

**NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Dakota Firefighter's Association
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of North Dakota Firefighter's Association (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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 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 audits. We conducted our audits 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 audits 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 financial position of North Dakota Firefighter's Association as of December 31, 2019 and 2018, and the changes in its net assets, its functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, North Dakota Firefighter's Association has adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* as of January 1, 2019. Our conclusion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, on our consideration of North Dakota Firefighter's Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the North Dakota Firefighter Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Firefighter's Association's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

June 22, 2020

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 367,331 | \$ 434,682 |
| Accounts/grants receivable | 118,658 | 124,080 |
| Inventory | 14,528 | 12,656 |
| Prepaid expenses | 6,958 | 7,047 |
| Total current assets | <u>507,475</u> | <u>578,465</u> |
| Property and equipment: | | |
| Equipment, vehicles, and film library, at cost less accumulated depreciation of \$809,396 and \$607,792 in 2019 and 2018, respectively | <u>838,148</u> | <u>971,935</u> |
| Total assets | <u><u>\$ 1,345,623</u></u> | <u><u>\$ 1,550,400</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$ - | \$ 85,732 |
| Accrued expenses | 12,283 | 14,940 |
| Deferred revenue | 30,000 | 33,150 |
| Total current liabilities | <u>42,283</u> | <u>133,822</u> |
| Net Assets: | | |
| Net assets without donor restrictions | <u>1,303,340</u> | <u>1,416,578</u> |
| Total liabilities and net assets | <u><u>\$ 1,345,623</u></u> | <u><u>\$ 1,550,400</u></u> |

See Notes to the Financial Statements

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---|----------------------------|----------------------------|
| Support | | |
| IFSTA sales | \$ 4,887 | \$ 5,999 |
| Dues | 37,350 | 20,680 |
| Federal grants | 533,855 | 782,415 |
| State and local grants | 146,914 | 139,572 |
| Registrations | 185 | 7,901 |
| Appropriations | 414,263 | 414,263 |
| Testing fees | 40 | - |
| Donations | 2,114 | 10,078 |
| Other revenue | | |
| Reimbursed expenses | 3,489 | 10,355 |
| Miscellaneous income | 239 | 6,275 |
| Interest income | 511 | 650 |
| Total revenue, gains and other support | <u>1,143,847</u> | <u>1,398,188</u> |
| Expenses | | |
| Program services | 667,493 | 902,211 |
| Management and general | 589,592 | 572,736 |
| Total expenses | <u>1,257,085</u> | <u>1,474,947</u> |
| Change in net assets | (113,238) | (76,759) |
| Net assets without donor restrictions - beginning of year | <u>1,416,578</u> | <u>1,493,337</u> |
| Net assets without donor restrictions - end of year | <u><u>\$ 1,303,340</u></u> | <u><u>\$ 1,416,578</u></u> |

See Notes to the Financial Statements

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|------------------------------|---------------------|---------------------|
| Program Services | | |
| Auto extrication | \$ 34,865 | \$ 21,329 |
| Certification | 25,415 | 32,361 |
| Grant expenditures | 442,157 | 657,795 |
| Regional schools | 5,994 | 10,373 |
| State school | 90,079 | 121,106 |
| Training library | 508 | 937 |
| Workshops | 52 | 1,270 |
| Salaries | 59,503 | 50,705 |
| Employee benefits | 8,920 | 6,335 |
| Total Program Services | <u>667,493</u> | <u>902,211</u> |
| Management and General | | |
| Annual convention | 13,333 | 12,585 |
| Automobile | 10,261 | 8,969 |
| Bank charges | 15 | 29 |
| Conferences | 15,606 | 15,934 |
| Depreciation | 203,585 | 195,969 |
| Dues and subscriptions | 1,200 | 3,304 |
| Employee benefits | 20,815 | 14,783 |
| Executive board | 9,680 | 10,982 |
| Insurance | 8,073 | 8,161 |
| Items for resale | 100 | 5,838 |
| Miscellaneous | 1,235 | 12,162 |
| Office | 121,424 | 136,533 |
| Payroll taxes | 15,133 | 12,790 |
| Professional fees | 16,250 | 14,500 |
| Repairs | 16,656 | 1,885 |
| Salaries | 136,226 | 118,312 |
| Total Management and General | <u>589,592</u> | <u>572,736</u> |
| Total Expenses | <u>\$ 1,257,085</u> | <u>\$ 1,474,947</u> |

