

**Mountain Communities Fire Safe Council**

**Idyllwild, California**

**Financial Statements and  
Independent Auditor's Report**

**December 31, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
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



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  
ramscca.net

## Independent Auditor's Report

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

### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

### MANAGERS / STAFF

Jenny Liu, CPA, MST  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Gardenya Duran, CPA  
Brianna Schultz, CPA  
Lisa Dongxue Guo, CPA, MSA

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, 2017, 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.



### MEMBERS

American Institute of  
Certified Public Accountants

PCPS The AICPA Alliance  
for CPA Firms

Governmental Audit  
Quality Center

California Society of  
Certified Public Accountants

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 in the first paragraph present fairly, in all material respects, the financial position of the Council as of December 31, 2017, 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 4, 2018, 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 4, 2018

**Mountain Communities Fire Safe Council**  
**Statement of Financial Position**  
**December 31, 2017**

---

**Assets**

**Current assets**

Cash	\$	138,212
Grants receivable		53,429
Prepaid expenses		200
Restricted cash (Note 3)		<u>25,030</u>
Total current assets		<u>216,871</u>

**Noncurrent assets**

Property and equipment, net of depreciation (Note 2)		<u>1,135</u>
Total noncurrent assets		<u>1,135</u>
Total assets	\$	<u><u>218,006</u></u>

**Liabilities and net assets**

**Current liabilities**

Accounts payable	\$	10,232
Accrued expenses		1,945
Unearned revenue		<u>1,939</u>
Total current liabilities		<u>14,116</u>
Total liabilities		<u>14,116</u>

**Net assets**

Temporarily restricted (Note 3)		25,030
Unrestricted		<u>178,860</u>
Total net assets		<u>203,890</u>
Total liabilities and net assets	\$	<u><u>218,006</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, 2017**

---

**Support and revenues**

Federal financial assistance and other grants (Note 5)	\$ 303,548
Grant in-kind match/cost share (Note 6)	496,069
Donations	25,756
Interest	<u>7</u>
Total support and revenues	<u>825,380</u>

**Expenses**

Program services	
Mountain Communities program supporting services	591,919
Management and general	<u>213,569</u>
Total expenses	<u>805,488</u>

**Increase in net assets** 19,892

**Net assets at beginning of year** 183,998

**Net assets at end of year** \$ 203,890

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, 2017**

---

**Cash flows from operating activities:**

Increase in net assets	\$ 19,892
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	343
(Increase) Decrease in grants receivable	24,825
(Increase) Decrease in prepaids	(200)
Increase (Decrease) in accounts payable	7,403
Increase (Decrease) in accrued liabilities	63
Increase (Decrease) in accrued salaries and wages	(1,583)
Increase (Decrease) in unearned revenue	<u>(1,487)</u>
Net cash provided by operating activities	<u>49,256</u>
<b>Net increase in cash</b>	49,256
<b>Cash balance at beginning of year</b>	<u>113,986</u>
<b>Cash balance at end of year</b>	<u><u>\$ 163,242</u></u>

**Reconciliation of cash to Statement of Financial Position:**

Cash	\$ 138,212
Restricted cash	<u>25,030</u>
Total cash	<u><u>\$ 163,242</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, 2017**

---

	Mountain Communities Program	Management and General	Total Expenses
<b>Expenses</b>			
Personnel	\$ 44,153	\$ 22,182	\$ 66,335
Payroll taxes	3,139	1,577	4,716
Accounting	8,978	2,992	11,970
Legal fees	64	21	85
Bank charges	146	49	195
Insurance	3,342	1,114	4,456
Meals and travel	96	32	128
Mileage reimbursements	1,934	275	2,209
Registration and fees	68	22	90
Repairs and maintenance	-	1,321	1,321
Licenses & Permits	38	12	50
Dues and subscriptions	3,344	1,115	4,459
Office supplies	769	256	1,025
Postage	2,462	820	3,282
Printing and reproduction	2,693	897	3,590
Rent	1,800	600	2,400
Telephone	579	193	772
Fuel reduction program expense	208,062	69,354	277,416
Information/education program expenses	-	7,320	7,320
In-kind soft match: volunteer	307,534	102,511	410,045
Volunteer program expenses	1,598	532	2,130
Miscellaneous program expenses	38	13	51
Depreciation	257	86	343
Tax preparation fees	825	275	1,100
<b>Total expenses</b>	<b>\$ 591,919</b>	<b>\$ 213,569</b>	<b>\$ 805,488</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, 2017**

---

**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. The Council also aims 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. The Council continues to seek public funding and volunteers to further these objectives.

**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, i.e. more than 50% probability, 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, 2017**

---

**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 which has its use is restricted by donor-imposed criteria that either expire with the passage of time or by the actions of the Council. Restricted resources with restrictions met in the same reporting period are reported as unrestricted resources.

**Property and Equipment**

Property and equipment 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 on 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, 2017**

---

**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 Federal Deposit Insurance Corporation (FDIC) insurance maximum 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, 2017, 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 4, 2018, 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, 2017**

---

**Note 2: Property and Equipment**

Property and equipment consist of the following as of December 31, 2017.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets:				
Field equipment	\$ 18,777	\$ -	\$ -	\$ 18,777
Mobile equipment	14,632	-	-	14,632
Office equipment	<u>21,103</u>	<u>-</u>	<u>-</u>	<u>21,103</u>
Total capital assets	<u>54,512</u>	<u>-</u>	<u>-</u>	<u>54,512</u>
Accumulated depreciation	<u>(53,034)</u>	<u>(343)</u>	<u>-</u>	<u>(53,377)</u>
Total capital assets, net	<u><u>\$ 1,478</u></u>	<u><u>\$ (343)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,135</u></u>

**Note 3: Temporarily Restricted Net Assets**

At December 31, 2017, the Council had \$25,030 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, 2017, the value of contributed services meeting the requirements for recognition in the financial statements was \$393,595. The Council also received an estimated \$16,450 in donated cords of wood. These services included donated volunteer hours by Woodies, i.e. 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, 2017**

---

**Note 5: 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 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 (Unearned) Revenue
Cal EMA - Phase I (2012)	\$ 15,281	\$ 15,281	\$ -	\$ -
Cal EMA - Phase II (2013)	29,957	33,826	-	-
Riverside County CDBG	5,000	3,063	1,488	(1,939)
Community Wildfire Protection Plan	38,920	38,920	38,920	-
CAL FIRE Fuels Reduction	98,885	98,885	98,885	7,049
CAL FIRE Dead & Dying Tree Removal	98,868	80,655	80,655	12,780
Prepared Mountain Communities (California Fire Safe)	200,000	83,600	83,600	33,600
Totals	<u>\$ 486,911</u>	<u>\$ 354,230</u>	<u>\$ 303,548</u>	<u>\$ 51,490</u>

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

**Note 6: Grant In-kind Match / Cost Share Contribution**

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, 2017, the Council received matches of \$86,024. The Council additionally received \$410,045 in excess in-kind contributions from Southern California Edison.

**Mountain Communities Fire Safe Council**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

---

**Note 7: Concentration of Revenues**

The Council receives the majority of its funding from state and federal grants. For the year ended December 31, 2017, these grants accounted for approximately 97% of the total revenues recognized during the fiscal year, of which 62% 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, 2017, 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.