

Mountain Communities Fire Safe Council

Idyllwild, California

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

December 31, 2021

Mountain Communities Fire Safe Council
For the Year Ended December 31, 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8 - 13



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
ramscpa.net

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Brenda L. Odle, CPA, MST (Partner Emeritus)

MANAGERS / STAFF

Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mountain Communities Fire Safe Council (the Council) (a nonprofit organization), which compromise the statement of financial position as of December 31, 2021 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects of the statement of financial position as of December 31, 2021, and the changes of statement of activities, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may arise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, the evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2022 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 solely 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 effectiveness of 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
May 6, 2022

Mountain Communities Fire Safe Council
Statement of Financial Position
December 31, 2021

Assets

Current assets

Cash	\$	174,049
Accounts receivable		1,473
Grants receivable		142,373
Prepaid expenses		<u>117</u>
Total current assets		<u>318,012</u>

Noncurrent assets

Capital assets, net of depreciation (Note 2)		<u>14,001</u>
Total noncurrent assets		<u>14,001</u>
Total assets	\$	<u><u>332,013</u></u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$	24,986
Accrued expenses		6,597
Unearned revenue		<u>28,419</u>
Total current liabilities		<u>60,002</u>
Total liabilities		<u>60,002</u>

Net assets

Without donor restrictions - undesignated		<u>272,011</u>
Total net assets		<u>272,011</u>
Total liabilities and net assets	\$	<u><u>332,013</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, 2021

Support and revenues

Federal financial assistance and other grants (Note 5)	\$ 279,773
Grant in-kind match/cost share (Note 6)	613,916
Contributed revenue	12,000
Other income	64,336
	<hr/>
Total support and revenues	970,025

Expenses

Program services	379,477
Management and general	624,923
	<hr/>
Total expenses	1,004,400

Decrease in net assets without donor restrictions (34,375)

Net assets at beginning of year 306,386

Net assets at end of year \$ 272,011

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, 2021

Cash flows from operating activities:	
Decrease in net assets	\$ (34,375)
Adjustments to reconcile the change in net assets to net cash used for operating activities:	
Depreciation	600
Donated fixed asset	(12,000)
(Increase) Decrease in accounts receivable	(1,443)
(Increase) Decrease in grants receivable	(114,123)
(Increase) Decrease in prepaid expenses	(63)
Increase (Decrease) in accounts payable	15,498
Increase (Decrease) in accrued expenses	162
Increase (Decrease) in accrued salaries and wages	2,180
Increase (Decrease) in unearned revenue	<u>28,369</u>
Net cash used for operating activities	<u>(115,195)</u>
Net decrease in cash	(115,195)
Cash balance at beginning of year	<u>289,244</u>
Cash balance at end of year	<u><u>\$ 174,049</u></u>
Noncash Investing Activities:	
Donated capital asset	\$ 12,000

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, 2021

	<u>Program</u>	<u>Management</u>	<u>Total</u>
Expenses			
Personnel	\$ 53,183	\$ 59,933	\$ 113,116
Payroll taxes	4,711	5,272	9,983
Accounting	5,072	8,555	13,627
Recognition	-	273	273
Bank charges	-	102	102
Environmental surveys	6,840	-	6,840
Insurance	428	5,316	5,744
Meals and travel	-	231	231
Mileage reimbursements	222	3,366	3,588
Repairs and maintenance	334	2,810	3,144
Licenses and permits	-	95	95
Dues and subscriptions	-	242	242
Office supplies	436	926	1,362
Postage	174	106	280
Printing and reproduction	-	158	158
Rent	-	2,400	2,400
Telephone	14	1,238	1,252
Internet	-	13	13
Fuel reduction program expense	276,938	-	276,938
Information/education program expenses	17,852	26	17,878
In-kind soft match: volunteer	-	533,757	533,757
Volunteer program expenses	12,673	104	12,777
Depreciation	600	-	600
Total expenses	<u>\$ 379,477</u>	<u>\$ 624,923</u>	<u>\$ 1,004,400</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, 2021

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 2017, 2018 and 2019 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, 2021

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.

Capital assets

Capital assets 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 capital 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, 2021, the Council had cash balances of \$0 exceeding the insured amount.

**Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2021**

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 May 6, 2022, 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, 2021

Note 2: Capital assets

Property and equipment consist of the following as of December 31, 2021.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets:				
Field equipment	\$ 12,449	\$ -	\$ -	\$ 12,449
Mobile equipment	14,632	-	-	14,632
Office equipment	21,103	-	-	21,103
Vehicles	<u>3,000</u>	<u>12,000</u>	<u>-</u>	<u>15,000</u>
Total capital assets	<u>51,184</u>	<u>12,000</u>	<u>-</u>	<u>63,184</u>
Accumulated depreciation	<u>(48,583)</u>	<u>(600)</u>	<u>-</u>	<u>(49,183)</u>
Total capital assets, net	<u>\$ 2,601</u>	<u>\$ 11,400</u>	<u>\$ -</u>	<u>\$ 14,001</u>

Note 3: Contributed Services

During the year ended December 31, 2021, the value of contributed services meeting the requirements for recognition in the financial statements was \$522,007. The Council also received an estimated \$11,750 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, 2021, the Council received matches of \$80,159.

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 4: 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
MCFSC Outreach and Fuels Reduction Enhancement 20 CALVOLS - Trailers 333693	\$ 14,000	\$ 13,344	\$ 13,344	\$ 14,000	\$ -	\$ 656
California Fire Safe Council - 20 SFA 196332	200,000	200,000	171,750	71,750	100,000	-
California Fire Safe Council - 21 SFA 353803	200,000	1,636	1,636	-	1,636	-
21-CFF-PG&E New "Living With Fire Magazine	11,000	50	50	11,000	-	10,950
21-SCE-348800 MCFSC Large Landscape D-space and Education	40,000	38,484	38,484	40,000	-	1,516
Cal Fire -5GG20164 Mountain Communities Defensible Space & DDD Tree Removal	750,000	29,780	29,780	-	29,780	-
Riverside County GSOB - 8GG18659-MCFSC Mgmt	100,000	10,585	10,957	-	10,957	-
IECF Fuels Reduction Project for Defensible Space in Mountain Communities	5,500	-	-	5,500	-	5,500
Riverside County Covid Grant	8,000	7,950	-	-	-	50
Small Business Administration - PPP Loan	13,772	13,772	13,772	13,772	-	-
Pinyon Roads	-	-	-	-	-	9,747
Totals	<u>\$ 1,342,272</u>	<u>\$ 315,601</u>	<u>\$ 279,773</u>	<u>\$ 156,022</u>	<u>\$ 142,373</u>	<u>\$ 28,419</u>

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

Mountain Communities Fire Safe Council
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 5: Concentration of Revenues

The Council receives the majority of its funding from state and federal grants. For the year ended December 31, 2021, these grants accounted for approximately 92% of the total revenues recognized during the fiscal year, of which 69% is attributed to the grant in-kind match/cost share.

Note 6: 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, 2021, 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.

Note 7: Liquidity and Availability of Resources

The Council has \$318,012 of financial assets available within one year of the Statement of Financial Position date for general expenditures consisting of the following:

Cash	\$ 174,049
Accounts receivable	1,473
Grants receivable	142,373
Prepaid expenses	<u>117</u>
Total	<u>\$ 318,012</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.