

**FIRE SAFE COUNCIL OF
NEVADA COUNTY**

Audited Financial Statements

June 30, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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

July 8, 2021

FIRE SAFE COUNCIL OF NEVADA COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 60,521	\$ 94,585
Grants receivable	227,309	42,399
Accounts receivable		2,565
Prepaid expenses	5,474	3,700
Total Current Assets	<u>293,304</u>	<u>143,249</u>
Vehicles and equipment, net	31,687	585
Other Assets		
Deposits	871	871
Total Other Assets	<u>871</u>	<u>871</u>
TOTAL ASSETS	<u>\$ 325,862</u>	<u>\$ 144,705</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 124,262	\$ 8,863
Accrued expenses	21,184	16,416
Accrued vacation	9,567	3,872
Firewise fiscal sponsorships	1,655	2,328
Deferred grant revenue	27,510	40,585
Line of credit	30,000	
Total Current Liabilities	<u>214,178</u>	<u>72,064</u>
TOTAL LIABILITIES	<u>214,178</u>	<u>72,064</u>
NET ASSETS		
Unrestricted net assets		
Designated for operating reserve	18,000	18,000
Designated for capital improvements	18,000	18,000
Undesignated	75,684	36,641
TOTAL NET ASSETS	<u>111,684</u>	<u>72,641</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 325,862</u>	<u>\$ 144,705</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER SUPPORT		
Federal grants	\$ 417,213	\$ 94,107
State and local government grants	81,808	55,241
Business and foundation grants	126,196	133,468
Fundraising	16,021	44,900
Less: direct benefit to participants		<u>(17,844)</u>
Net revenue from fundraising	<u>16,021</u>	<u>27,056</u>
Contributions	56,476	46,761
Reimbursements		
Memberships and fees	15,279	14,559
In-kind contributions	5,940	28,343
Interest and other	<u>10</u>	<u>60</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>718,943</u>	<u>399,595</u>
EXPENSES		
Program services:		
Firewise communities	71,368	152,492
Fuels reduction and biomass projects	342,272	65,724
Community chipping	<u>190,060</u>	<u>133,414</u>
Total Program Services	<u>603,700</u>	<u>351,630</u>
Supporting services:		
Administration	76,200	59,645
Fundraising		<u>13,452</u>
TOTAL EXPENSES	<u>679,900</u>	<u>424,727</u>
CHANGE IN NET ASSETS	39,043	(25,132)
Net assets, beginning of year	<u>72,641</u>	<u>97,773</u>
NET ASSETS, END OF YEAR	<u>\$ 111,684</u>	<u>\$ 72,641</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, 2019

	Firewise Communities	Fuel Breaks and Biomass Projects	Community Chipping	Total Program Services	Administration	Fund- raising	Total
Contract services	\$ 3,523	\$ 239,750	\$ 26,823	\$ 270,096	\$ 34,539		\$ 304,635
Salaries and benefits	45,778	70,922	118,834	235,534	24,761		260,295
Office expenses	1,859	114	3,393	5,366	32,521		37,887
Program expenses		5,071	11,084	16,155	2,918		19,073
Occupancy					15,534		15,534
Travel	55		9,524	9,579	7,911		17,490
Meetings and Training	1,410	345	115	1,870	1,453		3,323
Depreciation expense					7,306		7,306
Accounting services					8,983		8,983
Advertising					372		372
Insurance					3,179		3,179
License and permits			75	75	95		170
Miscellaneous					1,653		1,653
TOTAL EXPENSES	52,625	316,202	169,848	538,675	141,225		679,900
Administration	18,743	26,070	20,212	65,025	(65,025)		
TOTAL ALLOCATED EXPENSES	\$ 71,368	\$ 342,272	\$ 190,060	\$ 603,700	\$ 76,200	\$ -	\$ 679,900

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

	<u>Firewise Communities</u>	<u>Fuel Breaks and Biomass Projects</u>	<u>Community Chipping</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Fund- raising</u>	<u>Total</u>
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	<u>134,728</u>	<u>54,985</u>	<u>115,630</u>	<u>305,343</u>	<u>105,932</u>	<u>13,452</u>	<u>424,727</u>
Administration	<u>17,764</u>	<u>10,739</u>	<u>17,784</u>	<u>46,287</u>	<u>(46,287)</u>		
TOTAL ALLOCATED EXPENSES	<u>\$ 152,492</u>	<u>\$ 65,724</u>	<u>\$ 133,414</u>	<u>\$ 351,630</u>	<u>\$ 59,645</u>	<u>\$ 13,452</u>	<u>\$ 424,727</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 39,043	\$ (25,132)
Adjustments to reconcile the decrease in net assets to cash used by operations:		
Depreciation expense	7,306	3,604
(Increase) decrease in:		
Grants receivable	(184,910)	34,077
Accounts receivable	2,565	(1,496)
Prepaid expenses	(1,774)	471
Deposits		530
Increase (decrease) in:		
Accounts payable	115,399	(51,478)
Accrued expenses	4,768	4,729
Accrued vacation	5,695	(464)
Firewise fiscal sponsorships	(673)	(950)
Deferred grant revenue	(13,075)	5,112
NET CASH PROVIDED BY OPERATIONS	<u>(25,656)</u>	<u>(30,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(38,408)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(38,408)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	<u>30,000</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>30,000</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(34,064)	(30,997)
Cash and cash equivalents at beginning of year	<u>94,585</u>	<u>125,582</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 60,521</u>	<u>\$ 94,585</u>

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

FIRE SAFE COUNCIL OF NEVADA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, 2019 and 2018 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, 2019 and 2018

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, 2019 and 2018. The Council is not a private foundation.

