

FIRE SAFE COUNCIL OF NEVADA COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 381,627	\$ 60,521
Grants receivable	641,377	227,309
Prepaid expenses	23,862	5,474
Total Current Assets	<u>1,046,866</u>	<u>293,304</u>
Vehicles and equipment, net	398,922	31,687
Other Assets		
Deposits		871
Total Other Assets	<u>-</u>	<u>871</u>
TOTAL ASSETS	<u>\$ 1,445,788</u>	<u>\$ 325,862</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 447,944	\$ 124,262
Accrued expenses	71,403	21,184
Accrued vacation	18,273	9,567
Firewise fiscal sponsorships	1,405	1,655
Deferred grant revenue	402,247	27,510
Current portion of loans payable	27,145	
Line of credit		30,000
Total Current Liabilities	<u>968,417</u>	<u>214,178</u>
Non-current Liabilities		
Loans payable	189,003	
TOTAL LIABILITIES	<u>1,157,420</u>	<u>214,178</u>
 NET ASSETS		
Net assets without donor restriction		
Designated for operating reserve	18,000	18,000
Designated for capital improvements	18,000	18,000
Undesignated	252,368	75,684
TOTAL NET ASSETS	<u>288,368</u>	<u>111,684</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,445,788</u>	<u>\$ 325,862</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, 2020 and 2019

	2020	2019
REVENUE AND OTHER SUPPORT		
Federal grants	\$ 340,299	\$ 417,213
State and local government grants	2,586,835	81,808
Business and foundation grants	151,979	126,196
Contributions	84,426	72,497
Memberships and fees	15,748	15,279
In-kind contributions	130,000	5,940
Gain on sale of assets	3,000	
Interest and other	2	10
	3,312,289	718,943
TOTAL REVENUE AND OTHER SUPPORT		
EXPENSES		
Program services:		
Firewise communities	27,456	71,368
Fuels reduction and biomass projects	2,244,346	342,272
Community chipping	64,174	190,060
Total Program Services	2,335,976	603,700
Supporting services:		
Administration	799,629	76,200
TOTAL EXPENSES	3,135,605	679,900
CHANGE IN NET ASSETS	176,684	39,043
Net assets, beginning of year	111,684	72,641
NET ASSETS, END OF YEAR	\$ 288,368	\$ 111,684

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, 2020

	Firewise Communities	Fuel Breaks and Biomass Projects	Community Chipping	Total Program Services	Administration	Total
Contract services	\$ 24,008	\$ 1,794,032	\$ 21,225	\$ 1,839,265	\$ 22,428	\$ 1,861,693
Salaries and benefits		84,483	29,997	114,480	731,837	846,317
Office expenses	2,013	48,720	1,559	52,292	97,283	149,575
Program expenses	101	23,703	9,827	33,631	9,863	43,494
Occupancy		2,536		2,536	65,850	68,386
Travel	60	11,780	1,513	13,353	32,109	45,462
Meetings and training	1,274	1,826	53	3,153	2,524	5,677
Depreciation expense					65,549	65,549
Accounting services					17,505	17,505
Advertising					6,978	6,978
Insurance					7,149	7,149
License and permits		1,647		1,647	689	2,336
Miscellaneous					15,484	15,484
<b>TOTAL EXPENSES</b>	<b>27,456</b>	<b>1,968,727</b>	<b>64,174</b>	<b>2,060,357</b>	<b>1,075,248</b>	<b>3,135,605</b>
Administration		275,619		275,619	(275,619)	
<b>TOTAL ALLOCATED EXPENSES</b>	<b>\$ 27,456</b>	<b>\$ 2,244,346</b>	<b>\$ 64,174</b>	<b>\$ 2,335,976</b>	<b>\$ 799,629</b>	<b>\$ 3,135,605</b>