See Notes to the Financial Statements

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (113,238) | \$ (76,759) |
| Adjustments to reconcile change in net assets to cash from operating activities: | | |
| Depreciation | 203,585 | 195,969 |
| Effects on operating cash flows due to changes in: | | |
| Accounts/grants receivable | 5,422 | (109,372) |
| Inventory | (1,872) | 3,311 |
| Prepaid expenses | 89 | (31) |
| Accounts payable | (85,732) | 42,662 |
| Accrued expenses | (2,657) | (113) |
| Deferred revenue | (3,150) | 15,145 |
| Net cash provided (used) by operating activities | <u>2,447</u> | <u>70,812</u> |
| Cash flows from investing activities: | | |
| Purchase of capital assets | <u>(69,798)</u> | <u>(147,670)</u> |
| Net cash provided (used) by investing activities | <u>(69,798)</u> | <u>(147,670)</u> |
| Net change in cash and cash equivalents | <u>(67,351)</u> | <u>(76,858)</u> |
| Cash and cash equivalent balances: | | |
| Beginning of year | <u>434,682</u> | <u>511,540</u> |
| End of year | <u>\$ 367,331</u> | <u>\$ 434,682</u> |

See Notes to the Financial Statements

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Dakota Firefighter's Association have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The North Dakota Firefighter's Association was established to promote the safety and welfare of their members through established training standards. For legislative purposes it is a political sub-division of the State of North Dakota. Most of its revenue comes from state appropriations, grants and membership dues.

According to Chapter 18-03 of the North Dakota Century Code, the North Dakota Firefighter's Association consists of the various organized fire departments within the state. Each fire department within the state is entitled to membership in the Association upon compliance with the constitution and by-laws thereof.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, *Accounting for Not-for-Profit Entities*. The codification requires the Association to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Association has no net assets with donor restriction.

Cash and Cash Equivalents

Cash includes cash on hand and cash in checking and savings accounts.

Accounts and Grants Receivable

Accounts receivable are made up of billings to members for various fees and are carried at original invoice amount less an estimate made for doubtful receivables based on a periodic review of all outstanding amounts. Management determines the allowance for doubtful accounts

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. As of December 31, 2019 and 2018, management deemed all accounts receivable as collectible.

Grants receivable consist of receivables for various federal and state grants used to support the Association and to provide firefighter trainings.

Inventory

Inventory is stated at the acquisition value and is made up of pins, patches and other items to recognize firefighter achievements.

Film Library and Equipment

The film library and equipment are recorded at actual cost. The Association capitalizes property and equipment purchased with a cost greater than \$500 and a useful life greater than one year.

Property and equipment is recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is provided over five to ten year estimated useful life of the respective assets on a straight-line basis.

Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expenses as incurred.

Accrued Compensated Absences

The Association's annual leave is earned based on length of eligible service worked by employees, with a maximum carryover of 240 hours per year. Payment in lieu of vacation shall not be granted except in the case of termination. Employees are paid for all accrued hours upon termination.

Implementation of a New Accounting Standard

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard (ASC Topic 606) that replaces substantially all existing accounting guidance, including industry specific guidance, related to the recognition of revenue from contracts with customers. The new accounting standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and provide more robust disclosures. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB has issued several subsequent amendments and clarifications to the original standard.

As required by the new standard, the disclosures related to revenues with contacts from customers have been expanded.

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

Revenue Recognition

Contributions received are recorded as without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions.

All donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as without donor restriction contributions.

A portion of the Association's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. As of December 31, 2019 and 2018, the Association had no refundable advances.

The Association recognizes revenue from member dues over the membership period, which is generally one year. The performance obligation consists of providing benefits to members and is recognized ratably as services are simultaneously received and consumed by the members. The dues are used to cover the costs of operations.

Association dues paid in advance are deferred to the membership period to which they relate and reported as deferred revenue. Due to the nature and timing of the performance, substantially all contract liabilities at December 31 of each year are recognized in the following year.

Transition – Modified Retrospective Method (FASB ASC 606)

The Association adopted the requirements of the new standard (as amended) as of January 1, 2019, utilizing the modified retrospective method of transition. Therefore, the Association's comparative financial information has not been adjusted and continues to be reported under ASC Topic 605. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. The Association has membership dues that it collects from customers that run for the calendar year. The Association has determined that the application of the new guidance will not materially impact the timing or amount of revenue recognized and substantially all the Association's revenue will continue to be recognized over time. Accordingly, no adjustment to beginning retained earnings was required and the adoption of the standard did not have a material impact on the Association's financial condition, results of operations or cash flows as of and for the year ended December 31, 2019.

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

No donated items were noted for the years ended December 31, 2019 and 2018.

Income Taxes

The Association is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code. Therefore, the Association is not subject to income tax.

The Association's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on an estimate of time spent.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Association maintains cash on deposits at a financial institution, which at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). The Association maintains their cash deposits in large, well-capitalized financial institutions. The Association has not experienced any losses in such accounts nor does the Association believe it is exposed to any significant credit risk on cash accounts.