The Council's federal returns for the years ended June 30, 2018, 2017 and 2016 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, 2018, 2017, 2016 and 2015 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 for the year ended June 30, 2018 is included in the financial statements as contracted services. There were no such donated services during the year ended June 30, 2019.

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.

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, 2019 and 2018

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, 2019 and up to July 8, 2021, the date the financial statements were issued. During this time, the Council did not have any recognizable or unrecognizable subsequent events.

New Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), intended to improve financial reporting regarding leasing transactions. The new standard affects all organizations that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. This statements is effective for the fiscal year ended June 30, 2023.

In June 2018, the FASB issued ASU No. 2018-08, Not-for Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which should assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions that should follow guidance in Topic 606 must follow a process for determining whether the earnings process is complete to recognize revenue. This statement will be effective for the fiscal year ended June 30, 2020.

In September 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which will require that contributed nonfinancial assets be presented as a separate line item in the statement of activities and requires additional disclosures related to these contributions. This statement will be effective for the fiscal year ended June 30, 2022.

The Council is in the process of determining the impact of the implementation of these ASU's.

NOTE B – EMPLOYEE BENEFITS

The Council provides a savings incentive match individual retirement plan (SIMPLE IRA). The Council matches employee contributions to the plan up to 3%. The employer portion of the SIMPLE IRA benefits totaled \$2,932 and \$3,707 during the years ended June 30, 2019 and 2018, respectively.

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

June 30, 2019 and 2018

NOTE C – VEHICLES AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2019	2018
Vehicles	\$ 80,495	\$ 80,495
Field equipment	66,610	28,202
Office furniture and equipment	13,246	13,246
	160,351	121,943
Less: Accumulated depreciation	(128,664)	(121,358)
	\$ 31,687	\$ 585

NOTE D – LINE OF CREDIT

The Council obtained a \$20,000 revolving line of credit with a financial institution on March 27, 2019, which matures on March 27, 2020. The agreement includes a variable interest rate set at prime plus 6.75% and is secured by accounts receivable and equipment. The interest rate at June 30, 2019 was 12.25%. As of June 30, 2019, \$20,000 was outstanding under this line of credit. This line of credit was subsequently paid off in March 2020.

The Council also has a \$75,000 revolving line of credit agreement with a financial institution, which matured on November 30, 2019 and was extended to November 30, 2020. The agreement includes a variable interest rate set at prime plus 2% and is secured by the assets of the Council. The interest rate at June 30, 2019 was 8.25%. As of June 30, 2019, \$10,000 was outstanding under this line of credit.

NOTE E – 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, 2019 and 2018 of \$5,940 and \$6,480, respectively, 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 vacated this space in May 2018 and entered into a month-to-month lease in a commercial office space starting June 1, 2019.

The Council has a lease for a copy machine with a minimum rental payment of \$199 per month for a term of five years effective July 2018. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	
2020	\$ 2,388
2021	2,388
2022	2,388
2023	199
	\$ 7,363

Rent expense totaled \$11,069 and \$8,268 for the years ended June 30, 2019 and 2018, respectively.

FIRE SAFE COUNCIL OF NEVADA COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019 and 2018

NOTE F – 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.

NOTE G – AVAILABILITY AND LIQUIDITY

The following represents the Council’s financial statements at June 30, 2019:

Cash and cash equivalents	\$ 60,521
Grants receivable	<u>227,309</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 287,830</u>

The Council’s cash is maintained in checking and savings accounts to provide for liquidity. The Council also had two lines of credit totaling \$95,000 at June 30, 2019, as described in Note D that can be used to meet general expenditures.

NOTE H – CONTINGENCIES

The Council receives grants for specific purposes that are subject to review and audit by the funding source. Such audits could result in the funding source’s request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

NOTE I – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The extent of the impact of COVID-19 on the Council operation and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the grantors, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain. The Council received \$77,306 of Payroll Protection Program funds under the CARES Act in 2020 and \$187,500 in 2021. Management believes the Council has met the criteria for forgiveness of the loans, although the applications for forgiveness have not yet been completed.

The Council purchased vehicles in September 2019 with proceeds of a loan totaling \$158,015.

Subsequent to June 30, 2019, the line of credit agreements were increased to \$60,000 and \$100,000.