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

	<u>Firewise Communities</u>	<u>Fuel Breaks and Biomass Projects</u>	<u>Community Chipping</u>	<u>Total Program Services</u>	<u>Administratior</u>	<u>Total</u>
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
<b>TOTAL EXPENSES</b>	<u>52,625</u>	<u>316,202</u>	<u>169,848</u>	<u>538,675</u>	<u>141,225</u>	<u>679,900</u>
Administratior	<u>18,743</u>	<u>26,070</u>	<u>20,212</u>	<u>65,025</u>	<u>(65,025)</u>	
<b>TOTAL ALLOCATED EXPENSES</b>	<u>\$ 71,368</u>	<u>\$ 342,272</u>	<u>\$ 190,060</u>	<u>\$ 603,700</u>	<u>\$ 76,200</u>	<u>\$ 679,900</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, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 176,684	\$ 39,043
Adjustments to reconcile the decrease in net assets to cash used by operations:		
Depreciation expense	65,549	7,306
Donated equipment received	(2,000)	
Gain on sale of equipment	(3,000)	
(Increase) decrease in:		
Grants receivable	(414,068)	(184,910)
Accounts receivable		2,565
Prepaid expenses	(18,388)	(1,774)
Deposits	871	
Increase (decrease) in:		
Accounts payable	323,682	115,399
Accrued expenses	50,219	4,768
Accrued vacation	8,706	5,695
Firewise fiscal sponsorships	(250)	(673)
Deferred grant revenue	374,737	(13,075)
NET CASH PROVIDED (USED) BY OPERATIONS	562,742	(25,656)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(264,664)	(38,408)
Proceeds from sale of equipment	3,000	
NET CASH USED BY INVESTING ACTIVITIES	(261,664)	(38,408)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on line of credit		30,000
Repayments on line of credit	(30,000)	
Proceeds from PPP loan	77,306	
Repayments on loans payable	(27,278)	
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,028	30,000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	321,106	(34,064)
Cash and cash equivalents at beginning of year	60,521	94,585
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 381,627	\$ 60,521
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH ACTIVITY</b>		
Purchase of vehicles with loan proceeds	\$ 166,120	

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

FIRE SAFE COUNCIL OF NEVADA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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](http://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 two classes of net assets: net assets with donor restriction and net assets without donor restriction. The Council has no net assets with donor restriction. 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, 2020 and 2019 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. The Council's grants are deemed exchange transactions and are recognized at the time expenses are incurred or the service is performed. 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. The grant revenues are considered revenues from contracts with customers and

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

June 30, 2020 and 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

are recognized for services transferred at a point in time and for services transferred over time, which totaled \$3,079,113 for the year ended June 30, 2020. Grants receivable at June 30, 2020 and 2019 totaling \$641,377 and \$227,309, respectively, represents receivables related to contracts with customers. Deferred revenue related to contracts with customers totaled \$402,247 and \$27,510 at June 30, 2020 and 2019, respectively.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction 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 net assets with donor restriction depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction 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, 2020 and 2019. The Council is not a private foundation.

The Council's federal returns for the years ended June 30, 2019, 2018 and 2017 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, 2019, 2018, 2017 and 2016 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 \$100,000 for the year ended June 30, 2020 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 was \$511,868 during the year ended June 30, 2020.

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, 2020 and 2019

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, 2020 and up to May 11, 2022, 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 statement is effective for the fiscal year ended June 30, 2023.

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.

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. Unconditional contributions are recognized immediately, while revenue subject to Topic 606 must follow a process for determining whether the earnings process is complete to recognize the revenue. The Council implemented this ASU for the year ended June 30, 2020 on a modified prospective basis.



