

**FIRE SAFE COUNCIL OF
NEVADA COUNTY**

Audited Financial Statements

June 30, 2018 and 2017



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fire Safe Council of Nevada County
Grass Valley, California

We have audited the accompanying financial statements of the Fire Safe Council of Nevada County (the Council), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

To the Board of Directors
Fire Safe Council of Nevada County

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Richardson & Company, LLP

June 25, 2020

FIRE SAFE COUNCIL OF NEVADA COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 94,585	\$ 125,582
Grants receivable	42,399	76,476
Accounts receivable	2,565	1,069
Prepaid expenses	3,700	4,171
Total Current Assets	<u>143,249</u>	<u>207,298</u>
Vehicles and equipment, net	585	4,189
Other Assets		
Deposits	871	1,401
Total Other Assets	<u>871</u>	<u>1,401</u>
TOTAL ASSETS	<u>\$ 144,705</u>	<u>\$ 212,888</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 8,863	\$ 60,341
Accrued expenses	16,416	11,687
Accrued vacation	3,872	4,336
Firewise fiscal sponsorships	2,328	3,278
Deferred grant revenue	40,585	35,473
Total Current Liabilities	<u>72,064</u>	<u>115,115</u>
TOTAL LIABILITIES	<u>72,064</u>	<u>115,115</u>
NET ASSETS		
Unrestricted net assets		
Designated for operating reserve	18,000	18,000
Designated for capital improvements	18,000	18,000
Undesignated	36,641	61,773
TOTAL NET ASSETS	<u>72,641</u>	<u>97,773</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 144,705</u>	<u>\$ 212,888</u>

The accompanying notes are an integral part of these financial statements.

FIRE SAFE COUNCIL OF NEVADA COUNTY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER SUPPORT		
Federal grants	\$ 94,107	\$ 215,609
State and local government grants	54,616	113,637
Business and foundation grants	133,468	123,489
Fundraising	44,900	30,021
Less: direct benefit to participants	<u>(17,844)</u>	<u>(10,876)</u>
Net revenue from fundraising	27,056	19,145
Contributions	47,386	36,164
Memberships and fees	14,559	16,185
In-kind contributions	28,343	31,737
Interest and other	<u>60</u>	<u>44</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>399,595</u>	<u>556,010</u>
EXPENSES		
Program services:		
Firewise communities	152,492	163,606
Fuels reduction and biomass projects	65,724	190,016
Community chipping	<u>133,414</u>	<u>134,733</u>
Total Program Services	351,630	488,355
Supporting services:		
Administration	59,645	48,147
Fundraising	<u>13,452</u>	<u>5,755</u>
TOTAL EXPENSES	<u>424,727</u>	<u>542,257</u>
CHANGE IN NET ASSETS	(25,132)	13,753
Net assets, beginning of year	<u>97,773</u>	<u>84,020</u>
NET ASSETS, END OF YEAR	<u>\$ 72,641</u>	<u>\$ 97,773</u>

The accompanying notes are an integral part of these financial statements.

FIRE SAFE COUNCIL OF NEVADA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Firewise Communities	Fuel Breaks and Biomass Projects	Community Chipping	Total Program Services	Administration	Fund- raising	Total
Contract services	\$ 61,676	\$ 21,407	\$ 43,932	\$ 127,015	\$ 11,230		\$ 138,245
Salaries and benefits	61,096	33,578	59,899	154,573	43,564	\$ 5,760	203,897
Office expenses	6,427		6,098	12,525	9,223	7,422	29,170
Occupancy					12,815		12,815
Travel	3,229		5,467	8,696	4,423		13,119
Meetings and Training	1,455		49	1,504	4,345		5,849
Depreciation expense					3,604		3,604
Accounting services					9,292		9,292
Advertising					1,196	225	1,421
Insurance	245			245	3,756		4,001
License and permits	100		185	285	2,432	45	2,762
Miscellaneous	500			500	52		552
TOTAL EXPENSES	134,728	54,985	115,630	305,343	105,932	13,452	424,727
Administration	17,764	10,739	17,784	46,287	(46,287)		
TOTAL ALLOCATED EXPENSES	\$ 152,492	\$ 65,724	\$ 133,414	\$ 351,630	\$ 59,645	\$ 13,452	\$ 424,727

The accompanying notes are an integral part of these financial statements.

