

Michigan Professional Fire Fighters Union

Financial Statements - Modified Cash Basis
December 31, 2017 and 2016

Cohen & Co

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MICHIGAN PROFESSIONAL FIRE FIGHTERS UNION

DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT	2 - 3
STATEMENT OF ASSETS AND NET ASSETS – MODIFIED CASH BASIS December 31, 2017 and 2016	4
STATEMENT OF REVENUES AND EXPENSES AND UNRESTRICTED NET ASSETS – MODIFIED CASH BASIS Years ended December 31, 2017 and 2016	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 9
SUPPLEMENTARY INFORMATION	
Schedule of Expenses – Modified Cash Basis Years ended December 31, 2017 and 2016	10

BOARD OF TRUSTEES
MICHIGAN PROFESSIONAL FIRE FIGHTERS UNION

Independent Accountants' Review Report

We have reviewed the accompanying financial statements of Michigan Professional Fire Fighters Union (a nonprofit organization, the Union), which comprise the statement of assets and net assets – modified cash basis as of December 31, 2017 and 2016, and the related statement of revenues and expenses and unrestricted net assets – modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Union management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 conclusion is not modified with respect to this matter.

Supplementary Information

The supplementary information contained in the schedule of expenses – modified cash basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Cohen & Company Ltd.

April 16, 2018
Detroit, Michigan

STATEMENT OF ASSETS AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 202,470	\$ 119,994
FIXED ASSETS		
Furniture and office equipment	17,550	91,744
Less: Accumulated depreciation	<u>(17,550)</u>	<u>(91,744)</u>
OTHER ASSETS		
Rental deposit	2,000	2,000
Investments in marketable securities	<u>225,526</u>	<u>190,100</u>
	<u>227,526</u>	<u>192,100</u>
	<u>\$ 429,996</u>	<u>\$ 312,094</u>
LIABILITIES AND NET ASSETS		
COMMITMENTS		
UNRESTRICTED NET ASSETS	<u>\$ 429,996</u>	<u>\$ 312,094</u>

See Independent Accountants' Review Report and notes to the financial statements.

STATEMENT OF REVENUES AND EXPENSES AND
UNRESTRICTED NET ASSETS - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Per capita dues	\$ 615,606	\$ 574,781
Fundraising	31,038	37,414
Initiation fees	17,700	14,050
Conferences and meetings	12,415	51,825
Miscellaneous income	6,605	2,510
Investment income - Net	32,582	13,439
Refunded initiation fees	<u>(4,650)</u>	<u> </u>
	<u>711,296</u>	<u>694,019</u>
EXPENSES		
Office, administration, and membership services	424,205	409,805
Conferences and meetings	<u>169,189</u>	<u>227,275</u>
	<u>593,394</u>	<u>637,080</u>
EXCESS OF REVENUE OVER EXPENSES	117,902	56,939
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>312,094</u>	<u>255,155</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 429,996</u>	<u>\$ 312,094</u>

See Independent Accountants' Review Report and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Financial Statement Presentation

Michigan Professional Fire Fighters Union (the Union) was formed to organize all professional fire fighters throughout the State of Michigan, to secure just compensation for their services and equitable settlement of their grievances, to promote the establishment of just and reasonable working conditions, to place members of the Union on a higher plane of skill and efficiency, to promote harmonious relations between fire fighters and their employers, to encourage the formation of local unions, to encourage the formation of sick and death benefit funds, to encourage the establishment of schools of instruction for imparting knowledge of modern and improved methods of firefighting and prevention, and to cultivate friendship and fellowship among its members.

The Union is affiliated with the International Association of Fire Fighters (the International) and is bound by its constitution and bylaws.

Membership in the Union is limited to local unions and their members located in the State of Michigan, which are chartered and affiliated with the International.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when cash is disbursed rather than when the obligation is incurred. Under the modified cash basis, the Union capitalizes and depreciates its fixed assets, capitalizes cash paid for investments (which are reported at fair value), and capitalizes cash paid for deposits.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and highly liquid investments with a maturity of three months or less at the time of purchase. The Union maintains cash and cash equivalents at various financial institutions which may exceed federally insured amounts at various times.

