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**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**

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To the Board of Directors
Mountain Communities Fire Safe Council

We have audited, in accordance with the 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 Mountain Communities Fire Safe Council (the Council) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Council'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers Anderson Maloney & Scott, LLP

May 15, 2015



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May 15, 2015

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To the Board of Directors
Mountain Communities Fire Safe Council
Idyllwild, California

We have audited the financial statements of the Mountain Communities Fire Safe Council (the Council) (a nonprofit organization) for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 18, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Council are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the Council during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant, sensitive estimates affecting the financial statements.

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The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 15, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of Mountain Communities Fire Safe Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Rogers Anderson Malooly & Scott, LLP

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

Financial Statements

December 31, 2014

**Mountain Communities Fire Safe Council
Financial Statements
Year Ended December 31, 2014**

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Independent Auditor's Report

We have audited the accompanying financial statements of Mountain Communities Fire Safe Council (the Council) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, cash flows, and functional expenses 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 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 opinions 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 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 Mountain Communities Fire Safe Council as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2015, 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 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 the Council's internal control over financial reporting and compliance.

Rogers Anderson Malochy & Scott, LLP

May 15, 2015

**Mountain Communities Fire Safe Council
Statement of Financial Position
December 31, 2014**

Assets

Current Assets

Cash (Note 1)	\$ 187,083
Grants receivable	7,728
Restricted cash	<u>25,023</u>
Total Current Assets	<u>219,834</u>
Property and equipment, net of depreciation (Notes 1 and 2)	<u>4,486</u>
Total Assets	<u><u>\$ 224,320</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 567
Accrued expenses	3,050
Unearned revenue	<u>3,975</u>
Total Liabilities	<u>7,592</u>

Net Assets

Temporarily restricted (Note 3)	25,023
Unrestricted	<u>191,705</u>
Total Net Assets	<u>216,728</u>
Total Liabilities and Net Assets	<u><u>\$ 224,320</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, 2014**

Support and Revenues

Federal and other grant income (Note 5)	\$	21,084
Grant in-kind match/cost share (Note 6)		127,839
Donations		19,019
Interest		19
		167,961
Total Support and Revenues		167,961

Expenses

Program services		
Mountain Communities program		
supporting services		152,347
Management and general		59,556
		211,903
Total Expenses		211,903

Decrease in Net Assets		(43,942)
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Net Assets at Beginning of Year		260,670
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Net Assets at End of Year	\$	216,728
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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, 2014**

Cash Flows From Operating Activities:

Decrease in Net Assets	\$ (43,942)
Adjustments to Reconcile the Change in Net Assets to Net Cash Used for Operating Activities:	
Depreciation	3,168
(Increase) Decrease in Grant Receivable	1,580
Increase (Decrease) in Accounts Payable	(500)
Increase (Decrease) in Accrued Expenses	<u>(2,326)</u>
Net Cash Used for Operating Activities	<u>(42,020)</u>

Cash Flows From Investing Activities:

Payments related to the acquisition of capital assets	<u>(4,863)</u>
Net Cash Used for Investing Activities	<u>(4,863)</u>

Net decrease in cash (46,883)

Cash at Beginning of Year 258,989

Cash at End of Year \$ 212,106

Reconciliation of cash to statement of financial position:

Cash	\$ 187,083
Restricted cash	<u>25,023</u>
Total Cash	<u><u>\$ 212,106</u></u>

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, 2014**

	Mountain Communities Program	Management and General	Total Expenses
Expenses			
Personnel	\$ 62,518	\$ 31,408	\$ 93,926
Payroll taxes	5,033	2,529	7,562
Accounting	8,775	2,925	11,700
Legal fees	73	24	97
Bank charges	66	22	88
Insurance	3,713	1,238	4,951
Internet subscription	404	135	539
Meals and travel	302	101	403
Mileage reimbursements	4,959	706	5,665
Registration and fees	49	16	65
Repairs and maintenance	-	937	937
Licenses & Permits	15	5	20
Dues and subscriptions	200	66	266
Office supplies	709	236	945
Postage	641	213	854
Printing and reproduction	4,649	1,549	6,198
Rent	600	200	800
Fuel reduction program expense	7,900	-	7,900
Information/education program expenses	5,007	1,669	6,676
In-kind soft match: volunteer	41,818	13,939	55,757
Volunteer program expenses	2,258	753	3,011
Miscellaneous program expenses	19	6	25
Depreciation	2,376	792	3,168
Board Meeting	263	87	350
Total Expenses	\$ 152,347	\$ 59,556	\$ 211,903

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, 2014

Note 1: Nature of Activities and Significant Accounting Policies

The Mountain Communities Fire Safe Council (the 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 Council 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 Council seeks public funding and volunteers to further these aims.

