



**Financial Statements  
December 31, 2012 and 2011**



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# Grant Bennett Associates

A PROFESSIONAL CORPORATION

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
California Fire Foundation  
Sacramento, California

We have audited the accompanying financial statements of the California Fire Foundation, (a California nonprofit corporation) which is comprised of the statements of financial position as of December 31, 2012 and 2011, 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Fire Foundation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Bennett Associates*

GRANT BENNETT ASSOCIATES  
A PROFESSIONAL CORPORATION  
Certified Public Accountants

Sacramento, California  
July 11, 2013



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**California Fire Foundation  
Statement of Financial Position  
December 31, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 829,606	\$ 875,077
Investments	276,192	
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$0)	204,602	199,110
Other Current Assets	<u>21,063</u>	<u>7,527</u>
Total Current Assets	1,331,463	1,081,714
Property and Equipment, Less Accumulated Depreciation of \$150,208 and \$135,447	<u>21,382</u>	<u>35,351</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,352,845</b>	<b>\$ 1,117,065</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 12,739	\$ 22,543
Unearned Revenue	<u>          </u>	<u>1,029</u>
Total Current Liabilities	<u>12,739</u>	<u>23,572</u>
Total Liabilities	<u>12,739</u>	<u>23,572</u>
Net Assets and Equity:		
Unrestricted Net Assets	775,897	61,245
Unrestricted Board Designated Endowment Fund	279,524	210,368
Temporarily Restricted Net Assets	<u>284,685</u>	<u>821,880</u>
Total Net Assets	1,340,106	1,093,493
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,352,845</b>	<b>\$ 1,117,065</b>

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



**California Fire Foundation**  
**Statement of Activities**  
**For the Years Ended December 31, 2012 and 2011**

	2012	2011
<b>UNRESTRICTED NET ASSETS</b>		
Revenue and Support:		
Contributions	\$ 824,424	\$ 868,327
Special Events	948	38,836
Other Income (Expense)		27,336
Investment Income	<u>2,286</u>	<u>1,756</u>
Total Revenue and Support	827,658	936,255
Net Assets Released from Restrictions	<u>689,199</u>	<u>185,112</u>
Total	<u>1,516,857</u>	<u>1,121,367</u>
Expenses:		
Program Services -		
Education	671,785	379,208
Grants and Assistance	17,413	165,035
Supporting Services -		
Management and General	21,098	128,852
Fund Raising	<u>22,753</u>	<u>85,184</u>
Total Expenses	<u>733,049</u>	<u>758,279</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>783,808</u>	<u>363,088</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	152,004	157,166
Net Assets Released from Restrictions	<u>(689,199)</u>	<u>(185,112)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(537,195)</u>	<u>(27,946)</u>
CHANGE IN NET ASSETS	246,613	335,142
BEGINNING NET ASSETS	1,093,493	758,351
ENDING NET ASSETS	<u>\$ 1,340,106</u>	<u>\$ 1,093,493</u>

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



**California Fire Foundation  
Statement of Functional Expenses  
For the Year Ended December 31, 2012**

	Education	Grants & Assistance - Victims, LODD Families	Management & General	Fund Raising	Total
Personnel Costs	\$ 216,530		\$ 9,266		\$ 225,796
Occupancy Costs	27,793		1,463		29,256
Travel and Meetings	90,621	\$ 10,583	6,213	\$ 17,427	124,844
Office Costs	21,281	2,458	2,836	5,319	31,894
Depreciation and Amortization	14,310		451		14,761
Memorial Ceremony and Site Costs	179,921				179,921
Other Expenses	121,329	4,372	869	7	126,577
<b>Total Expenses</b>	<b>\$ 671,785</b>	<b>\$ 17,413</b>	<b>\$ 21,098</b>	<b>\$ 22,753</b>	<b>\$ 733,049</b>

