



BUTTE COUNTY FIRE SAFE COUNCIL

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

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**BUTTE COUNTY FIRE SAFE COUNCIL
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Butte County Fire Safe Council
Paradise, California

Opinion

We have audited the accompanying financial statements of Butte County Fire Safe Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Butte County Fire Safe Council as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Butte County Fire Safe Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022 Butte County Fire Safe Council adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Butte County Fire Safe Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Butte County Fire Safe Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Butte County Fire Safe Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

Other auditors previously audited Butte County Fire Safe Council 2021 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated December 8, 2022. In our opinion, the summarized comparative information presented herein and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Sacramento, California
November 3, 2023

**BUTTE COUNTY FIRE SAFE COUNCIL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2021**

	2022	2021
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 654,807	\$ 1,879,393
Undeposited funds	4,756	-
Grants receivable (Note 4)	1,612,342	160,314
Rent deposit	2,500	1,000
Prepaid expenses	36,090	4,606
Total Current Assets	2,310,495	2,045,313
Non-Current Assets		
Capital assets, net accumulated depreciation (Note 5)	62,155	85,223
Right-of-use asset (Note 9)	46,008	-
Total Non-Current Assets	108,163	85,223
TOTAL ASSETS	\$ 2,418,658	\$ 2,130,536
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 361,370	\$ 104,290
Payroll liabilities	93,404	44,029
Deferred revenue (Note 6)	320,013	1,409,187
Lease liability (Note 9)	29,602	-
Total Current Liabilities	804,389	1,557,506
Non-Current Liabilities		
Line of credit (Note 8)	250	-
Lease liability, less current portion (Note 9)	19,010	-
Total Non-Current Liabilities	19,260	-
TOTAL LIABILITIES	823,649	1,557,506
Net Assets		
Without donor restrictions:		
Undesignated (Note 10)	1,349,684	324,754
Board-designated (Note 10)	231,858	231,858
With donor restrictions (Note 10)	13,467	16,418
TOTAL NET ASSETS	1,595,009	573,030
TOTAL LIABILITIES AND NET ASSETS	\$ 2,418,658	\$ 2,130,536

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

**BUTTE COUNTY FIRE SAFE COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
<u>REVENUES AND OTHER SUPPORT</u>				
Federal grants	\$ 27,657	\$ 277,049	\$ 304,706	\$ 107,789
State grants	456,128	3,861,199	4,317,327	2,691,978
Local government grants	1,264	11,371	12,635	36,769
Contracts	3,214	40,812	44,026	49,895
Nongovernment grants	10,030	145,340	155,370	480,709
Other	<u>100</u>	<u>-</u>	<u>100</u>	<u>3,500</u>
Total Revenues and Other Support	<u>498,393</u>	<u>4,335,771</u>	<u>4,834,164</u>	<u>3,370,640</u>
Net assets released from restriction	<u>4,340,722</u>	<u>(4,340,722)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>4,839,115</u>	<u>(4,951)</u>	<u>4,834,164</u>	<u>3,370,640</u>
<u>EXPENSES</u>				
Program activities	4,371,415	-	4,371,415	3,094,295
Management and general	459,806	-	459,806	318,405
Fundraising	<u>2,478</u>	<u>-</u>	<u>2,478</u>	<u>722</u>
Total Expenses	<u>4,833,699</u>	<u>-</u>	<u>4,833,699</u>	<u>3,413,422</u>
Change in net assets from operating activities	<u>5,416</u>	<u>(4,951)</u>	<u>465</u>	<u>(42,782)</u>
<u>NONOPERATING ACTIVITIES</u>				
Contributions	13,662	-	13,662	11,964
Settlement income	1,000,000	-	1,000,000	-
Interest and dividend income	547	-	547	711
Special event income	5,305	2,000	7,305	-
Other income (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,122</u>
Change in net assets from nonoperating activities	<u>1,019,514</u>	<u>2,000</u>	<u>\$ 1,021,514</u>	<u>17,797</u>
CHANGE IN NET ASSETS	<u>1,024,930</u>	<u>(2,951)</u>	<u>1,021,979</u>	<u>(24,985)</u>
NET ASSETS - BEGINNING OF YEAR	556,612	16,418	573,030	323,707
Prior period adjustment (Note 13)	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,308</u>
NET ASSETS - BEGINNING OF YEAR, RESTATE	<u>556,612</u>	<u>16,418</u>	<u>573,030</u>	<u>598,015</u>
NET ASSETS - END OF YEAR	<u>\$ 1,581,542</u>	<u>\$ 13,467</u>	<u>\$ 1,595,009</u>	<u>\$ 573,030</u>

