

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

FINANCIAL STATEMENTS

DECEMBER 31, 2008

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
 Mountain Communities Fire Safe Council

We have audited the accompanying statement of financial position of the Mountain Communities Fire Safe Council (a non-profit organization) as of December 31, 2008, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Rogers, Anderson, Malody & Scott, LLP*

June 30, 2009

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MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

ASSETS

CURRENT ASSETS	
Cash (Note 1)	\$ 451,635
Accounts receivable	13,305
Grants receivable	<u>30,085</u>
Total Current Assets	<u>495,025</u>
Property and equipment, net of depreciation (Notes 1 and 2)	<u>4,396</u>
TOTAL ASSETS	<u>\$ 499,421</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 20,535
Deferred revenue	<u>352,815</u>
Total Current Liabilities	<u>373,350</u>
Unrestricted Net Assets	<u>126,071</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 499,421</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, 2008

SUPPORT AND REVENUES	
Federal Grant Income (Note 4)	\$ 540,983
Grant In-Kind Match/Cost Share (Note 5)	391,159
Other Revenue (Note 6)	17,422
Interest	<u>8,337</u>
Total Support and Revenues	<u>957,901</u>
EXPENSES	
Program Services	
Mountain Communities Program	869,538
Supporting Services	
Management and General	<u>71,496</u>
Total Expenses	<u>941,034</u>
INCREASE IN NET ASSETS	16,867
NET ASSETS AT BEGINNING OF YEAR	<u>109,204</u>
NET ASSETS AT END OF YEAR	<u>\$ 126,071</u>

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, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in Net Assets	\$ 16,867
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	2,931
(Increase) in Accounts Receivable	(13,305)
(Increase) in Grants Receivable	(8,687)
Increase in Accounts Payable	12,465
Increase in Accrued Payroll	879
Increase in Deferred Revenue	<u>333,000</u>
Net Cash Provided by Operating Activities	<u>344,150</u>
Net Increase in cash	344,150
CASH AT BEGINNING OF YEAR	<u>107,485</u>
CASH AT END OF YEAR	<u>\$ 451,635</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, 2008

	Mountain Communities Program	Management and General	Total Expenses
EXPENSES			
Personnel	\$ 79,910	\$ 26,636	\$ 106,546
Payroll Taxes	7,225	2,408	9,633
Accounting	9,553	3,184	12,737
Appreciation and Recognition	98	33	131
Archaeological/Biological Services	6,649	-	6,649
Bank Charges	125	42	167
Commission Expense	48	16	64
Equipment Expenses	1,550	517	2,067
Insurance	4,029	1,343	5,372
Internet Subscription	337	112	449
Green Waste Disposal	11,687	3,896	15,583
Mileage Reimbursements	3,969	1,323	5,292
Outside Services	1,343	447	1,790
Registration and Fees	141	47	188
Dues and Subscriptions	551	183	734
Office Supplies	1,608	536	2,144
Postage	399	133	532
Printing and Reproduction	160	54	214
Rent	1,800	600	2,400
Telephone	254	85	339
Fuel Reduction Program Expense	648,402	-	648,402
Information/Education Program Expenses	13,801	4,600	18,401
In-Kind Soft Match: Volunteer	69,002	23,001	92,003
Volunteer Program Expenses	4,362	1,454	5,816
Miscellaneous Program Expenses	337	113	450
Depreciation	2,198	733	2,931
TOTAL EXPENSES	<u>\$ 869,538</u>	<u>\$ 71,496</u>	<u>\$ 941,034</u>

Allocations:

Expenses are allocated based on either estimated time spent, or an estimate of space or actual usage.

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, 2008

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Mountain Communities Fire Safe 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 Organization are to protect homes, communities and 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 Organization seeks public funding and volunteers to further these aims.

**Income taxes**

The Organization 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 Organization is not classified as a private foundation.

**Financial Statements Presentation**

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit" Organizations." Under SFAS No. 117, the Organization is required to report 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 Organization is required to present a statement of cash flows. As permitted by the statement, the Organization 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, 2008

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

**Net Asset Groups**

The assets, liabilities and net assets of the Organization are reported in the following net asset groups:

*Unrestricted net assets* include resources that are not temporarily or permanently restricted by the donor and are available for operations of the Organization without limitation.

*Temporarily restricted net assets* include those resources whose use is restricted by donor-imposed criteria that either expire with the passage of time or by the actions of the Organization. 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 \$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**

Donation 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 Organization 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 Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash consists of interest bearing and non-interest bank deposits.

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Concentration of Credit Risk**

The Organization maintains several cash accounts at a single financial institution. Interest-bearing accounts at that institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2008, the Organization's uninsured cash balance totaled \$200,083.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management feels that as of December 31, 2008, all amounts recorded in accounts receivable are fully collectible, and accordingly, has elected not to record an allowance for uncollectible accounts.

**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 Organization 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.

MOUNTAIN COMMUNITIES FIRE SAFE COUNCIL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Field Equipment	\$ 11,452
Mobile Equipment	25,634
Office Equipment	14,705
Accumulated Depreciation	<u>(47,395)</u>
Total Property and Equipment	<u>\$ 4,396</u>

NOTE 3: CONTRIBUTED SERVICES

During the year ended December 31, 2008, the value of contributed services meeting the requirements for recognition in the financial statements was \$81,320. The Council also received an estimated \$10,683 in donated cords of wood. These services included volunteer hours by Woodies and administration personnel. The volunteer hours are provided at no cost to the Organization; in return, the Organization provides basic supplies and tools to the Woodies and administration personnel.

NOTE 4: FEDERAL FINANCIAL ASSISTANCE

The Organization 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>Expended in the Current Year</u>	<u>Net Accrued (Deferred) Revenue</u>
USDA Forest Service	\$ 1,678,296	\$ 467,985	\$ (272,783)
WUI Comm. Rural Fire Assistance	<u>85,000</u>	<u>72,998</u>	<u>(49,947)</u>
Totals	<u>\$ 1,763,296</u>	<u>\$ 540,983</u>	<u>\$ (322,730)</u>

The net deferred revenue amount of \$(322,730) consists of grants receivable of \$30,085 and deferred revenue of \$(352,815).

Grants and contracts are paid on the 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, 2008

NOTE 5: GRANT IN-KIND MATCH/COST SHARE

In addition to receiving the Federal Financial Assistance listed at Note 4, the Organization receives funds from the participating property owners. Prior to commencement of removing dead trees and fire abatement treatments, the participating property owner(s) is charged 25% of the contracted amount.

NOTE 6: OTHER REVENUE

The following is a summary of other revenues earned in the year ended December 31, 2008:

Idyllwild Donations	\$	4,465
Pine Cove Donations		2,480
Woodies Volunteer Work		4,325
Miscellaneous Donations		<u>6,152</u>
Total Other Revenue	\$	<u>17,422</u>

NOTE 7: CONTINGENCIES

The Organization 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, 2008, in the opinion of the Organization's management, there are no other outstanding matters which would have a significant effect on the Organization's financial position.