

***FIRE SAFE COUNCIL OF  
NEVADA COUNTY***

***AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007***

**FIRE SAVE COUNCIL OF NEVADA COUNTY  
FINANCIAL STATEMENTS  
JUNE 30, 2007**

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# BARBARA L. JICHA

CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

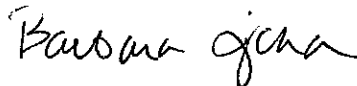
To the Board of Directors  
Fire Safe Council of Nevada County  
P.O. Box 1477  
Nevada City, CA 95959

I have audited the accompanying Statement of Financial Position of the Fire Safe Council of Nevada County (a nonprofit organization) as of June 30, 2007 and the related Statement of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these statements based upon my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fire Safe Council of Nevada County as of June 30, 2007, 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.



Certified Public Accountant  
Auburn, California  
October 19, 2007

**FIRE SAFE COUNCIL OF NEVADA COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$	62,193
Grants Receivable		143,151
Prepaid Insurance		<u>1,391</u>
Total Current Assets		<u>206,735</u>

Fixed Assets

Office Furniture and Equipment		43,996
Less: Accumulated Depreciation	(	<u>9,141</u> )
Total Fixed Assets		<u>34,855</u>

Deposits		<u>646</u>
Total Other Assets		<u>646</u>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>242,236</u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Current Liabilities

Accounts Payable	\$	73,353
Accrued Expenses		6,227
Deferred Grant Revenue		<u>93,293</u>
Total Current Liabilities		<u>172,873</u>

<b>TOTAL LIABILITIES</b>		<b><u>172,873</u></b>
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**NET ASSETS**

Unrestricted		34,508
Temporarily Restricted		<u>34,855</u>

<b>TOTAL NET ASSETS</b>		<b><u>69,363</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>242,236</u></b>
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See accompanying notes and accountant's report

**FIRE SAFE COUNCIL OF NEVADA COUNTY  
STATEMENT OF ACTIVITIES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT</b>			
Federal Grants	\$ -	\$ 134,841	\$ 134,841
State Grants	-	401,406	401,406
Local Government Grants	-	109,438	109,438
Business Grants	-	35,568	35,568
	<u>-</u>	<u>681,253</u>	<u>681,253</u>
<b>OTHER INCOME</b>			
Donations	13,679	-	13,679
Interest	1,248	-	1,248
	<u>14,927</u>	<u>-</u>	<u>14,927</u>
<b>TOTAL REVENUE AND OTHER INCOME</b>	14,927	681,253	696,180
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>651,421</u>	<u>( 651,421 )</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUE AND OTHER INCOME</b>	<u>666,348</u>	<u>29,832</u>	<u>696,180</u>
<b>EXPENSES</b>			
Program Services:			
Community Chipping	341,430	-	341,430
Community Drop Off Sites	30,787	-	30,787
Special Needs Assistance	28,863	-	28,863
Fuels Reduction Projects	162,455	-	162,455
Defensible Space Advisory	13,826	-	13,826
Other	11,071	-	11,071
	<u>588,432</u>	<u>-</u>	<u>588,432</u>
Administration	<u>69,165</u>	<u>-</u>	<u>69,165</u>
Total Expenses	<u>657,597</u>	<u>-</u>	<u>657,597</u>
Change in Net Assets	8,751	29,832	38,583
Net Assets, Beginning of Year	<u>25,757</u>	<u>5,023</u>	<u>30,780</u>
Net Assets, End of Year	<u>34,508</u>	<u>34,855</u>	<u>69,363</u>

See accompanying notes and accountant's report

**FIRE SAFE COUNCIL OF NEVADA COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Temporarily Restricted Net Assets	\$ 38,583
Adjustments to Reconcile the Decrease In Temporarily Restricted Net Assets to Cash Provided by Operations:	
Depreciation Expense	3,541
Retirement of Equipment	360
(Increase) Decrease In:	
Accounts Receivable	( 71,985 )
Prepaid Expense	( 1,391 )
Deposits	836
Increase (Decrease) In:	
Accounts Payable	58,349
Accrued Expenses	6,227
Deferred Revenue	( 118,965 )
Net Cash Used by Operations	( 84,445 )