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

**BUTTE COUNTY FIRE SAFE COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

EXPENSES	Program Services					Total Program Services
	RAP	Fuels Reduction	Education and Outreach	Biomass	Chipper	
Contract services	\$ 200,458	\$ 2,698,563	\$ 74,717	\$ 109,858	\$ 208,891	\$ 3,292,487
Salaries and benefits	205,245	469,475	208,832	16,559	69,052	969,163
Accounting and professional	-	-	-	-	-	-
Supplies	12,016	14,035	3,594	-	-	29,645
Insurance	-	-	-	-	-	-
Telephone & telecommunications	-	-	-	-	-	-
Printing and copying	-	-	1,170	-	-	1,170
Travel & meetings	16,422	24,597	3,280	747	774	45,820
Bank charges	-	-	-	-	-	-
Facilities & equipment	-	4,278	-	-	19,480	23,758
Postage and shipping	-	-	96	-	-	96
Other expense	-	5,665	354	-	-	6,019
Information technology	-	-	2,150	-	-	2,150
Pilot program direct costs	-	-	1,107	-	-	1,107
Total Functional Expenses	\$ 434,141	\$ 3,216,613	\$ 295,300	\$ 127,164	\$ 298,197	\$ 4,371,415

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

**BUTTE COUNTY FIRE SAFE COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

EXPENSES	<u>Supporting Services</u>			<u>2022 Total</u>	<u>2021 Total</u>
	<u>Mgmt and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>		
Contract services	\$ -	\$ -	\$ -	\$ 3,292,487	\$ 2,344,405
Salaries and benefits	228,310	1,012	229,322	1,198,485	787,257
Accounting and professional	69,182	-	69,182	69,182	55,102
Supplies	37,737	116	37,853	67,498	33,905
Insurance	3,245	-	3,245	3,245	2,993
Telephone & telecommunications	15,027	-	15,027	15,027	13,384
Printing and copying	1,515	308	1,823	2,993	55,345
Travel & meetings	5,551	34	5,585	51,405	30,677
Bank charges	406	132	538	538	273
Facilities & equipment	69,943	-	69,943	93,701	56,628
Postage and shipping	116	-	116	212	6,754
Other expense	21,609	212	21,821	27,840	11,671
Information technology	6,841	-	6,841	8,991	13,071
Pilot program direct costs	324	664	988	2,095	1,957
Total Functional Expenses	\$ 459,806	\$ 2,478	\$ 462,284	\$ 4,833,699	\$ 3,413,422

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

**BUTTE COUNTY FIRE SAFE COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	2022	2021
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 1,021,979	\$ (24,985)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation expense	26,409	25,741
(Increase) decrease in:		
Undeposited funds	(4,756)	-
Grants receivable	(1,452,028)	(93,361)
Rent deposit	(1,500)	-
Prepaid expenses	(31,485)	(176)
Right-of-Use Asset	(46,008)	-
Increase (decrease) in:		
Accounts payable	257,080	43,330
Payroll liabilities	49,376	18,859
Deferred revenue	(1,089,174)	355,950
Lease Liability	48,612	-
Liability for future restoration	-	(5,164)
Net Cash (Used for) Provided by Operating Activities	<u>(1,221,495)</u>	<u>320,194</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of property and equipment	<u>(3,341)</u>	<u>-</u>
Net Cash Used for Investing Activities	<u>(3,341)</u>	<u>-</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from line of credit	<u>250</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>250</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(1,224,586)</u>	<u>320,194</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,879,393</u>	<u>1,559,199</u>
Cash and Cash Equivalents, End of Year	<u>\$ 654,807</u>	<u>\$ 1,879,393</u>

