

Mountain Communities Fire Safe Council

Idyllwild, California

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

December 31, 2019

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Independent Auditor's Report

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

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Report on the Financial Statements

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, 2019, 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.

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, 2019, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020, 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
March 4, 2020

Mountain Communities Fire Safe Council
Statement of Financial Position
December 31, 2019

Assets

Current assets

| | |
|--------------------------|----------------|
| Cash | \$ 296,255 |
| Grants receivable | 49,675 |
| Prepaid expenses | 43 |
| Restricted cash (Note 3) | <u>25,035</u> |
| Total current assets | <u>371,008</u> |

Noncurrent assets

| | |
|--|------------|
| Property and equipment, net of depreciation (Note 2) | <u>892</u> |
| Total noncurrent assets | <u>892</u> |

| | |
|--------------|--------------------------|
| Total assets | <u><u>\$ 371,900</u></u> |
|--------------|--------------------------|

Liabilities and net assets

Current liabilities

| | |
|---------------------------|---------------|
| Accounts payable | \$ 18,959 |
| Accrued expenses | 4,066 |
| Unearned revenue | <u>51,118</u> |
| Total current liabilities | <u>74,143</u> |

| | |
|-------------------|---------------|
| Total liabilities | <u>74,143</u> |
|-------------------|---------------|

Net assets

| | |
|---|----------------|
| With donor restrictions - purpose restricted (Note 3) | 25,035 |
| Without donor restrictions - undesignated | <u>272,722</u> |
| Total net assets | <u>297,757</u> |

| | |
|----------------------------------|--------------------------|
| Total liabilities and net assets | <u><u>\$ 371,900</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, 2019

Support and revenues

| | |
|--|------------------|
| Federal financial assistance and other grants (Note 5) | \$ 487,134 |
| Grant in-kind match/cost share (Note 6) | 679,637 |
| Interest income | 5 |
| Other income | <u>18,100</u> |
| Total support and revenues | <u>1,184,876</u> |

Expenses

| | |
|------------------------|------------------|
| Program services | 1,016,550 |
| Management and general | <u>63,327</u> |
| Total expenses | <u>1,079,877</u> |

Increase in net assets without donor restrictions 104,999

Net assets at beginning of year 192,758

Net assets at end of year \$ 297,757

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, 2019

Cash flows from operating activities:

| | |
|---|----------------|
| Increase in net assets | \$ 104,999 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | |
| Depreciation | 69 |
| (Increase) Decrease in grants receivable | (26,775) |
| (Increase) Decrease in prepaid expenses | 8 |
| Increase (Decrease) in accounts payable | (205) |
| Increase (Decrease) in accrued expenses | 40 |
| Increase (Decrease) in accrued salaries and wages | 2,611 |
| Increase (Decrease) in unearned revenue | <u>47,118</u> |
| Net cash provided by operating activities | <u>127,865</u> |

Net increase in cash 127,865

Cash balance at beginning of year 193,425

Cash balance at end of year \$ 321,290

Reconciliation of cash to Statement of Financial Position:

| | |
|-----------------|--------------------------|
| Cash | \$ 296,255 |
| Restricted cash | <u>25,035</u> |
| Total cash | <u><u>\$ 321,290</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, 2019

| | <u>Program</u> | <u>Management</u> | <u>Total</u> |
|--|----------------------------|-------------------------|----------------------------|
| Expenses | | | |
| Personnel | \$ 33,430 | \$ 34,988 | \$ 68,418 |
| Payroll taxes | 3,124 | 3,504 | 6,628 |
| Accounting | 2,500 | 12,769 | 15,269 |
| Recognition | - | 72 | 72 |
| Bank charges | - | 73 | 73 |
| Environmental surveys | 5,610 | - | 5,610 |
| Insurance | 314 | 4,473 | 4,787 |
| Meals and travel | - | 210 | 210 |
| Mileage reimbursements | 1,949 | 524 | 2,473 |
| Registration and fees | - | 10 | 10 |
| Repairs and maintenance | 88 | 828 | 916 |
| Licenses and permits | - | 65 | 65 |
| Dues and subscriptions | - | 399 | 399 |
| Office supplies | 479 | 157 | 636 |
| Postage | 110 | 103 | 213 |
| Printing and reproduction | - | 357 | 357 |
| Rent | - | 2,400 | 2,400 |
| Internet | - | 815 | 815 |
| Fuel reduction program expense | 436,909 | - | 436,909 |
| Information/education program expenses | 5,705 | 650 | 6,355 |
| In-kind soft match: volunteer | 525,551 | - | 525,551 |
| Volunteer program expenses | 781 | 861 | 1,642 |
| Depreciation | - | 69 | 69 |
| Total expenses | <u>\$ 1,016,550</u> | <u>\$ 63,327</u> | <u>\$ 1,079,877</u> |

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, 2019**

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 is exempt from federal and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Council has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Council annually files Form 990 with the appropriate agencies. The Council's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2016, 2017 and 2018 are subject to examination by the IRS, generally for 3 years after they were filed.