**Statement of Functional Expenses  
For the Year Ended December 31, 2011**

	Education	Grants & Assistance - Victims, LODD Families	Management & General	Fund Raising	Total
Personnel Costs	\$ 114,546	\$ 12,783	\$ 50,851	\$ 24,000	\$ 202,180
Occupancy Costs	18,724	2,048	8,484		29,256
Travel and Meetings	79,982	20,329	42,076	271	142,658
Office Costs	21,944	3,052	7,027	56,852	88,875
Depreciation and Amortization	14,118	650	2,692		17,460
Memorial Ceremony and Site Costs	125,667				125,667
Other Expenses	4,227	126,173	17,722	4,061	152,183
<b>Total Expenses</b>	<b>\$ 379,208</b>	<b>\$ 165,035</b>	<b>\$ 128,852</b>	<b>\$ 85,184</b>	<b>\$ 758,279</b>

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



**California Fire Foundation**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2012 and 2011**

	2012	2011
Cash Flows from Operating Activities:		
Cash Received from:		
Members and Others	\$ 981,471	\$ 984,321
Interest Received	1,095	1,756
Cash Disbursed to:		
Vendors, Employees and Beneficiaries	<u>(752,244)</u>	<u>(701,560)</u>
Net Cash Flows from Operating Activities	<u>230,322</u>	<u>284,517</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(275,000)	
Purchase of Property and Equipment	<u>(793)</u>	<u>(16,014)</u>
Net Cash Flows from Investing Activities	<u>(275,793)</u>	<u>(16,014)</u>
Net Change in Cash	(45,471)	268,503
Cash at Beginning of Year	875,077	606,574
Cash at End of Year	<u>\$ 829,606</u>	<u>\$ 875,077</u>

**Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities:**

Change in Net Assets	\$ <u>246,613</u>	\$ <u>335,142</u>
Adjustments to Reconcile Change in Net Assets Net Cash Flows from Operating Activities:		
Depreciation and Amortization	14,761	17,460
(Gains) Losses on Investments	(1,191)	
Change in Accounts Receivable	(5,492)	(74,297)
Change in Other Current Assets	(13,536)	1,083
Change in Accounts Payable and Accrued Expenses	(9,804)	4,100
Change in Unearned Revenue	<u>(1,029)</u>	<u>1,029</u>
Total Adjustments	<u>(16,291)</u>	<u>(50,625)</u>
Net Cash Flows from Operating Activities	<u>\$ 230,322</u>	<u>\$ 284,517</u>

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



**California Fire Foundation**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**

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

A. Organization

California Fire Foundation (the Foundation), a California nonprofit public benefit corporation, was formed to aid the victims, widows and orphans of uncontrolled fires and other disasters by direct assistance, by legal assistance, and by contributing to and working with organizations and activities established to aid them and, to educate the community about fire safety and the toxic effects of fires by conducting and reporting on scientific research, and sponsoring programs of public education. The Foundation has constructed and is maintaining the California Firefighters' Memorial in Capitol Park.

B. Method of Accounting and Basis of Presentation

The financial statements are prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized as they are incurred, whether or not cash is received or paid at that time.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Foundation 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 based on the absence or existence and type of donor-imposed restrictions. The Foundation did not have any permanently restricted net assets during either year.

C. 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.

D. Property and Depreciation

Property and equipment is recorded at cost. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets which range from five to seven years.

E. Functional Allocation of Expenses

The costs of providing various programs by the Foundation are summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs.





**California Fire Foundation**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**

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

F. Restricted and Unrestricted Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Restricted net assets consist of assets over which the organization does not have complete control. In some cases, the donor has placed restrictions on the use of the assets. In other cases, the assets, (for example: pledges and split interest agreements receivable) have not been received from the donor. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

G. Income Taxes

The California Fire Foundation is a nonprofit corporation exempt from federal and state income taxes under Internal Revenue Code section 501(c)(3) and the corresponding provisions of the California Franchise Tax Code. However, it is subject to federal and California income tax on unrelated business income (UBI), if any, as stipulated in the Internal Revenue Code. The organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2009. The Internal Revenue Service is not presently conducting any examinations of the organization's U.S. income tax returns for 2009 through 2011.

