

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2018

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
(A Nonprofit Corporation)

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FINANCIAL STATEMENTS

December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Texas State Association of Fire and Emergency Districts

We have audited the accompanying financial statements of Texas State Association of Fire and Emergency Districts (a nonprofit corporation), which comprise the statement of assets and net assets – modified cash basis as of December 31, 2018, and the related statements of support, revenue, and expenses – modified cash basis, and statement of functional expenses – modified cash 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 modified cash basis of accounting as described in Note 2; 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.

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 and net assets of Texas State Association of Fire and Emergency Districts as of December 31, 2018, and its revenue, support, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 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.

Allman & Associates, Inc.

Austin, Texas
November 8, 2019

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
(A Nonprofit Corporation)

STATEMENT OF ASSETS AND NET ASSETS – MODIFIED CASH BASIS

December 31, 2018

Assets

Assets:		
Cash and cash equivalents	\$	<u>408,472</u>
Total Assets	\$	<u><u>408,472</u></u>

Net Assets

Net Assets:		
Net assets without donor restrictions	\$	<u>408,472</u>
Total Net Assets	\$	<u><u>408,472</u></u>

See accompanying auditors' report and notes to the financial statements

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
(A Nonprofit Corporation)

STATEMENT OF SUPPORT, REVENUE, AND EXPENSES – MODIFIED CASH
BASIS

For the Year Ended December 31, 2018

Net Assets Without Donor Restrictions:

Support and Revenue:

Conferences and education	\$ 325,920
Membership dues	157,550
Advertising	42,840
Interest income	<u>117</u>
 Total Support and Revenue	 <u>526,427</u>

Expenses

Program services:

Conferences and education	254,570
Advocacy efforts	94,331
Publications	45,127
Outreach	27,022

Supporting services:

General and administrative	<u>42,401</u>
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Total Expenses	<u>463,451</u>
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Change in Net Assets Without Donor Restrictions	62,976
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Beginning Net Assets	<u>345,496</u>
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Ending Net Assets	<u><u>\$ 408,472</u></u>
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See accompanying auditors' report and notes to the financial statements

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
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STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

For the Year Ended December 31, 2018

	Programs				Supporting Services	Total
	Conference and Education	Advocacy	Publications	Outreach	Management & General	
Conference & education	\$ 187,335	\$ -	\$ -	\$ -	\$ -	\$ 187,335
Advocacy	-	7,757	-	-	-	7,757
Publications	-	-	29,428	-	-	29,428
Outreach	-	-	-	6,310	-	6,310
Administrative	48,400	18,150	12,100	18,150	24,200	121,000
Bank and other fees	10,395	-	1,299	-	1,299	12,993
Insurance	130	-	-	-	2,468	2,598
Meeting	2,972	5,201	-	2,229	4,458	14,860
Miscellaneous	-	-	-	-	653	653
Printing	183	79	79	79	105	525
Professional fees	-	62,940	2,221	-	8,886	74,047
Seminars & workshops	609	-	-	68	-	677
Training	896	-	-	50	50	996
Travel	885	204	-	136	136	1,361
Webcast	2,765	-	-	-	146	2,911
	\$ 254,570	\$ 94,331	\$ 45,127	\$ 27,022	\$ 42,401	\$ 463,451
Total						

See accompanying auditors' report and notes to the financial statements

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1. General Information

Texas State Association of Fire and Emergency Districts (the Association or SAFE-D) operates and maintains an association to improve, protect and promote fire and emergency services within the State of Texas and to enhance the operation, services, communication and business related therein through education and through an advocacy of cooperation beneficial to these Districts in Texas. The main programs of the Association are as follows –

Conferences and education – Annual conference, as well as webcasts and trainings to educate members and provide commissioner training credits.

Advocacy efforts – These efforts include monitoring the Texas legislature and state agencies regarding issues that affect fire and emergency districts.

Publications – The official SAFE-D Newsletter and other publications provide information to members regarding industry topics and keeps members informed.

Outreach – SAFE-D provides information to state and local governments, leaders, and constituents regarding fire protection and emergency medical services provided to more than 8 million Texans.

The Association’s revenue comes primarily from conference and education, and membership dues.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Association are recorded on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue and related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Equivalents

The Association considers cash and highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Income Taxes

The Association is exempt from federal income taxes pursuant to the provisions of Section 501(c)(6) of the Internal Revenue Code of 1954. The Association is only subject to federal income tax on its unrelated business income. For the year ended December 31, 2018, the Association had no federal income tax expense related to unrelated business income. The Association is potentially subject to examinations by tax authorities for the prior three years. There are currently no examinations in progress.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities, by program services, fundraising, and general and administrative. The statement of functional expenses reports the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Credit Risk

Financial instruments which potentially subject the Association to credit risk consist of cash and cash equivalents. As of December 31, 2018, the Association's deposits did not exceed the federal depository insurance limits.

Membership Dues

Membership fees are due on an annual basis, and are recognized as revenue in the applicable membership period. The annual membership dues are recommended and approved by the Board of Directors.

Change in Not-for-Profit Accounting Standards

On August 18, 2016, FASB issued accounting standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and investment return. ASU 2016-14 has been implemented and the presentation in these financial statements has been adjusted accordingly.

3. Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

3. Fair Value Measurements and Disclosures (continued)

- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The fair value of the Association's cash and cash equivalents approximate the carrying amounts of such instruments due to their short maturity.

4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of assets and net assets – modified cash basis, comprise the following:

Cash and cash equivalents	<u>\$ 408,472</u>
Financial assets available for general expenditure within one year	<u><u>\$ 408,472</u></u>

The Association does not have a formal liquidity policy, but intends to meet cash needs through membership dues, conference, and advertising revenue.

5. Management of the Association

The Association entered into a written contract with GCP Association Services that provides for monthly payments for management services. The Association paid \$121,000 in management fees under the contract in 2018.

TEXAS STATE ASSOCIATION OF FIRE AND EMERGENCY DISTRICTS
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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

6. Subsequent Events

Subsequent events are events or transactions that occur after the Statement of Assets and Net Assets – Modified Cash Basis date but before the financial statements are issued. Management evaluated subsequent events through the date that the financial statements were available to be issued, November 8, 2019, and there were no subsequent events to be disclosed.