Fixed Assets

Fixed assets are stated at cost. Donated fixed assets are recorded at fair value at the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the fixed assets, which range from three to ten years.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Marketable Securities

Investments are carried at fair value and consist of marketable equity and debt securities. Investments in securities with readily determinable fair values are reported at quoted market prices. Realized and unrealized gains and losses are included in the statement of revenues and expenses and changes in unrestricted net assets – modified cash basis.

Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within the fair value hierarchy described in Note 3 that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, such as the reporting entity's own data.

Classification of Net Assets

The Union's net assets are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Union's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue. Permanently restricted net assets are subject to donor-imposed stipulations that require the principal to be maintained in perpetuity. The Union has no temporarily or permanently restricted net assets at December 31, 2017 and 2016.

Income Taxes

The Union is a Michigan non-profit organization exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code.

The Union recognizes and discloses uncertain tax positions in accordance with the modified cash basis of accounting. As of and for the years ended December 31, 2017 and 2016, the Union did not have a liability for unrecognized tax benefits.

Functional Allocation of Expenses

Management considers substantially all expenses to be program related. The Union has no fundraising expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amount of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expense. Actual results could vary from those estimates that were used.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Management has evaluated subsequent events through April 16, 2018, the date the financial statements were available to be issued.

3. INVESTMENTS IN MARKETABLE SECURITIES

The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis -

Exchange traded funds and equity securities: Valued at the closing price reported on the national active market on which the securities are traded.

The preceding method described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Union believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The cost and fair values of investments in marketable securities with readily determinable fair values, which are measured at fair value on a recurring basis are summarized as follows at December 31:

	2017		2016	
	Cost	Fair Value (All Level 1)	Cost	Fair Value (All Level 1)
Exchange traded funds	\$ 103,028	\$ 127,751	\$ 95,104	\$ 104,386
Equity securities	81,349	97,775	83,416	85,714
	<u>\$ 184,377</u>	<u>\$ 225,526</u>	<u>\$ 178,520</u>	<u>\$ 190,100</u>

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS IN MARKETABLE SECURITIES (Continued)

Investment income - net from marketable securities consists of the following components for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Dividend and interest income	\$ 6,045	\$ 4,108
Realized loss on sale of investments - Net	(2,874)	(290)
Unrealized gain on investments - Net	<u>29,411</u>	<u>9,621</u>
	<u>\$ 32,582</u>	<u>\$ 13,439</u>

4. COMMITMENTS

The Union leases its Lansing office facility under a long-term operating lease expiring July 2020, and leases its Trenton facility on a month-to-month basis for approximately \$1,000 per month. The Union is responsible for a majority of utilities for these facilities.

Future minimum annual rents are as follows:

2018	\$ 8,700
2019	8,700
2020	<u>5,800</u>
	<u>\$ 23,200</u>

Rent expense amounted to approximately \$32,800 and \$30,300 for years ended December 31, 2017 and 2016, respectively.

SCHEDULE OF EXPENSES - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OFFICE, ADMINISTRATION, AND MEMBERSHIP SERVICES		
Salaries	\$ 215,454	\$ 207,325
Lobbying	42,000	42,000
Rent	32,799	30,343
Utilities	32,240	32,659
Supplies	20,385	21,914
Payroll taxes	20,196	17,065
Legal fees	16,594	10,294
Legislative	16,023	14,702
Dues and fees	7,959	7,858
Accounting fees	6,300	6,568
Insurance	4,763	3,316
Equipment expense	4,287	5,524
Grants	3,205	2,935
Millage grant	2,000	7,000
Property taxes		<u>302</u>
	<u>\$ 424,205</u>	<u>\$ 409,805</u>
CONFERENCES AND MEETINGS		
Conferences	\$ 93,352	\$ 150,001
Executive board	56,782	51,288
Committee	13,236	19,972
Public relations	<u>5,819</u>	<u>6,014</u>
	<u>\$ 169,189</u>	<u>\$ 227,275</u>

See Independent Accountants' Review Report.