Income Taxes

The Council 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 Council is not classified as a private foundation.

The Council has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state level. The primary tax positions evaluated are related to the Council continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain tax positions are required.

Financial Statement Presentation

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

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net position 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 position, depending on the nature of the restriction. When a restriction expires, temporarily restricted net position are reclassified to unrestricted net position.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2014

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

Net Asset Groups

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

Unrestricted net asset includes resources that are not temporarily or permanently restricted by the donor and are available for operations of the Council without limitation.

Temporarily restricted net asset includes those resources whose use is restricted by donor-imposed criteria that either expire with the passage of time or by the actions of the Council. 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 Council reclassifies temporarily restricted net position to unrestricted net position 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 Council considers all 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, 2014

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

Concentration of Credit Risk

The Council 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, 2014. As of December 31, 2014, the Council 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.

Unearned Revenue

The Council receives grants and contracts from various organizations. Advances from these grants and contracts that are unspent are categorized as unearned 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 May 15, 2015, the date which the financial statements were available to be issued.

**Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2014**

Note 2: Property and Equipment

Property and equipment consist of the following:

	Beginning balance	Additions	Deletions	Ending balance
Capital Assets:				
Field Equipment	\$ 18,227	\$ 550	\$ -	\$ 18,777
Mobile Equipment	25,634	-	-	25,634
Office Equipment	16,790	4,313	-	21,103
Total Capital Assets	60,651	4,863	-	65,514
Accumulated depreciation	(57,860)	(3,168)	-	(61,028)
Total Capital Assets, net	\$ 2,791	\$ 1,695	\$ -	\$ 4,486

Note 3: Temporarily Restricted Net Assets

At December 31, 2014, the Council had \$25,023 in temporarily restricted net assets. In December 2006, the Council received a \$25,000 award from the Bank of America Charitable Foundation to be specifically used to purchase a communication "repeater." The Council 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, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was \$45,766. The Council also received an estimated \$9,991 in donated cords of wood. These services included donated volunteer hours by Woodies (Council volunteers) and administration personnel. The volunteer hours are provided at no cost to the Council; in return, the Council provides basic supplies and tools to the Woodies and administration personnel.

**Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2014**

Note 5: Federal Financial Assistance / Other Grants

The Council 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:

<u>Grantor</u>	<u>Grant Amount, not to Exceed</u>	<u>Grant Expended to Date</u>	<u>Revenue Recognized in Current Year</u>	<u>Net Accrued (Deferred) Revenue</u>
USDA Forest Service (2014)	\$ -	\$ 6,200	\$ 6,200	\$ -
Totals	<u>\$ -</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ -</u>

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

<u>Grantor</u>	<u>Grant Amount, not to Exceed</u>	<u>Grant Expended to Date</u>	<u>Revenue Recognized in Current Year</u>	<u>Net Accrued (Unearned) Revenue</u>
Riverside County	\$ 10,000	\$ 6,025	\$ -	\$ (3,975)
Community Foundation (2014)	1,500	405	405	-
Cal EMA (2012)	15,281	15,281	-	-
Cal EMA (2013)	29,957	22,259	14,479	-
Totals	<u>\$ 56,738</u>	<u>\$ 43,970</u>	<u>\$ 14,884</u>	<u>\$ (3,975)</u>

Grants and contracts are paid on the advance basis up to the maximum amounts allowed under the terms of the grant or contract, except for Cal EMA grants which are reimbursement basis.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2014

Note 6: Grant In-kind Match / Cost Share

In addition to receiving the Federal and Non-Federal Financial Assistance listed at Note 5, the Council 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. During the year ended December 31, 2014, the Council received matches of \$55,648 from property owners for projects which were contracted by Riverside County, and thus the Council does not record related expenses for these projects.

Note 7: Concentration of Revenues

The Council receives the majority of its funding from state and federal grants. For the year ended December 31, 2014, these grants accounted for approximately 89% of the total revenues recognized during the fiscal year, of which 86% is attributed to the grant in-kind match/cost share.

Note 8: Contingencies

The Council 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, 2014, in the opinion of the Council's management, there are no other outstanding matters which would have a significant effect on the Council's financial position.