

**Mountain Communities Fire Safe Council
Idyllwild, California**

Financial Statements

December 31, 2011

**Mountain Communities Fire Safe Council
Financial Statements
Year Ended December 31, 2011**

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To the Board of Directors
Mountain Communities Fire Safe Council

Independent Auditor's Report

We have audited the accompanying statement of financial position of the Mountain Communities Fire Safe Council (a non-profit organization) as of December 31, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mountain Communities Fire Safe Council as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2012 on our consideration of the Mountain Communities Fire Safe Council'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Rogers, Anderson, Malody & Scott, LLP

April 11, 2012

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Mountain Communities Fire Safe Council
Statement of Financial Position
December 31, 2011

Assets

Current Assets

Cash (Note 1)	\$ 350,927
Accounts receivable	1,033
Restricted cash	<u>25,007</u>
Total Current Assets	<u>376,967</u>
Property and equipment, net of depreciation (Notes 1 and 2)	<u>2,471</u>
Total Assets	<u><u>\$ 379,438</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 1,000
Accrued expenses	5,265
Deferred revenue	<u>122,777</u>
Total Liabilities	<u>129,042</u>

Net Assets

Unrestricted	225,389
Temporarily restricted (Note 3)	<u>25,007</u>
Total Net Assets	<u>250,396</u>
Total Liabilities and Net Assets	<u><u>\$ 379,438</u></u>

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

Mountain Communities Fire Safe Council
Statement of Activities
For the Year Ended December 31, 2011

Support and Revenues

Federal grant income (Note 5)	\$ 481,698
Grant in-kind match/cost share (Note 6)	532,063
Other revenue (Note 7)	18,341
Interest	<u>139</u>
 Total Support and Revenues	 <u>1,032,241</u>

Expenses

Program services	
Mountain Communities program	
supporting services	932,138
Management and general	<u>50,214</u>
 Total Expenses	 <u>982,352</u>

Increase in Net Assets	49,889
 Net Assets at Beginning of Year	 <u>200,507</u>
 Net Assets at End of Year	 <u><u>\$ 250,396</u></u>

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

Mountain Communities Fire Safe Council
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash Flows From Operating Activities:

Increase in Net Assets	\$	49,889
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		199
(Increase) Decrease in Accounts Receivable		(1,033)
Increase (Decrease) in Accounts Payable		1,000
Increase (Decrease) in Accrued Expenses		1,498
Increase (Decrease) in Deferred Revenue		118,802
Net Cash Provided by Operating Activities		170,355
Net Increase in Cash		170,355
Cash at Beginning of Year		205,579
Cash at End of Year	\$	375,934

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

Mountain Communities Fire Safe Council
Statement of Functional Expenses
For the Year Ended December 31, 2011

	Mountain Communities Program	Management and General	Total Expenses
Expenses			
Personnel	\$ 68,195	\$ 37,604	\$ 105,799
Payroll taxes	6,168	3,400	9,568
Accounting	9,915	3,215	13,130
Bank charges	42	14	56
Insurance	3,296	1,100	4,396
Internet subscription	304	101	405
Meals and travel	-	562	562
Mileage reimbursements	4,516	595	5,111
Registration and fees	-	85	85
Repairs and maintenance	349	150	499
Dues and subscriptions	-	191	191
Office supplies	1,287	519	1,806
Postage	-	1,256	1,256
Printing and reproduction	-	782	782
Rent	1,800	600	2,400
Telephone	154	38	192
Fuel reduction program expense	452,830	-	452,830
Information/education program expenses	18,574	-	18,574
In-kind soft match: volunteer	359,762	-	359,762
Volunteer program expenses	4,536	-	4,536
Miscellaneous program expenses	213	-	213
Depreciation	197	2	199
Total Expenses	\$ 932,138	\$ 50,214	\$ 982,352

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

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2011

Note 1: Nature of Activities and Significant Accounting Policies

The Mountain Communities Fire Safe Council received 501(c)(3) designation from the Internal Revenue Service on March 4, 2002 and was incorporated in the State of California on March 6, 2002 as a separate non-profit entity.

Activities

The specific purposes of the Organization are to protect homes, communities and the environment from wildfires in the area of Idyllwild, California in accordance with the fire safe laws of the state and federal governments; to preserve and enhance Idyllwild and surrounding areas and man-made and natural resources by providing leadership and support that mobilizes Idyllwild residents to protect their homes, communities, and environment from wildfires. To this end, the Organization seeks public funding and volunteers to further these aims.

Income Taxes

The Organization has been granted exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue code and from State income taxes subject to compliance with applicable laws and regulations. Accordingly, no provision has been made for an income tax liability. The Organization is not classified as a private foundation.

Financial Statement Presentation

As required by generally accepted accounting principles (GAAP), the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by GAAP, the Organization does not use fund accounting.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2011

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Net Asset Groups

The assets, liabilities and net assets of the Organization are reported in the following net asset groups:

Unrestricted net assets include resources that are not temporarily or permanently restricted by the donor and are available for operations of the Organization without limitation.

