	244,581	-	10,000	234,581
	661,318	51,900	10,000	703,218
Less accumulated depreciation	(304,903)	(51,423)	(10,000)	(346,326)
Net Property and Equipment	$ 356,415	$ 477	$ -	$ 356,892

NOTE 4 - LONG-TERM DEBT

The following schedule summarizes notes payable transactions for the year ended September 30, 2019:

	Balance October 1, 2018	Additions	Payments	Balance September 30, 2019
Notes payable	$ 35,599	$ 9,000	$ 21,576	$ 23,023

Notes payable consist of the following as of September 30, 2019:

Payee and Terms	Principal Balance
First United Bank, for a loan on a fire truck, payable in monthly installments of $521 including interest at 6.75%, beginning June 2018, due June 2022, secured by truck.	$ 14,023
First United Bank, for the purchase of fire equipment through a Texas Forest grant program, payable in one installment including interest at 6.25%, beginning September 2019, due March 2020, secured by equipment.	9,000
Total	23,023
Less current portion	(14,467)
	$ 8,556

Annual payments required to amortize all long-term notes payable outstanding as of September 30, 2019, are as follows:

For the Year Ending September 30	Principal
2020	$ 14,467
2021	5,848
2022	2,708
	$ 23,023

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

There are no net assets with donor restrictions as of September 30, 2019 and 2018.

NOTE 6 - OTHER CONCENTRATIONS OF RISK

Revenues from the City of Cottonwood Shores, which include voluntary donations retained by the City, were approximately 26 and 34 percent of the total revenues for the years ended September 30, 2019 and 2018, respectively. Revenues from Burnet County were approximately 20 and 27 percent of the total revenues for the year ended September 30, 2019 and 2018, respectively. In addition, during the year ended September 30, 2019, the Organization received approximately 35 percent of its revenue from LCRA & Texas Forest Service grants.

NOTE 7 - LIQUIDITY AND RESERVES

The Organization has a policy to manage its liquidity and reserves in order to operate with financial stability, maintain adequate liquidity, and maintain sufficient reserves. The following table reflects the Organization's financial assets (cash and cash equivalents and investments) as of September 30, 2019, reduced by amounts not available for general expenditures within one year.

		2019
Total financial assets	$	26,958
Less those unavailable for general expenditure within one year due to:		
None		-
Financial assets available to meet cash needs for general expenditures within one year	$	26,958

NOTE 8 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through February 29, 2020, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended September 30, 2019.