

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

**Financial Statements**

**December 31, 2012**

**Mountain Communities Fire Safe Council  
Financial Statements  
Year Ended December 31, 2012**

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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramsca.net

To the Board of Directors  
Mountain Communities Fire Safe Council

### Independent Auditor's Report

We have audited the accompanying 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, 2012, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

#### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Matthew B. Wilson, CPA, MSA  
Scott W. Manno, CPA  
Leena Shanbhag, CPA, MST  
Jay H. Zercher, CPA (Retired)  
Phillip H. Waller, CPA (Retired)

#### MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA  
Bradferd A. Welebir, CPA, MBA  
Jenny Liu, CPA, MST  
Katie L. Millsom, CPA  
Papa Matar Thiaw, CPA, MBA  
Maya S. Ivanova, CPA, MBA  
William C. Clayton, CPA  
Peter E. Murray, CPA  
Genivive Schwarzkopf, CPA  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA

#### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

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 the Mountain Communities Fire Safe Council as of December 31, 2012, 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 Matter***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2013 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 Maloney & Scott, LLP*

March 19, 2013

**Mountain Communities Fire Safe Council**  
**Statement of Financial Position**  
**December 31, 2012**

**Assets**

**Current Assets**

Cash (Note 1)	\$ 194,313
Accounts receivable	473
Grants receivable	71,799
Restricted cash	<u>25,018</u>
 Total Current Assets	 <u>291,603</u>
 Property and equipment, net of depreciation (Notes 1 and 2)	 <u>3,200</u>
 Total Assets	 <u><u>\$ 294,803</u></u>

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$ 1,657
Accrued expenses	5,253
Deferred revenue	<u>5,475</u>
 Total Liabilities	 <u>12,385</u>

**Net Assets**

Temporarily restricted (Note 3)	25,018
Unrestricted	<u>257,400</u>
 Total Net Assets	 <u>282,418</u>
 Total Liabilities and Net Assets	 <u><u>\$ 294,803</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, 2012**

**Support and Revenues**

Federal and other grant income (Note 5)	\$ 240,601
Grant in-kind match/cost share (Note 6)	371,483
Donations	18,754
Other revenue	500
Interest	64
	631,402
Total Support and Revenues	631,402

**Expenses**

Program services	
Mountain Communities program	
supporting services	495,269
Management and general	104,111
	599,380
Total Expenses	599,380

**Increase in Net Assets** 32,022

**Net Assets at Beginning of Year** 250,396

**Net Assets at End of Year** \$ 282,418

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, 2012**

**Cash Flows From Operating Activities:**

Increase in Net Assets	\$ 32,022
Adjustments to Reconcile the Change in Net Assets to Net Cash Used for Operating Activities:	
Depreciation	1,356
(Increase) Decrease in Accounts Receivable	560
(Increase) Decrease in Grant Receivable	(71,799)
Increase (Decrease) in Accounts Payable	657
Increase (Decrease) in Accrued Expenses	(10)
Increase (Decrease) in Deferred Revenue	<u>(117,304)</u>
Net Cash Used for Operating Activities	<u>(154,518)</u>

**Cash Flows From Investing Activities:**

Payments related to the acquisition of capital assets	<u>(2,085)</u>
Net Cash Used for Investing Activities	<u>(2,085)</u>

**Net decrease in cash** (156,603)

**Cash at Beginning of Year** 375,934

**Cash at End of Year** \$ 219,331

**Reconciliation of cash to statement of financial position:**

Cash	\$ 194,313
Restricted cash	<u>25,018</u>
Total Cash	<u><u>\$ 219,331</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, 2012**

	Mountain Communities Program	Management and General	Total Expenses
<b>Expenses</b>			
Personnel	\$ 71,739	\$ 35,768	\$ 107,507
Payroll taxes	6,504	3,267	9,771
Accounting	9,437	3,145	12,582
Legal fees	442	147	589
Bank charges	26	9	35
Insurance	4,165	1,388	5,553
Internet subscription	442	147	589
Meals and travel	350	107	457
Mileage reimbursements	6,379	909	7,288
Registration and fees	64	21	85
Repairs and maintenance	-	368	368
Dues and subscriptions	158	53	211
Office supplies	1,913	637	2,550
Postage	3,406	337	3,743
Printing and reproduction	5,674	194	5,868
Rent	1,956	652	2,608
Fuel reduction program expense	206,130	-	206,130
Information/education program expenses	6,344	250	6,594
In-kind soft match: volunteer	166,462	55,487	221,949
Volunteer program expenses	2,619	873	3,492
Miscellaneous program expenses	42	13	55
Depreciation	1,017	339	1,356
<b>Total Expenses</b>	<b>\$ 495,269</b>	<b>\$ 104,111</b>	<b>\$ 599,380</b>

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, 2012**

**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.

**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 assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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 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.

**Net Asset Groups**

The assets, liabilities and net assets of the Council 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 Council without limitation.

**Mountain Communities Fire Safe Council**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2012**

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

**Net Asset Groups (continued)**

*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 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 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 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, 2012**

**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, 2013. As of December 31, 2012, 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.

**Deferred Revenue**

The Council 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 March 19, 2013, 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	16,790
Accumulated Depreciation	<u>(57,451)</u>
Total Property and Equipment	<u><u>\$ 3,200</u></u>

**Mountain Communities Fire Safe Council**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2012**

**Note 3: Temporarily Restricted Net Assets**

At December 31, 2012, the Council had \$25,018 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, 2012, the value of contributed services meeting the requirements for recognition in the financial statements was \$213,680. The Council also received an estimated \$8,269 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.

**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 (2011)	\$ 600,000	\$ 600,000	\$ 118,302	\$ -
USDA Forest Service (2012)	200,000	106,518	106,518	56,518
Totals	<u>\$ 800,000</u>	<u>\$ 706,518</u>	<u>\$ 224,820</u>	<u>\$ 56,518</u>

**Mountain Communities Fire Safe Council  
Notes to Financial Statements  
For the Year Ended December 31, 2012**

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

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 (2011)	500	500	500	-
Community Foundation (2012)	1,500	-	-	(1,500)
Cal EMA	15,281	15,281	15,281	15,281
<b>Totals</b>	<b>\$ 27,281</b>	<b>\$ 21,806</b>	<b>\$ 15,781</b>	<b>\$ 9,806</b>

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 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, 2012, the Council received matches of \$77,481 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, 2012, these grants accounted for approximately 97% of the total revenues recognized during the fiscal year, of which 61% 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, 2012, 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.