

**PALMDALE COMMUNITY FOUNDATION**  
**(A California Non-Profit Corporation)**

**FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**With**  
**INDEPENDENT AUDITORS' REPORT**

**PALMDALE COMMUNITY FOUNDATION**  
**(A California Non-Profit Corporation)**

**JUNE 30, 2012**

**CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position June 30, 2012	2
Statement of Activities For the Year Ended June 30, 2012	3
Statement of Cash Flows For the Year Ended June 30, 2012	4
Statement of Functional Expenses For the Year Ended June 30, 2012	5
Notes to Financial Statements	6



**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Palmdale Community Foundation  
Palmdale, California

We have audited the accompanying statement of financial position of the Palmdale Community Foundation (a California nonprofit organization) as of June 30, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palmdale Community Foundation as of June 30, 2012, 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.

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
April 22, 2012

**PALMDALE COMMUNITY FOUNDATION**  
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**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

Assets:

Cash and cash equivalents

    Restricted:

        Cash

\$ 22

        Cash and investments in City of Palmdale Investment Pool

251,010

Total Assets

\$ 251,032

Liabilities:

Accounts Payable

\$ -

Total Liabilities

-

Net Assets:

Unrestricted

-

Temporarily Restricted

251,032

Total Liabilities and Net Assets

\$ 251,032

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

**PALMDALE COMMUNITY FOUNDATION**  
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**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Community support	\$ -	\$ 114,633	\$ 114,633
Released from temporary restriction	88,607	(88,607)	-
Total Public Support and Revenue	88,607	26,026	114,633
 <b>EXPENSES</b>			
Program services:			
Community support	88,532	-	88,532
Support services - administrative	75	-	75
Total Expenses	88,607	-	88,607
Change in Net Assets	-	26,026	26,026
Net Assets, Beginning of Year	-	225,006	225,006
Net Assets, End of Year	\$ -	\$ 251,032	\$ 251,032

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

**PALMDALE COMMUNITY FOUNDATION**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Change in net assets	\$ 26,026
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Contributions restricted for temporarily restricted purposes	(114,633)
Net cash flows from operating activities	<u>(88,607)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Change in restricted cash equivalents	<u>88,607</u>
Net change in unrestricted cash and cash equivalents	-
Unrestricted cash and cash equivalents, beginning of year	-
Unrestricted cash and cash equivalents, end of year	<u><u>\$ -</u></u>

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

**PALMDALE COMMUNITY FOUNDATION**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Program Services	Administrative	Total
Community Support:			
Parks and Recreation	\$ 27,768	\$ -	\$ 27,768
St. Clair Parkway	2,564	-	2,564
Aerospace	5,000	-	5,000
Community Programs	1,021	-	1,021
Airpark	999	-	999
E-Book Program	1,308	-	1,308
Playhouse	17,606	-	17,606
Saves Program	15,648	-	15,648
Emancipated Youth Program	1,419	-	1,419
AMGEN Tour	600	-	600
Legacy Senior Center Computer Support	6,152	-	6,152
Other Programs	8,447	-	8,447
Support Services:			
Office Supplies	-	75	75
Total Program Services	\$ 88,532	\$ 75	\$ 88,607

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

**PALMDALE COMMUNITY FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

***NOTE 1 – NATURE OF ACTIVITIES***

The Palmdale Community Foundation (the “Foundation”), a non-profit organization, is organized under the California Nonprofit Public Benefit Corporation Law for public purposes.

The specific purpose of the Foundation is to receive contributions and donations from the public and to use such contributions and donations to support charitable, literary, and educational activities authorized by Section 501 (c) (3) of the Internal Revenue Code, including the support of programs, projects, and activities sponsored by the City of Palmdale.

