

**MOUNTAIN COMMUNITIES
FIRE SAFE COUNCIL
IDYLLWILD, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

December 31, 2016

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

Year Ended December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 12



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Independent Auditor's Report

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

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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, 2016, 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 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.

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Quality Center*

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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 the Council as of December 31, 2016, and the changes in its net assets, its cash flows and statement of functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2017, on our consideration of the 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, Malody & Scott, LLP

San Bernardino, California
April 5, 2017

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

**Statement of Financial Position
Year Ended December 31, 2016**

Assets

Current assets

Cash	\$	88,958
Grants receivable		78,254
Restricted cash (Note 3)		<u>25,028</u>
Total current assets		<u>192,240</u>

Noncurrent assets

Property and equipment, net of depreciation (Note 2)		<u>1,478</u>
Total noncurrent assets		<u>1,478</u>
Total assets	\$	<u><u>193,718</u></u>

Liabilities and net assets

Current liabilities

Accounts payable	\$	2,830
Accrued expenses		3,465
Unearned revenue		<u>3,425</u>
Total current liabilities		<u>9,720</u>
Total liabilities		<u>9,720</u>

Net assets

Temporarily restricted (Note 3)		25,028
Unrestricted		<u>158,970</u>
Total net assets		<u>183,998</u>
Total liabilities and net assets	\$	<u><u>193,718</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, 2016**

Support and revenues

Federal financial assistance and other grants (Note 5)	\$	156,260
Grant in-kind match/cost share (Note 6)		482,611
Donations		22,095
Gain of sale of equipment		5,074
Interest		11

Total support and revenues 666,051

Expenses

Program services		
Mountain Communities program		
supporting services		509,746
Management and general		178,241

Total expenses 687,987

Decrease in net assets (21,936)

Net assets at beginning of year 205,934

Net assets at end of year \$ 183,998

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, 2016**

Cash flows from operating activities:

Decrease in net assets	\$	(21,936)
Adjustments to reconcile the change in net assets to net cash used for operating activities:		
Depreciation		640
Disposal of property and equipment		(5,074)
(Increase) Decrease in grants receivable		(76,726)
Increase (Decrease) in accounts payable		1,709
Increase (Decrease) in accrued expenses		1,371
Increase (Decrease) in unearned revenue		<u>(21,575)</u>
Net cash used for operating activities		<u>(121,591)</u>

Cash flows from investing activities:

Payments related to the sale of capital assets		<u>6,500</u>
Net cash provided by investing activities		<u>6,500</u>

Net decrease in cash (115,091)

Cash balance at beginning of year 229,077

Cash balance at end of year \$ 113,986

Reconciliation of cash to Statement of Financial Position:

Cash	\$	88,958
Restricted cash		<u>25,028</u>
Total cash	\$	<u><u>113,986</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, 2016**

	Mountain Communities Program	Management and General	Total Expenses
Expenses			
Personnel	\$ 37,203	\$ 18,690	\$ 55,893
Payroll taxes	5,318	2,672	7,990
Accounting	8,814	2,938	11,752
Bank charges	63	21	84
Insurance	4,028	1,343	5,371
Internet subscription	657	219	876
Meals and travel	3	1	4
Mileage reimbursements	2,361	336	2,697
Registration and fees	64	21	85
Repairs and maintenance	-	1,589	1,589
Licenses & Permits	15	5	20
Dues and subscriptions	233	77	310
Office supplies	688	229	917
Postage	77	26	103
Printing and reproduction	4,971	1,657	6,628
Rent	1,650	550	2,200
Fuel reduction program expense	108,784	36,261	145,045
Information/education program expenses	4,543	1,515	6,058
In-kind soft match: volunteer	328,074	109,358	437,432
Volunteer program expenses	1,716	572	2,288
Miscellaneous program expenses	4	1	5
Depreciation	480	160	640
Total expenses	\$ 509,746	\$ 178,241	\$ 687,987

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, 2016

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 nonprofit 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 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.

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

Notes to Financial Statements For the Year Ended December 31, 2016

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 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, 2016

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

Concentration of Credit Risk

The Council maintains several cash accounts at two financial institutions. The standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. These balances may at times exceed the insured limits. As of December 31, 2016, the Council did not have cash balances exceeding the insured amount at either financial institution.

Financial Instruments

The carrying amount of all financial instruments approximates fair value. The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the short maturity of these instruments.

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 April 5, 2017, 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, 2016**

Note 2: Property and Equipment

Property and equipment consist of the following as of December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets:				
Field Equipment	\$ 18,777	\$ -	\$ -	\$ 18,777
Mobile Equipment	25,634	-	(11,002)	14,632
Office Equipment	<u>21,103</u>	<u>-</u>	<u>-</u>	<u>21,103</u>
Total Capital Assets	<u>65,514</u>	<u>-</u>	<u>(11,002)</u>	<u>54,512</u>
Accumulated Depreciation	<u>(61,971)</u>	<u>(640)</u>	<u>9,577</u>	<u>(53,034)</u>
Total Capital Assets, net	<u>\$ 3,543</u>	<u>\$ (640)</u>	<u>\$ (1,425)</u>	<u>\$ 1,478</u>

Note 3: Temporarily Restricted Net Assets

At December 31, 2016, the Council had \$25,028 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, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was \$419,582. The Council also received an estimated \$17,850 in donated cords of wood. These services included donated volunteer hours by Woodies (Council volunteers) and administrative 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 administrative personnel.

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

**Notes to Financial Statements
For the Year Ended December 31, 2016**

Note 5: Federal Financial Assistance and 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 (Unearned) Revenue</u>
USDA Forest Service (2015)	<u>\$ 151,726</u>	<u>\$ 151,726</u>	<u>\$ 151,726</u>	<u>\$ 76,726</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>
Cal EMA (2012)	\$ 15,281	\$ 15,281	\$ -	\$ 1,528
Cal EMA (2013)	29,957	33,826	2,959	-
Riverside County CDBG	<u>5,000</u>	<u>-</u>	<u>1,575</u>	<u>(3,425)</u>
Totals	<u>\$ 50,238</u>	<u>\$ 49,107</u>	<u>\$ 4,534</u>	<u>\$ (1,897)</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, 2016

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, 2016, the Council received matches of \$45,180. The Council additionally received \$437,431 in excess in-kind contributions from Southern California Edison.

Note 7: Concentration of Revenues

The Council receives the majority of its funding from state and federal grants. For the year ended December 31, 2016, these grants accounted for approximately 96% of the total revenues recognized during the fiscal year, of which 76% 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, 2016, 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.