Temporarily restricted net assets include those resources whose use is restricted by donor-imposed criteria that either expire with the passage of time or by the actions of the Organization. Restricted resources whose restrictions are met in the same reporting period are reported as unrestricted resources.

Property and Equipment

Property and equipment that are acquired with unit costs greater than \$500 and a useful life greater than one year are capitalized. Items with unit costs below this threshold shall be expensed in the year purchased. Depreciation expense is computed on the double-declining balance method over the estimated useful lives of the assets. The following is a list of the estimated useful lives of each category of fixed assets for depreciation purposes:

Furniture and Fixtures	Up to 10 years
Mobile Equipment	5 years
General Office Equipment	5 years
Computer Hardware and Peripherals	3-5 years
Computer Software	2-3 years

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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets when the restriction is satisfied. Donated property and equipment are depreciated using the double-declining balance method.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash consists of interest bearing and non-interest bearing bank deposits.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2011

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Concentration of Credit Risk

The Organization maintains several cash accounts at two financial institutions. Interest-bearing accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000, through December 31, 2013. As of December 31, 2011, the Organization did not have cash balances exceeding the insured amount at either financial institution.

Estimates

The preparation of financial statements in conformity with 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.

Deferred Revenue

The Organization receives grants and contracts from various organizations. Advances from these grants and contracts that are unspent are categorized as deferred revenue in the Statement of Financial Position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated based on either estimated time spent, or an estimate of space or actual usage.

Date of Management's Review

Management has evaluated subsequent events through April 11, 2012, the date which the financial statements were available to be issued.

Note 2: Property and Equipment

Property and equipment consist of the following:

Field Equipment	\$ 18,227
Mobile Equipment	25,634
Office Equipment	14,705
Accumulated Depreciation	<u>(56,095)</u>
Total Property and Equipment	<u><u>\$ 2,471</u></u>

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2011

Note 3: Temporarily Restricted Net Assets

At December 31, 2011, the Organization had \$25,007 in temporarily restricted net assets. In December 2006, the Organization received a \$25,000 award from the Bank of America Charitable Foundation to be specifically used to purchase a communication "repeater." The Organization will hold these funds until the donor-imposed restricted purpose for these funds has been fulfilled.

Note 4: Contributed Services

During the year ended December 31, 2011, the value of contributed services meeting the requirements for recognition in the financial statements was \$346,398. The Council also received an estimated \$13,364 in donated cords of wood. These services included donated volunteer hours by Woodies (Organization volunteers) and administration personnel. The volunteer hours are provided at no cost to the Organization; in return, the Organization provides basic supplies and tools to the Woodies and administration personnel.

Note 5: Federal Financial Assistance / Other Grants

The Organization has been awarded grants from various agencies to conduct its fire safe programs. The grants are considered exchange transactions; accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Total Federal Financial Assistance for the year is as follows:

Grantor	Grant Amount, not to Exceed	Grant Expended to Date	Revenue Recognized in Current Year	Net Accrued (Deferred) Revenue
USDA Forest Service	\$ 600,000	\$ 481,698	\$ 481,698	\$ (118,302)

Total Non-Federal Financial Assistance for the year is as follows:

Grantor	Grant Amount, not to Exceed	Grant Expended to Date	Revenue Recognized in Current Year	Net Accrued (Deferred) Revenue
Riverside County	\$ 10,000	\$ 6,025	\$ -	\$ (3,975)
Community Foundation	500	-	-	(500)
Totals	\$ 10,500	\$ 6,025	\$ -	\$ (4,475)

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2011

Note 5: Federal Financial Assistance / Other Grants (continued)

Grants and contracts are paid on the advance basis up to the maximum amounts allowed under the terms of the grant or contract.

Note 6: Grant In-kind Match / Cost Share

In addition to receiving the Federal and Non-Federal Financial Assistance listed at Note 5, the Organization also receives matching funds from the participating property owners. Prior to commencement of abatement activities, participating property owners are generally charged a percentage of the contracted amount, per federal grant guidelines.

Note 7: Other Revenue

The following is a summary of other revenues earned in the year ended December 31, 2011:

Idyllwild Donations	\$ 2,655
Pine Cove Donations	1,415
Woodies Volunteer Work	1,136
Miscellaneous Donations	11,805
Woodies Wood Sales	330
Gain on Sale of Equipment	<u>1,000</u>
Total Other Revenue	<u><u>\$ 18,341</u></u>

Note 8: Concentration of Revenues

The Organization receives the majority of its funding from state and federal grants. For the year ended December 31, 2011, these grants accounted for approximately 98% of the total revenues recognized during the fiscal year, of which 52% is attributed to the grant in-kind match/cost share.

Note 9: Contingencies

The Organization received state and federal funds, as well as certain grant funds, for specific purposes that are subject to review and audit by the grantor agencies. Such audits could generate expenses disallowed under the terms of the grant. As of December 31, 2011, in the opinion of the Organization's management, there are no other outstanding matters which would have a significant effect on the Organization's financial position.