Persons appointed to the Foundation’s Board of Directors must include the City Attorney of the City of Palmdale, the Finance Director of the City of Palmdale, and the Assistant to the City Manager of the City of Palmdale. If the number of authorized directors exceeds three (3), the additional Directors must be persons who are affiliated with public or private agencies that provide services to the public in the City of Palmdale.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

Net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. The Foundation does not have any permanently restricted net assets.

**Cash Equivalents**

Cash and cash equivalents include short term highly liquid cash balances.

**PALMDALE COMMUNITY FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures provides the framework for measuring fair value. 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan 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 or 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 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset 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. The Foundation used the market approach to estimate fair value for all investment assets.

Assets:	Level 1	Level 2	Level 3
Cash and investments in City of Palmdale Investment Pool		251,010	
Total Investments at Fair Value	\$ -	\$ 251,010	\$ -

Concentration of Credit Risk – At June 30, 2012, the Foundation’s cash is principally held in the City of Palmdale’s investment pool (note 3).

Contributions

Contributions are recognized when received and are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as unrestricted.

**PALMDALE COMMUNITY FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

***NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES, (Continued)***

Statement of Cash Flows

The indirect method is used to report cash flows from operating activities. Cash and cash equivalents include short term highly liquid cash balances not restricted by donors for specific purposes.

Program Expenses

The Foundation supports various programs, projects, and activities sponsored by the City of Palmdale which include the library, airpark, SAVES, veterans salute, fall festival, families in action, toy drive, and the Jazz festival. The expenses for all such programs supported by the Foundation are considered direct expenses and do not include any administrative costs.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Management has classified the expenses among the programs.

Income Taxes

The Organization is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (A) (vi). It is also exempt from State Franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2009 and forward may be audited by regulatory agencies, however, the Organization is not aware of any such actions at this time. The Foundation annually files forms 990, 199 and RRF-1 with the appropriate agencies.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

***NOTE 3 – CASH AND CASH EQUIVALENTS***

The total cash held by the Foundation at June 30, 2012, was \$22, which is covered by insurance provided by the federal government.

In addition, cash and investments of the Foundation in the amount of \$251,010 are pooled with funds of the City of Palmdale for deposit and investment purposes. Interest earned on pooled cash and investments is credited to the funds based on each respective fund's month-end cash balance. Additional information relating to the City's investment pool can be found in the City of Palmdale's Comprehensive Annual Financial Report as of June 30, 2012.

Investments and fair value measurements at June 30, 2012 were categorized under Level 2 for cash held in investment pool with the City of Palmdale.

***NOTE 4 – DONATED SERVICES, MATERIALS, AND FACILITIES***

The Foundation receives donated services, materials and facilities from a variety of unpaid volunteers. The City of Palmdale has donated a significant amount of staff time primarily for administrative services and is estimated at approximately 12,444 hours for various programs during fiscal year 2011/12. However, these donated services are not recognized as revenue in the financial statements.

**PALMDALE COMMUNITY FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 5 – TEMPORARILY RESTRICTED DONATIONS**

Amounts received by the Foundation are temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. The restricted asset is reclassified to unrestricted net assets when the donation is utilized for the specified purpose. At June 30, 2012, the Foundation had temporarily restricted assets in the amount of \$251,032 and held for the following programs.

	Temporarily Restricted Donations
Community Supported Programs	
Parks and Recreation	\$ 3,129
Partners for Better Palmdale	21,062
Playhouse	20,935
Library	8,718
E-Book Program	48,692
Community Programs	14,676
Saves Program	105,957
Emancipated Youth Program	17,170
Theatre Camp Macys	1,930
Legacy Senior Center Computer Support	6,216
Legacy Senior Center Programs	2,526
Other Programs	21
Total Temporarily Restricted Assets by Program	\$ 251,032
Cash	\$ 22
Cash and Investments in City of Palmdale Investment Pool	251,010
Total Temporarily Restricted Assets	\$ 251,032

**NOTE 6 – SUBSEQUENT EVENTS**

The Foundation’s management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through April 22, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.