FIRE SAFE COUNCIL OF NEVADA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Firewise Communities	Fuel Breaks and Biomass Projects	Community Chipping	Total Program Services	Administration	Fund- raising	Total
Contract services	\$ 52,272	\$ 169,364	\$ 56,327	\$277,963	\$ 18,189		\$296,152
Salaries and benefits	71,609	16,125	53,056	140,790	13,436	\$ 2,239	156,465
Office expenses	7,867		4,584	12,451	22,648	1,562	36,661
Occupancy					13,049		13,049
Travel	4,697		3,932	8,629	516	42	9,187
Meetings and Training	2,535			2,535	1,207		3,742
Depreciation expense					9,641		9,641
Accounting services					8,733		8,733
Advertising	2,066		250	2,316	429	1,219	3,964
Insurance			719	719	2,659		3,378
License and permits			185	185	980	120	1,285
TOTAL EXPENSES	<u>141,046</u>	<u>185,489</u>	<u>119,053</u>	<u>445,588</u>	<u>91,487</u>	<u>5,182</u>	<u>542,257</u>
Administration	<u>22,560</u>	<u>4,527</u>	<u>15,680</u>	<u>42,767</u>	<u>(43,340)</u>	<u>573</u>	
TOTAL ALLOCATED EXPENSES	<u>\$ 163,606</u>	<u>\$ 190,016</u>	<u>\$ 134,733</u>	<u>\$488,355</u>	<u>\$ 48,147</u>	<u>\$ 5,755</u>	<u>\$542,257</u>

The accompanying notes are an integral part of these financial statements.

FIRE SAFE COUNCIL OF NEVADA COUNTY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (25,132)	\$ 13,753
Adjustments to reconcile the decrease in net assets to cash used by operations:		
Depreciation expense	3,604	9,641
(Increase) decrease in:		
Grants receivable	34,077	56,896
Accounts receivable	(1,496)	(76)
Prepaid expenses	471	(3,004)
Deposits	530	(111)
Increase (decrease) in:		
Accounts payable	(51,478)	17,210
Accrued expenses	4,729	(1,332)
Accrued vacation	(464)	(3,181)
Firewise fiscal sponsorships	(950)	130
Deferred grant revenue	5,112	(30,267)
NET CASH PROVIDED BY OPERATIONS	<u>(30,997)</u>	<u>59,659</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(30,997)	59,659
Cash and cash equivalents at beginning of year	<u>125,582</u>	<u>65,923</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 94,585</u>	<u>\$ 125,582</u>

The accompanying notes are an integral part of these financial statements.

FIRE SAFE COUNCIL OF NEVADA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The Fire Safe Council of Nevada County (the Council) was formed on 1998 by a small group of concerned citizens in an effort to start a movement to create a fire safe Nevada County. The Council was incorporated in the State of California on January 14, 1999. The purpose of the Council is to reduce the risk of life and property loss from wildfire through fuel reduction and public education projects; and to increase public awareness of the threat of loss due to fire and what steps can be taken to reduce the probability of a devastating wildfire. The Council's provides the following programs:

Firewise Communities / USA® – is a national program developed by the National Fire Protection Association in partnership with federal land management agencies. Under this program the Council provides community wildfire hazard assessments, training of defensible space advisors, children's education, clearing of defensible space for low income seniors and the disabled, scotch broom removal and community outreach and education.

Fuel Break and Biomass Projects – The Council manages strategic community fuel breaks created pursuant to its Community Wildfire Protection Plan. The Council also serves as the fiscal sponsor for the Nevada County Biomass Task Force and Camptonville Community Partnership for a Wood Innovations Grant to conduct permitting and the system impact studies for two community scale biomass utilization facilities.

Chipping Program – The Council provides chipping services to Nevada County landowners who have accumulated brush piles while working to clear defensible space and evacuation routes.

Further information about its programs is available on the Council's website www.areyoufiresafe.com.

Major funding of the Council's programs is achieved through grants from Federal, State and Local governments, private foundations, corporations and contributions from individuals.

Basis of Presentation: The financial statements of the Council are prepared in conformity with generally accepted accounting principles. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Council 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. The Council has no permanently and temporarily restricted net assets. The Council uses the accrual basis of accounting.

Cash and Cash Equivalents: For purposes of presentation in the Statement of Cash Flows, the Council considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Deferred Revenue: The Council records deferred revenue relating to grant revenues received prior to June 30, 2018 and 2017 that have not yet been expended.

Net Assets Designations: The Council maintains an operating reserve that represents three months of operating expenses and a capital improvements reserve.