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Hybrid Vehicle	( 35,215 )
Net Cash Used In Investing Activities	( 35,215 )

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Net Cash Used by Financing Activities	-
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<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>( 119,660 )</b>
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<b>CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	<b>181,853</b>
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<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	<b>\$ 62,193</b>
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Supplemental Disclosure:

Interest Paid	\$ -
Income Tax Paid	\$ -

See accompanying notes and accountant's report

**FIRE SAFE COUNCIL OF NEVADA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of the Organization**

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 Vision is:** *"A county where we are prepared for a catastrophic fire. We will have homes that have defensible space, adequate access and evacuation routes identified, response plans that citizens and responders know, fuel breaks at strategic points, and communication among agencies."*

**The Council's Mission is:** *"To provide education and programs for fire prevention and preparedness to all citizens of Nevada County in order to reduce loss of lives, personal property, and natural resources from wildfire."*

Further information about its programs is available on the Council's website [www.firesafecouncilnevco.com](http://www.firesafecouncilnevco.com).

Major funding of the Council's programs is achieved through grants from Federal, State and Local governments and from private corporations. Limited funding is obtained through private donations.

**Method of Accounting**

The Council's financial statements are prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. Revenue is recognized when earned rather than when received and expenditures are recognized when incurred rather than when paid. Support is recognized in the period that it becomes available and measurable. Expenditures are recognized in the period in which the liability is incurred.

**Basis of Accounting**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Council is required to report information regarding its financial position and activities in three classes of net assets:

**Unrestricted net assets** are not subject to donor imposed stipulations.

**Temporarily restricted net assets** are subject to donor imposed stipulations that may or will be met, either by actions of the Council and / or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. At June 30, 2007 temporarily restricted net assets total net depreciated fixed assets.

See the Accompanying Accountant's Report

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Permanently restricted net assets** are subject to donor imposed stipulations that do not expire. There were no permanently restricted net assets at June 30, 2007.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash held in checking, money market accounts, certificates of deposit and all highly liquid investments.

### **Fixed Assets**

Fixed assets are valued at historical cost or fair value as of the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from five to seven years. Upon the sale or retirement of fixed assets, the related cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operations. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the lives of the respective assets are expensed currently.

### **Deferred Grant Revenue**

Represents funds received from grantors in advance of being earned by being spent in accordance with the grant contract.

### **Concentration of Credit and Market Risk**

Financial instruments that potentially expose the Council to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 2007, the Council had no deposits in excess of the insured limit.

### **Contributions**

Under Statement of Financial Accounting Standard (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of any donor restrictions.

### **Donated Services**

Donated services are recognized in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. The estimated value of donated services received are recognized in the financial statements if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Council.

Throughout the year volunteers contributed in excess of 11,220 hours performing fuel reduction tasks. The value of these services is not reflected in the financial statements but have an estimated value of \$168,300. This value was computed using an hourly rate of \$13 plus 12% for estimated fringe benefits.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Advertising**

Advertising costs are expensed as incurred.

**Expense Allocation**

Certain costs have been allocated among the program and supporting services benefited based upon a cost allocation plan that is driven by staff hours.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**NOTE 2 – CASH AND CASH EQUIVALENTS:**

For purposes of the Statements of Cash Flows, cash includes petty cash and bank deposits. The Federal Depository Insurance Corporation (FDIC) insures bank deposits for amounts up to \$100,000. As of June 30, 2007 the Council had no uninsured account balances.

