

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

Financial Statements

December 31, 2013

**Mountain Communities Fire Safe Council
Financial Statements
Year Ended December 31, 2013**

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

Independent Auditor's Report

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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, 2013, and the related statements of activities, functional expenses, and cash flows 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 the Mountain Communities Fire Safe Council, as of December 31, 2013, and the changes in its net assets and its cash flow 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 March 10, 2014, 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 Maloney & Scott, LLP

March 10, 2014

Mountain Communities Fire Safe Council
Statement of Financial Position
December 31, 2013

Assets

Current Assets

Cash (Note 1)	\$	233,969
Grants receivable		9,308
Restricted cash		25,020
		268,297
Total Current Assets		268,297
Property and equipment, net of depreciation (Notes 1 and 2)		2,791
		2,791
Total Assets	\$	271,088

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	1,067
Accrued expenses		5,376
Deferred revenue		3,975
		10,418
Total Liabilities		10,418

Net Assets

Temporarily restricted (Note 3)		25,020
Unrestricted		235,650
		260,670
Total Net Assets		260,670
Total Liabilities and Net Assets	\$	271,088

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, 2013

Support and Revenues

Federal and other grant income (Note 5)	\$	102,762
Grant in-kind match/cost share (Note 6)		336,570
Donations		26,218
Interest		19
		465,569
Total Support and Revenues		465,569

Expenses

Program services		
Mountain Communities program		
supporting services		388,295
Management and general		99,022
		487,317
Total Expenses		487,317

Decrease in Net Assets (21,748)

Net Assets at Beginning of Year 282,418

Net Assets at End of Year \$ 260,670

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, 2013**

Cash Flows From Operating Activities:

Decrease in Net Assets	\$ (21,748)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	409
(Increase) Decrease in Accounts Receivable	473
(Increase) Decrease in Grant Receivable	62,491
Increase (Decrease) in Accounts Payable	(590)
Increase (Decrease) in Accrued Expenses	123
Increase (Decrease) in Deferred Revenue	<u>(1,500)</u>
Net Cash Provided by Operating Activities	<u>39,658</u>
Net Increase in Cash	39,658
Cash at Beginning of Year	<u>219,331</u>
Cash at End of Year	<u><u>\$ 258,989</u></u>

Reconciliation of cash to statement of financial position:

Cash	\$ 233,969
Restricted cash	<u>25,020</u>
Total Cash	<u><u>\$ 258,989</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, 2013

	Mountain Communities Program	Management and General	Total Expenses
Expenses			
Personnel	\$ 71,739	\$ 19,179	\$ 90,918
Payroll taxes	5,591	2,809	8,400
Accounting	8,363	2,787	11,150
Legal fees	881	294	1,175
Bank charges	8	2	10
Insurance	4,422	1,474	5,896
Internet subscription	404	135	539
Meals and travel	350	516	866
Mileage reimbursements	4,130	588	4,718
Registration and fees	79	26	105
Repairs and maintenance	-	100	100
Dues and subscriptions	149	49	198
Office supplies	1,139	379	1,518
Postage	291	97	388
Printing and reproduction	2,510	837	3,347
Rent	900	300	1,200
Telephone	472	157	629
Fuel reduction program expense	84,650	-	84,650
Information/education program expenses	6,344	4,003	10,347
In-kind soft match: volunteer	192,282	64,094	256,376
Volunteer program expenses	3,015	1,005	4,020
Miscellaneous program expenses	19	6	25
Depreciation	307	102	409
Bad Debt Expense	250	83	333
Total Expenses	\$ 388,295	\$ 99,022	\$ 487,317

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, 2013

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, 2013

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

Net Asset Groups

The assets, liabilities and net asset 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, 2013

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, 2013, 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 10, 2014, 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>(57,860)</u>
Total Property and Equipment	<u><u>\$ 2,791</u></u>

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2013

Note 3: Temporarily Restricted Net Assets

At December 31, 2013, the Council had \$25,020 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, 2013, the value of contributed services meeting the requirements for recognition in the financial statements was \$250,503. The Council also received an estimated \$5,873 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:

Grantor	Grant Amount, not to Exceed	Grant Expended to Date	Revenue Recognized in Current Year	Net Accrued (Deferred) Revenue
USDA Forest Service (2013)	\$ 200,000	\$ 200,000	\$ 93,482	\$ -
Totals	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 93,482</u>	<u>\$ -</u>

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 (2012)	1,500	1,500	1,500	-
Cal EMA (2012)	15,281	15,281	-	1,528
Cal EMA (2013)	29,957	7,780	7,780	7,780
Totals	<u>\$ 56,738</u>	<u>\$ 30,586</u>	<u>\$ 9,280</u>	<u>\$ 5,333</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, 2013

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, 2013, the Council received matches of \$47,679 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, 2013, these grants accounted for approximately 94% of the total revenues recognized during the fiscal year, of which 77% 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, 2013, 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.