Financial Statement Presentation

The financial statements of the Council have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958.

Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be extended for any purpose in performing the primary objectives of the Council. The Council's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2019**

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

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions.

Property and Equipment

Property and equipment acquired with unit costs greater than \$5,000 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 acquisition 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 net assets with donor restrictions to net assets without donor restrictions 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.

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, 2019, the Council had cash balances of \$10,846 exceeding the insured amount.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2019

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

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 March 4, 2020, the date which the financial statements were available to be issued, and has determined that there are no significant transactions that will have a significant impact on the Council.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 2: Property and Equipment

Property and equipment consist of the following as of December 31, 2019.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---------------------------|------------------------------|------------------|------------------|---------------------------|
| Capital assets: | | | | |
| Field equipment | \$ 18,777 | \$ - | \$ (6,328) | \$ 12,449 |
| 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>(6,328)</u> | <u>48,184</u> |
| Accumulated depreciation | <u>(53,551)</u> | <u>(69)</u> | <u>6,328</u> | <u>(47,292)</u> |
| Total capital assets, net | <u>\$ 961</u> | <u>\$ (69)</u> | <u>\$ -</u> | <u>\$ 892</u> |

Note 3: Net Assets with Donor Restrictions

At December 31, 2019, the Council had \$25,035 in donor-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. In July 2018, Bank of America Charitable Foundation agreed to allow the Council to change the purpose for which the funds were to be used. The Council will now create educational materials for homeowners about how to create defensible space around their properties, which would dramatically increase the chance of their home surviving a wildfire, and most importantly, provide for the safety of the firefighters as they protect the homes. The Council will hold these funds until the donor-imposed restricted purpose for these funds has been fulfilled. These funds are held in a separate bank account and are classified as restricted cash on the balance sheet.

Note 4: Contributed Services

During the year ended December 31, 2019, the value of contributed services meeting the requirements for recognition in the financial statements was \$512,601. The Council also received an estimated \$12,950 in donated cords of wood. These services included donated volunteer hours by Woodies, i.e. Council volunteers, administrative personnel and excess in-kind contributions from Southern California Edison. 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.

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, 2019, the Council received matches of \$154,086.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2019

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 | Grant Funds received in current year (net of prior year accrual) | Grant Receivable at year end | Unearned Revenue at year end |
|-------------------------------------|--------------------------------|---------------------------|--|--|------------------------------------|------------------------------------|
| Cal Fire Fuels Reduction - 5GG17195 | \$ 600,000 | \$ 457,477 | \$ 383,837 | \$ 434,577 | \$ - | \$ 50,740 |
| California Fire Safe Council | 200,000 | 99,675 | 99,675 | 50,000 | 49,675 | - |
| Riverside County CID Grant | 4,000 | 3,622 | 3,622 | 4,000 | - | 378 |
| Totals | <u>\$ 804,000</u> | <u>\$ 560,774</u> | <u>\$ 487,134</u> | <u>\$ 488,577</u> | <u>\$ 49,675</u> | <u>\$ 51,118</u> |

Grants and contracts are paid on an advance basis up to the maximum amounts allowed under the terms of the grant or contract.

Note 6: Concentration of Revenues

The Council receives the majority of its funding from state and federal grants. For the year ended December 31, 2019, these grants accounted for approximately 98% of the total revenues recognized during the fiscal year, of which 58% is attributed to the grant in-kind match/cost share.

Note 7: 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, 2019, 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.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 8: Liquidity and Availability of Resources

The Council has \$371,008 of financial assets available within one year of the Statement of Financial Position date for general expenditures consisting of the following:

| | | |
|--------------------------|----|-----------------------|
| Cash | \$ | 296,255 |
| Accounts receivable | | - |
| Grants receivable | | 49,675 |
| Prepaid expenses | | 43 |
| Restricted cash (Note 3) | | <u>25,035</u> |
| Total | \$ | <u><u>371,008</u></u> |

The Council is supported by both unrestricted and restricted contributions, and holds certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Council must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

As part of the Council's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.