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

**BUTTE COUNTY FIRE SAFE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Council and Nature of Activities

Butte County Fire Safe Council (Council) is a non-profit agency formed in 1998 by a small group of concerned citizens to start a movement to create a fire safe Butte County. 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. Paradise Ridge Fire Safe Council (PRFSC), Forest Ranch Fire Safe Council (FRFSC) and Broom Eradication & Education Program (BEEP) are divisions within the Council.

Accounting Method and Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and are available for general operations. The Council's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Council and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Council considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of three months or less at the time of purchase.

The Council maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Council has not experienced any losses in such accounts. Management believes the Council is not exposed to any significant credit risk related to cash.

Capital Assets

Capital 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 operation. Additions and betterments of \$5,000 or more would be capitalized, while maintenance and repairs that do not improve or extend the lives of the respective assets are expensed currently.

**BUTTE COUNTY FIRE SAFE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Operating leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position.

The ROU asset represents the Council's right to use the underlying asset for the lease term, and the lease liability represents the Council's obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Council uses the implicit rate when it is readily determinable. Since the Council's lease does not provide an implicit rate, to determine the present value of lease payments, management uses the Council's incremental borrowing rate based on the information available at lease commencement. ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Council's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Council will exercise the option.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Council's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Deferred Revenue

Deferred revenue is primarily comprised of funds received from grants that will be recorded as revenue when eligible costs have been incurred.

The Council received grants and contributions of \$320,013 that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred.

Revenue and Revenue Recognition

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

In-Kind Contributions

The Council recognizes the fair value of contributed services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributions of tangible assets are recorded at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

**BUTTE COUNTY FIRE SAFE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The cost of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited based on employees' time incurred and management's estimate of the usage of resources.

Income Taxes

Pursuant to a determination letter from the Internal Revenue Service, the Council is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision for income taxes has been made.

FASB ASC 740-10 prescribes a recognition threshold and measurement standard for financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, FASB ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. The provisions of FASB ASC 740-10 have been applied to all tax positions of the Council and it did not have a material impact on the Council's financial position, results of operations, or cash flows.

Use of 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 those estimates.

Recently Adopted Accounting Standards

ASU 2016-02 - Leases (Topic 842)

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with a term of more than 12 months. Unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, ASU No. 2016-02 will require both operating and finance leases to be recognized on the balance sheet. Additionally, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The Council adopted this new accounting guidance for its December 31, 2022 year-end. See Note 9.

ASU 2020-07 - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)

Under the new guidance, not-for-profit entities that receive contributed nonfinancial assets will be required to provide enhanced presentation and disclosures regarding the type and valuation of the receipts of nonfinancial assets. The requirements in the ASU require presentation of the receipt of nonfinancial assets as a separate line item in the statement of activities. The ASU also requires additional disclosures regarding qualitative information about the monetization or utilization of the nonfinancial assets, any donor-imposed restrictions on the use of the nonfinancial assets, and a description of the valuation techniques and inputs used to determine the fair value on the date the nonfinancial assets were received. The Council adopted this new accounting guidance for its December 31, 2022 year-end. There was no impact to the Council's financial statements as a result of adopting this standard.