The Foundation evaluates uncertain tax positions through its review of the sources of income to identify UBI and certain other matters, including those which may affect its tax exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2012 and 2011, the Foundation had no uncertain tax positions requiring accrual.

H. Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers cash equivalents to be demand deposit accounts and all highly liquid debt instruments which are so near maturity as to present a negligible risk that a change in interest rates would result in a loss. The Foundation at December 31, 2012 and 2011 and periodically throughout the two years have maintained balances in various accounts in excess of federally insured limits. The possibility of loss exists if a bank holding excess deposits were to fail, however, management believes that the credit risk related to these deposits is minimal.

I. Compensated Absences

The Foundation has not estimated the amount of compensated absences. The Foundation's policy is to recognize these costs when actually paid.



**California Fire Foundation**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**

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**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS:**

Investments at December 31, 2012 are comprised of investments in mutual funds and are measured at fair value in the accompanying statements of financial position. Investment income or loss (including interest, dividends, realized gains or losses, and unrealized gains or losses on investments) is included in the accompanying statements of activities. Investment income, was comprised of the following at December 31, 2012 and 2011:

	2012	2011
Interest and Dividends Earned	\$ 1,095	\$ 1,756
Unrealized Gains (Losses) on Investments	1,191	-
	\$ 2,286	\$ 1,756

Accounting principles generally accepted in the United States of America (GAAP) establishes a framework for measuring fair value based on observable and unobservable data. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



**California Fire Foundation**  
**Notes to the Financial Statements**  
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**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued:**

The following table sets forth by level, within the fair value hierarchy, the organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2012:

Asset Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds	\$ 276,192	\$ 276,192	\$ -	\$ -
Total	\$ 276,192	\$ 276,192	\$ -	\$ -

**NOTE 3 - PROPERTY AND EQUIPMENT:**

Property and equipment at December 31, 2012 and 2011 consists of the following:

	2012	2011
Furniture and Equipment	\$ 171,590	\$ 170,798
Accumulated Depreciation	(150,208)	(135,447)
Total Property and Equipment	\$ 21,382	\$ 35,351

**NOTE 4 - RELATED PARTY TRANSACTIONS:**

The Foundation uses the facilities and personnel of California Professional Firefighters, an organization which exercises control over the Foundation. Additionally, the Foundation purchases certain services from other related organizations. The Foundation had the following related party transactions:

	2012	2011
Printing and other services purchased from related parties	\$ 118,821	\$ 99,942
Rent paid to California Professional Firefighters	29,256	29,256
Amounts payable to related parties at year end	1,282	10,096
Amounts receivable from related parties at year end	344	

The lease agreement with California Professional Firefighters is a month to month lease with monthly lease payments of \$2,438.



**California Fire Foundation**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**

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**NOTE 5 - BOARD DESIGNATED ENDOWMENT:**

During the year ended December 31, 2010, the Board of Directors designated a portion of unrestricted net assets to establish a general endowment fund (the "Fund") to provide scholarships to children of California firefighters who have fallen in the line of duty. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets. Activity within the board designated endowment was as follows during the years ended December 31, 2012 and 2011:

	2012	2011
Endowment Balance at Beginning of Year	\$ 210,368	\$ 51,009
Contributions Received	67,942	159,312
Investment Income (Loss)	1,214	47
Scholarships Awarded	-	-
Endowment Balance at End of Year	\$ 279,524	\$ 210,368

The Foundation has a spending policy which states in general that the Foundation may, each year, spend an amount from the Fund equal to five percent of the average net fair market value of the Fund's assets for the twelve calendar quarters ending December 31 of the previous year. If the terms of the donor's gift instrument expressly allow the spending of additional amounts or expressly allow the invasion of principal in certain circumstances, the Foundation may spend such additional amounts.

**NOTE 6 - SUBSEQUENT EVENTS:**

Events subsequent to December 31, 2012 have been evaluated through July 11, 2013, the date that these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events to be disclosed.