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

June 30, 2020 and 2019

NOTE B – VEHICLES AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2020	2019
Vehicles	\$ 434,616	\$ 118,903
Field equipment	66,610	28,202
Office furniture and equipment	13,246	13,246
	516,472	160,351
Less: Accumulated depreciation	(117,550)	(128,664)
	\$ 398,922	\$ 31,687

NOTE C – LOANS PAYABLE

Loans payable consist of the following at June 30, 2020:

	Original Debt	6/30/2020 Balance
Entered into on September 20, 2019 with Tri Counties Bank. Payments of \$7,119 are due yearly on September 20, through September 2025. The loan interest rate is fixed at 4.89%. The loan is secured by the vehicle.	\$ 36,675	\$ 32,852
Entered into on September 20, 2019 with Tri Counties Bank. Payments of \$7,119 are due yearly on September 20, through September 2025. The loan interest rate is fixed at 4.89%. The loan is secured by the vehicle.	36,675	32,852
Entered into on September 20, 2019 with Tri Counties Bank. Payments of \$8,120 are due yearly on September 20, through September 2025. The loan interest rate is fixed at 4.89%. The loan is secured by the vehicle.	42,065	37,476
Entered into on September 20, 2019 with Tri Counties Bank. Payments of \$11,976 are due yearly on September 20, through September 2024. The loan interest rate is fixed at 8.65%. The loan is secured by the vehicle.	42,200	35,662
2020 Paycheck Protection Program loan. The interest rate is 1%. See further discussion below.	77,306	77,306
	\$ 234,921	\$ 216,148

There were no loans payable at June 30, 2019.

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

June 30, 2020 and 2019

NOTE C – LOANS PAYABLE (Continued)

Future minimum payments due under loans payable are as follows at June 30, 2020:

Year Ending June 30,	
2021	\$ 27,145
2022	106,181
2023	30,728
2024	24,710
Thereafter	<u>27,384</u>
Total	<u>\$ 216,148</u>

On May 18, 2020, the Council received loan proceeds in the amount of \$77,306 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the Center’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for six months after the end of the covered period. The May 2020 loan was forgiven in September 2021. The Council received an additional PPP loan of \$187,500 in February 2021. The Council used PPP loan proceeds for purposes consistent with the PPP and has applied for forgiveness. The Council has recorded a note payable for \$77,300 as of June 30, 2020 and will record forgiveness upon being legally released from the loan obligation. Forgiveness income will be recorded during the year ended June 30, 2021, of \$77,306, representing principal on the first PPP loan as of the date of forgiveness.

In February 2021, the Council received \$187,500 of second-round PPP loan proceeds.

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 amount under this line of credit. This line of credit was paid off in March 2020.

The Council 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, 2020 and 2019 was 8.25%. As of June 30, 2020, there was no outstanding amount under this line of credit. As of June 30, 2019, \$10,000 was outstanding under this line of credit.

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

June 30, 2020 and 2019

NOTE E – 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 \$4,939 and \$2,932 during the years ended June 30, 2020 and 2019, respectively.

NOTE F – 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 year ended June 30, 2019 of \$5,940, 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 also received donated rental of facilities totaling \$30,000 during the year ended June 30, 2020 that is included as in-kind contributions and occupancy expense.

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	<u>199</u>
	<u>\$ 7,363</u>

Rent expense totaled \$52,458 and \$11,069 for the years ended June 30, 2020 and 2019, respectively.

NOTE G – AVAILABILITY AND LIQUIDITY

The following represents the Council's financial statements at June 30:

	2020	2019
Cash and cash equivalents	\$ 381,627	\$ 60,521
Grants receivable	<u>641,377</u>	<u>227,309</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,023,004</u>	<u>\$ 287,830</u>

The Council's cash is maintained in checking and savings accounts to provide for liquidity. The Council also had lines of credit totaling \$75,000 at June 30, 2020 and \$95,000 at June 30, 2019, as described in Note E that can be used to meet general expenditures.

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

June 30, 2020 and 2019

NOTE H – 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 fire-wise education and outreach activities.

NOTE I - CONCENTRATIONS

The Council maintains substantially all cash balances at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Council had uninsured bank balances totaling \$142,451.

NOTE J – 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.

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.

NOTE K – SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the active line of credit agreement was increased from \$75,000 to \$250,000.