Revenue and Support: Revenue is derived primarily from grants, fundraising events, contributions and membership and other fees. Revenue from governmental contracts is recognized to the extent of incurred expenses, up to the grant or contract ceiling. Any excess of expenses incurred over cash received is recorded as grants receivable; any excess of cash received over expenses incurred is recorded as deferred grant revenue.

FIRE SAFE COUNCIL OF NEVADA COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported as released from restriction.

Income Taxes: The Council is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and Section 23701e of the California Revenue and Taxation Code and, therefore, is subject to federal and state income taxes only on unrelated business income earned. There was no income from such activities during the years ended June 30, 2018 and 2017. The Council is not a private foundation.

The Council's federal returns for the years ended June 30, 2017, 2016 and 2015 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Council's state returns for the years ended June 30, 2017, 2016, 2015 and 2014 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Vehicles and equipment: Vehicles and equipment are stated at cost, or if donated, fair market value at the time of the donation. Provision is made for depreciation by the straight-line method over the estimated useful life of the property (generally five to seven years). Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals, and replacements that increase the property's useful life are capitalized. The Council's policy is to capitalize such items with a cost of \$2,500 or more.

Firewise Fiscal Sponsorships: The Council is a fiscal agent for three Firewise Communities. Under this agreement, Firewise Communities can solicit tax deductible contributions for Firewise projects. The funds deposited with the Council are recorded as a liability upon receipt. The liability is reduced when funds are spent.

Donated Materials and Services: Donated equipment and material are recorded as contributions at their estimated value at date of receipt. Donations of equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Donated services that created or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated fuel reduction services totaling \$21,863 and \$25,257 for the years ended June 30, 2018 and 2017, respectively, is included in the financial statements as contracted services.

Volunteers donated time for chipping, firewise program activities and other activities that are not recognized as contributions in the financial statements, since the recognition criteria were not met. The value of these services are estimated to be \$219,267 and \$887,623 for the years ended June 30, 2018 and 2017, respectively.

Accrued Vacation: It is the Council's policy to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation. Accumulated unpaid vacation is accrued when earned.

FIRE SAFE COUNCIL OF NEVADA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses: The Council allocates its expense on a functional basis among its various program and supporting services and reports these allocations on the statement of functional expenses. Expenses that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses and supporting services that are common to several functions are allocated based on employees' time incurred and usage of resources.

Use of 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.

Subsequent Events: The Council evaluated all events or transactions that occurred after June 30, 2018 and up to June 25, 2020, the date the financial statements were issued. During this time, the Council did not have any recognizable or unrecognizable subsequent events.

New Pronouncements: In August 2016, the Financial Accounting Standards Board issued ASU No.2016-14 that will simplify and improve how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. This statement will be effective for the year ended June 30, 2019.

NOTE B – EMPLOYEE BENEFITS

The Council adopted a health savings account plan (HSA) and a savings incentive match individual retirement plan (SIMPLE IRA). The Council matches employee contributions to the plan up to 6%. The employer portion of the HSA and SIMPLE IRA benefits totaled \$13,500 and \$3,707, respectively, during the year ended June 30, 2018. The employer portion of the HSA and SIMPLE IRA benefits totaled \$6,715 and \$5,389, respectively, during the year ended June 30, 2017.

NOTE C – VEHICLES AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Vehicles	\$ 80,495	\$ 80,495
Chipper	28,202	28,202
Office furniture and equipment	13,246	13,246
	121,943	121,943
Less: Accumulated depreciation	(121,358)	(117,754)
	\$ 585	\$ 4,189

FIRE SAFE COUNCIL OF NEVADA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

NOTE D – OPERATING LEASE

The Council executed a lease for office space with the City of Grass Valley at a discounted rate of \$1 per year. The contract was renewed for three years on March 27, 2015. Rent expense for the years ended June 30, 2018 and 2017 of \$6,480 is the estimated value of the office space provided by the City of Grass Valley, which is included as in-kind contributions and occupancy expense.

The Council has a lease for a copy machine with a minimum rental payment of \$149 per month for a term of five years effective January 24, 2014. Operating lease payments totaled \$1,788 for the years ended June 30, 2018 and 2017. Future minimum lease payments under this agreement are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 1,788
2020	<u>1,043</u>
	<u><u>\$ 2,831</u></u>

NOTE E – ECONOMIC DEPENDENCE

Funding for the operation of the Council is provided primarily by grants from Federal, State and Local governments, a private foundation and Pacific Gas & Electric Company. The Council is dependent upon these grants to provide its chipping services, and to conduct its fuel reduction projects and firewise education and outreach activities.