**BUTTE COUNTY FIRE SAFE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2: LIQUIDITY AND AVAILABILITY

The Council's financial assets available within one year of the statement of financial position date for general expenditures as of December 31 are as follows:

	2022	2021
Cash and cash equivalents	\$ 654,807	\$ 1,879,393
Grants receivable	1,612,342	160,314
Total financial assets	2,267,149	2,039,707
Less amounts unavailable for general expenditure within one year due to: Amounts restricted by donors for a specified purpose (Note 10)	(13,467)	(16,418)
Resources available within one year	\$ 2,253,682	\$ 2,253,682

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3: CASH AND CASH EQUIVALENTS

The Council maintains its deposits with five financial institutions. At December 31, 2022, the bank balances totaled \$654,807 of which \$527,661 was insured by the Federal Deposit Insurance Corporation. The book balance of cash and cash equivalents at December 31, 2022 totaled \$654,807. At December 31, 2021, the bank balances totaled \$1,879,393 of which \$1,020,000 was insured by the Federal Deposit Insurance Corporation. The book balance of cash and cash equivalents at December 31, 2021 totaled \$1,879,393

NOTE 4: GRANTS RECEIVABLE

Grants receivable are unconditional and used within one year. Grants receivable consisted of the following as of December 31:

	2022	2021
Air Quality Management District	\$ 4,405	\$ 6,769
American Forest Foundation	-	1,579
Butte County Resource Conservation District	34,662	-
CA Department of Forestry	828,101	8,297
Paradise Rotary Foundation	-	37,220
Sierra Nevada Conservancy	572,483	82,627
US Forest Service	172,691	24,441
Total Grants Receivable	\$ 1,612,342	\$ 160,933

**BUTTE COUNTY FIRE SAFE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is summarized as follows:

	<u>Balance Jan. 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2022</u>
Equipment	\$ 97,403	\$ 3,341	\$ -	\$ 100,744
Vehicles	<u>31,302</u>	<u>-</u>	<u>-</u>	<u>31,302</u>
Total capital assets depreciated	128,705	3,341	-	132,046
Less: accumulated depreciation	<u>(43,482)</u>	<u>(26,409)</u>	<u>-</u>	<u>(69,891)</u>
Total Capital Assets	<u>\$ 85,223</u>	<u>\$ (23,068)</u>	<u>\$ -</u>	<u>\$ 62,155</u>

Depreciation expense for the year ended December 31, 2022 totaled \$26,409.

Capital asset activity for the year ended December 31, 2021, is summarized as follows:

	<u>Balance Jan. 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2021</u>
Equipment	\$ 97,403	\$ -	\$ -	\$ 97,403
Vehicles	<u>31,302</u>	<u>-</u>	<u>-</u>	<u>31,302</u>
Total capital assets depreciated	128,705	-	-	128,705
Less: accumulated depreciation	<u>(17,741)</u>	<u>(25,741)</u>	<u>-</u>	<u>(43,482)</u>
Total Capital Assets	<u>\$ 110,964</u>	<u>\$ (25,741)</u>	<u>\$ -</u>	<u>\$ 85,223</u>

Depreciation expense for the year ended December 31, 2021 totaled \$25,741

**BUTTE COUNTY FIRE SAFE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6: DEFERRED REVENUE

Deferred revenue consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
CA DoF 5GG17125	\$ -	\$ 13,983
CA DoF 5GG17128	3,981	-
CA DoF 5GG17129	-	46,929
CA DoF 5GG18102	-	617,535
CA DoF 5GG19108	582	13,790
CA DoF 5GG19109	11,241	119,198
CA DoF 5GG20103	59,639	-
CA FSC	-	103,706
CA SNC 1225	-	7,036
CA SNC 1341	-	265,337
CA SNC 1343	-	145,653
Golden Valley Bank CF	-	23,283
North Valley Community Foundation	9,784	42,899
PG&E	5,429	7,821
PG&E Foundation	782	2,017
Paradise Rotary Foundation	34,188	-
Wells Fargo Foundation	<u>194,387</u>	<u>-</u>
Total Deferred Revenue	<u>\$ 320,013</u>	<u>\$ 1,409,187</u>

NOTE 7: ECONOMIC DEPENDENCE

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

NOTE 8: LINE OF CREDIT

The Council has a \$100,000 operating line of credit with Chase Bank to draw on as needed for operations. The line of credit bears interest at a rate of 3.00%, is unsecured and matures on December 16, 2026. At December 31, 2022 and 2021, the Council had an outstanding balance on the line of credit of \$250 and \$0, respectively.