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE 3 CONCENTRATION OF SUPPORT RECEIVED

In 2019 and 2018, the Association received approximately 36% and 30%, respectively, of its support from the State of North Dakota in the form of appropriations. In the event that this support were to be eliminated, it is likely that the Association would need to reduce its current operations. The Association does not expect in any way that the support from this governmental agency will be lost in the near term.

NOTE 4 LIQUIDITY

The following reflects North Dakota Firefighter's Association's financial assets as of December 31, 2019 and 2018. There are no restrictions on the use of any of the Association's financial assets, therefore no amounts are reduced from the assets listed below:

| | 2019 | 2018 |
|----------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 367,331 | \$ 434,682 |
| Accounts/grants receivable | 118,658 | 124,080 |
| | <u>\$ 485,989</u> | <u>\$ 558,762</u> |

The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The statement of cash flows identifies the sources and uses of the Association's cash. The operations of the Association shows positive cash generated by operations of \$2,447 and \$70,812 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Association has purchased commercial insurance through the Kramer Agency and also participates in the North Dakota Insurance Reserve Fund, State Bonding Fund, and the North Dakota Workforce Safety and Insurance Program. The State Bonding Fund currently provides the Association with a blanket fidelity bond coverage in the amount of \$474,000 for its employees. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no reportable liabilities as a result of claims exceeding insurance coverage for the years ended December 31, 2019 and 2018.

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE 6 RETIREMENT ARRANGEMENTS

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

The North Dakota Retirement Board was created by the state legislature and is the governing authority of NDPERS. The North Dakota Firefighter's Association's required and actual contributions to NDPERS for fiscal years ended December 31, 2019 and 2018 were \$13,635 and \$12,130, respectively.

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

The following brief description of NDPERS OPEB is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits. The required and actual contributions to NDPERS OPEB for the fiscal years ended December 31, 2019 and 2018 were \$1,092 and \$1,342, respectively.

NOTE 8 LEASE

In 2016, the Association signed a ten-year lease agreement for office space. This new lease began January 1st, 2017 with a monthly lease payment of \$7,661, which is set to increase by 1.5% on the first of each new year throughout the ten-year lease term. Total lease expense was \$94,824 and \$93,423 for the years ended December 31, 2019 and 2018, respectively. Future lease commitments are:

| | | |
|------------|----|---------|
| 2020 | \$ | 96,127 |
| 2021 | | 97,569 |
| 2022 | | 99,032 |
| 2023 | | 100,518 |
| 2024 | | 102,025 |
| Thereafter | | 208,665 |

NOTE 9 REVENUE RECOGNITION IN ACCORDANCE WITH FASB 606

The Association's revenue from exchange transactions consist of dues paid by member fire district's for access to trainings and library materials. There are two membership classes of regular members that pay annual dues of \$100 and associate members that pay annual dues of \$150.

| | |
|--|------------------|
| Dues paid in advance, beginning of year | \$ 33,150 |
| Revenue recognized that was included in dues at the beginning of year | (33,150) |
| Increase in dues due to cash received during the period | <u>30,000</u> |
| Dues paid in advance, end of year | <u>\$ 30,000</u> |

The revenue is earned over the calendar year. There are no receivables with the contracts with customers which consist of membership dues that should be reported.

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE 10 NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02, Leases (Topic 842)

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-01 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The FASB has delayed the effective date of this ASU to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Management has not yet determined what the effect this pronouncement will have on the Association's financial statements.

With the exception of the new standard discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Association's financial statements.

NOTE 11 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. The extent of the impact is uncertain.

Subsequent events have been evaluated through June 22, 2020, which is the date these financial statements were available to be issued.

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
North Dakota Firefighter's Association
Bismarck, North Dakota

We have audited, 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, the financial statements of the North Dakota Firefighter's Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota Firefighter's Association'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, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control that we consider to be a material weakness. We consider the deficiency 2019-001 in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Firefighter's Association's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Association's Response to Findings

North Dakota Firefighter's Association's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

June 22, 2020

NORTH DAKOTA FIREFIGHTER'S ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

2019-001: Material Weakness

Criteria

An appropriate system of internal control requires the Association to prepare financial statements in compliance with accounting principles generally accepted in the United States of America (GAAP). It also requires that general ledger accounts are properly adjusted so they are not materially misstated.

Condition

The Association's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Association currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The Association has elected to have the auditors assist in the preparation of the financial statements and the notes. Additionally, material journal entries were proposed by the auditors to adjust certain balances in accordance with GAAP.

Cause

The Association elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the Association's financial statements.

Recommendation

We recommend the Association consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the Association should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Management will propose that compensating controls be sought out through client preparation of the financial statements and/or review function.

Indication of Repeat Finding

This is a repeat of finding 2018-001 from the prior year.