**NOTE 3 – GRANTS RECEIVABLE:**

At June 30, 2007 the Grants Receivable consisted of the following:

Northern Sierra Air Quality Management District AB2766 - Chipping	\$121,174
Nevada County - Administration 06/07	6,415
Nevada County - Fuels Reduction 06/07	1,697
Community Drop Offs - 8CA04564	5,276
Jones Ridge - 8CA045667	3,252
Woodpecker Ravine - 8CA05668	3,423
Columbia Hill Expansion - 8CA04565	1,914
	<u>\$143,151</u>

**NOTE 4 – DEFERRED GRANT REVENUE:**

At June 30, 2007, Deferred Grant Revenue consisted of the following:

Allstate - Education & Senior Assistance 06/07	\$ 792
Chipping - 8CA06516	3,356
Columbia Hill Maintenance - 03DG11051750035	19,386
Community Drop Offs - 8CA06515	1,274
Community Wide Protection Plan - BLM 9744	354
Defensible Space Advisory - BLM 8977	1,174
Red Dog-You Bet Expansion - BLM 9154	6,112
Washington Fuels Reduction - 07USF 9695	14,205
Wood Use Center - BLM9664	46,640
	<u>\$ 93,293</u>

**NOTE 5 – EMPLOYEE BENEFITS:**

In accordance with the Council's personnel policies, vacation leave is recognized and accrued each pay period up to the maximum as defined in the employee manual. Vacation leave paid during the fiscal year was \$6,861.

During the year ended June 30, 2007, the Council adopted a health savings account plan and a Savings Incentive Match Plan (SIMPLE) individual retirement plan (IRA). The Council matches employee contributions to the plan up to 3%. The employer portion of health and SIMPLE IRA benefits totaled \$10,350 and \$1,760, respectively, during the year ended June 30, 2007.

**NOTE 6 – OPERATING LEASE:**

In August 2005 the Council executed a one-year operating lease on its office space. Effective September 2006, the lease contract became month to month. Rent expense for the year ended June 30, 2007 was \$9,069.

During the fiscal year, the Council entered into a contract to lease a copy machine for a minimum rental payment of \$225 per month for a term of 5 years. Operating lease payments on the copier totaled \$902 for the year ended June 30, 2007. Minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2008	\$2,700
2009	\$2,700
2010	\$2,700
2011	\$2,700
2012	\$2,025

**NOTE 7 – INCOME TAXES:**

No provision for federal or state income taxes has been made in the accompanying financial statements, as the Council is a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. The Council has been designated as an organization that is not a private foundation.

**NOTE 8 – ECONOMIC DEPENDENCE:**

Funding for the operation of the Council is provided primarily by grants from Federal, State and Local governments and a private corporation. The Council is dependent upon grants to continue conduct its operations.

**FIRE SAFE COUNCIL  
OF NEVADA COUNTY**

**JUNE 30, 2007  
SUPPLEMENTAL INFORMATION**

**FIRE SAFE COUNCIL OF NEVADA COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**JUNE 30, 2007**

	<b>PROGRAM SERVICES</b>	<b>ADMINISTRATION</b>	<b>TOTAL</b>
Salaries	\$ 32,859	\$ 45,506	\$ 78,365
Fringe Benefits and Payroll Taxes	-	31,574	31,574
Accounting and Professional Services	-	23,547	23,547
Advertising	2,401	-	2,401
Contract Services	56,816	989	57,805
Dues	-	150	150
Depreciation Expense	1,761	1,780	3,541
Fees	-	447	447
Fuels Reduction Contract Services	417,216	-	417,216
Insurance	-	1,283	1,283
Meetings	-	1,445	1,445
Office Expense and Supplies	6,750	4,995	11,745
Other Miscellaneous Expenses	1,885	1,490	3,375
Loss on Retirement of Equipment	-	360	360
Permits and Licenses	239	-	239
Postage and Delivery	850	1,209	2,059
Printing & Copying	2,643	2,414	5,057
Rent	-	9,069	9,069
Telephone	-	2,881	2,881
Travel	2,228	1,269	3,497
Utilities	-	1,541	1,541
Allocated Fringe Benefits and Payroll Taxes	13,053	(13,053)	0
Allocated Overhead	49,731	(49,731)	0
	<u>\$ 588,432</u>	<u>\$ 69,165</u>	<u>\$ 657,597</u>

See accompanying notes and accountant's report

# BARBARA L. JICHA

CERTIFIED PUBLIC ACCOUNTANT

October 19, 2007

Board of Directors  
Fire Safe Council of Nevada County  
P.O. Box 1477  
Nevada City, CA 95959