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NOTE 9: LEASES

The Council entered into a long-term lease agreement that commenced August 1, 2022, for its Paradise, California office. The lease agreement will mature on July 31, 2024.

In accordance with ASU 2016-02, *Leases*, the Council reflects the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right-of-Use" asset and a corresponding lease liability. As of December 31, 2022, the Council has recorded a total lease liability in the amount of \$48,612 for its office space, (split between the current amount of \$29,602 and noncurrent amount of \$19,010), and a corresponding right-of-use asset for the premises in the amount of \$46,008. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of December 31, 2022 was 5.0%, which represents an estimate of the Council's incremental borrowing rate.

Maturities of the operating lease liability, are as follows:

<u>Year Ending December 31:</u>	<u>Lease Payments</u>
2023	\$ 31,250
2024	<u>19,250</u>
Total lease payments	<u>50,500</u>
Less: Interest	<u>(1,888)</u>
Present value of lease liability	<u>\$ 48,612</u>

Operating lease cost totaled \$21,870 and \$12,501 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10: NET ASSETS

The Council's net assets without donor restrictions are comprised of undesignated amounts and board-designated amounts. The Council's net assets with temporary donor restrictions are restricted based on program and/or time. Net assets consisted of the following at December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Undesignated	\$ 1,349,684	\$ 324,754
Board-designated	<u>231,858</u>	<u>231,858</u>
Total without donor restrictions	<u>1,581,542</u>	<u>556,612</u>
With donor restrictions:		
Unexpended funds received for restricted purposes, principally fuels reduction program	<u>13,467</u>	<u>16,418</u>
Total with donor restrictions	<u>13,467</u>	<u>16,418</u>
Total Net Assets	<u>\$ 1,595,009</u>	<u>\$ 573,030</u>

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NOTE 11: EMPLOYEE PENSION PLAN

The Council sponsors a section 457 retirement plan for full-time employees. The Council contributed 4% of compensation and also matches voluntary contributions up to 3% of compensation. Contributions may be limited by IRS. Each account is titled to, and controlled by, the employee and the Council bears no fiduciary responsibility. Total retirement plan contributions by the Council for the year ended December 31, 2022 and 2021, was \$47,070 and \$25,170, respectively.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Contingencies

The Council receives grant and contract revenues from various entities for specific projects. These agreements are subject to audit and review by the grantor entities. Although such audits could potentially result in disallowed expenses to be refunded to the granting/contracting entities, management believes the fiscal impact, if any, is negligible.

NOTE 13: RESTATEMENT OF FINANCIAL STATEMENTS

During 2022, the Council determined financial statement line items, liability for future restoration and fiduciary funds liability, were incorrectly classified as liabilities at December 31, 2021 and 2020. The liability for future restoration funds are related to Timber Harvest funds that were received in 2019 and were Board-designated for the Pilot Program. The fiduciary funds liability funds are related to PRFSC, FRFSC and BEEP, which are divisions of the Council and should be included in the Council's equity.

The effect of the restatement on the statement of financial position as of December 31, 2021, is as follows:

	<u>As previously reported</u>	2021 <u>Restatement</u>	<u>Restated</u>
Liability for future restoration	\$ 264,226	\$ 264,226	\$ -
Fiduciary funds liability	10,082	10,082	-
Beginning net assets	323,707	274,308	598,015
Ending net assets:			
Without donor restrictions	136,201	420,411	556,612
With donor restrictions	162,521	(146,103)	16,418

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 3, 2023, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.