I have audited the Statement of Financial Position of the Fire Safe Council of Nevada County as of June 30, 2007 and the related statements of Activities and Cash Flows and the supplemental schedule of Functional Expense for the year then ended and have issued my report thereon dated October 19, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing my audit of the financial statements of the Fire Safe Council of Nevada County (the Council) for the year ended June 30, 2007, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

However, during the course of my audit, I noted conditions that I consider opportunities to strengthen the Council's internal accounting controls and to enhance financial reporting. These findings are presented for your consideration. Due to the limited size of the Council staff, perfect segregation of duties is not practical. Recommendations to improve internal accounting controls were developed with consideration for this limitation.

This report is intended solely for the use of the Fire Safe Council of Nevada County's Board of Directors, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant  
Auburn, California

**FIRE SAFE COUNCIL OF NEVADA COUNTY  
MANAGEMENT RECOMMENDATIONS  
JUNE 30, 2007**

1. **CONDITION:**

During the fiscal year a bank account at Bank of America was closed. There was no mention of approval of this action in the Board minutes.

**RECOMMENDATION:**

Opening and closing of bank accounts should require Board approval. Such action should be documented in the Board minutes.

**MANAGEMENT RESPONSE:**

The finance Committee reviewed the current policy and agreed to recommend an amendment to the full Board to empower the Finance Committee to have the authority to open and close bank accounts and notify the Board of such action. The Finance Committee elected to take this action so as not to dilute the purpose of the committee in governing the day to day operations of the Council's fiscal matters

2. **CONIDITION:**

Presently, the Council does not have a written conflict of interest policy statement.

**RECOMMENDATION:**

A formal conflict of interest policy should be adopted. All members of the Board and all employees should receive a copy of the policy and provide a signed statement of compliance to the Council.

**MANAGEMENT RESPONSE:**

The Executive Director has received a sample conflict of interest code from the auditor and will review it for acceptance or modification at the next committee meeting. The policy will be presented to the entire Board of Directors for adoption.

3. **CONDITION:**

Presently bank statements are mailed to the Council's office.

**RECOMMENDATION:**

To enhance internal accounting controls, a copy of the bank statement should be sent directly to the Treasurer. The Treasurer should use this statement when reviewing the bank reconciliation report.

**MANAGEMENT RESPONSE:**

On October 30, 2007, the Council requested that Citizen's Bank mail a duplicate copy of the bank statement directly to the Treasurer. The Accounting Policies and Procedures will be amended to reflect this and to adopt a policy which provides for the monthly review of statements by the Treasurer.

4. **CONDITION:**

I noted that tracking and reporting of in-kind contributions and grant matching funds are inconsistent.

**COMMENT:**

Presently information collected from chipping service recipients is input into a database but information collected from drop off participants is not input into the database. Some grant invoices include information about in-kind and matching funds and others do not.

**RECOMMENDATION:**

Most of the Council's grants require matching funds either in the form of in-kind contributions or expenditures from other funding sources. In order to demonstrate compliance with the matching fund requirement, the Council should develop procedures to collect and report grant matches.

**MANAGEMENT RESPONSE:**

The Finance Committee will work with the Executive Director and the contract accountant to develop a methodology for systematically tracking in-kind contributions as practicable for each program/project. New procedures shall be developed and implemented prior to the end of the 2007-2008 fiscal year.

**5. CONDITION:**

I noted that in July 2007 two checks greater than \$1,000 were released with only the signature of the Executive Director.

**RECOMMENDATION:**

The Council's policy of requiring two signatures on checks greater than \$1,000 should be strictly enforced. The Treasurer should review the cancelled check copies for compliance with this policy in conjunction with his review of the month bank reconciliation.

**MANAGEMENT RESPONSE:**

This recommendation shall be placed on the next Finance Committee agenda for policy amendment to include the Treasurer's review of monthly cancelled checks to ensure compliance with this policy. The Treasurer and staff shall review the policy to ensure it is clearly understood for implementation. The Treasurer shall review the bank statement on a monthly basis and review the check copies included therein and report any exceptions due to extenuating circumstances on the next monthly financial report to the entire Board.