

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017

With
INDEPENDENT AUDITORS' REPORT

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)
FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Palmdale Community Foundation
Palmdale, California

We have audited the accompanying financial statements of the Palmdale Community Foundation (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

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 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 Palmdale Community Foundation as of June 30, 2017, 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 17, 2017

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Cash and cash equivalents

 Restricted:

 Cash

\$ 2,283

 Cash and investments in City of Palmdale Investment Pool

259,261

Total Assets

\$ 261,544

LIABILITIES AND NET ASSETS

LIABILITIES

 Accounts payable

\$ 3,858

NET ASSETS

 Temporarily restricted

257,686

Total Liabilities and Net Assets

\$ 261,544

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

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Community support	\$ -	\$ 114,758	\$ 114,758
Net assets released from restriction	110,812	(110,812)	-
Total Public Support and Revenue	110,812	3,946	114,758
EXPENSES			
Program services:			
Community support	110,812	-	110,812
Change in Net Assets	-	3,946	3,946
Net Assets, Beginning of Year	-	253,740	253,740
Net Assets, End of Year	\$ -	\$ 257,686	\$ 257,686

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, 2017

Cash Flows from Operating Activities:

Change in net assets	\$ 3,946
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Increase in accounts payable and unearned revenues	2,261
Net cash provided by operating activities	<u>6,207</u>
Net increase in restricted and unrestricted cash and cash equivalents	6,207
Restricted and Unrestricted cash and cash equivalents, beginning of year	255,337
Restricted and Unrestricted cash and cash equivalents, end of year	<u>\$ 261,544</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, 2017

	<u>Program Services</u>
Community Support:	
Neighborhood Houses	\$ 570
Community Engagement	325
Community Outreach	2,448
Community Gardens	646
Gabriel's House	11,757
Sister City Program	8,181
SAVES Program	37,734
Orchestra Program	1,785
Library Computers	35,925
Parks and Recreation Programs	5,087
Legacy Senior Center Computer Support	2,213
Vietnam Wall	4,038
Other Programs	103
	<u>\$ 110,812</u>

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

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

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.

PALMDALE COMMUNITY FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Cash Equivalents

Cash and cash equivalents are stated at cost and consist of unrestricted demand deposits and deposits within the City investment pool as of June 30, 2017.

As of June 30, 2016, \$2,283 was held at a financial institution and was fully covered under FDIC policies. The remaining portion was held in the City investment pool.

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.

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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. At June 30, 2017 all donations received carried restrictions as to time or purpose.

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 parks and recreational programs, library, playhouse, airpark, SAVES, veterans salute, toy drive, neighborhood houses, and the Gabriel's House. 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 2015 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.

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2017, the cash held in the Foundation’s bank account is \$2,283 and is fully insured by the FDIC. In addition, the concentration of cash and investments of the Foundation in the amount of \$259,261 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, 2017, which can be found on the City’s website.

Fair Value of assets measured at June 30, 2017, are as follows:

Investments in City of Palmdale Investment Pool	259,261
Total Investments at Fair Value	<u>\$ 259,261</u>

Concentration of Credit Risk – At June 30, 2017, \$259,261 of the Foundation’s cash is held in the City of Palmdale’s investment pool.

NOTE 4 – DONATED SERVICES, MATERIALS, AND FACILITIES

The Foundation receives donated services, materials and facilities from a variety of unpaid volunteers and is estimated at approximately 29,421 hours for various programs during fiscal year 2016/17. The City of Palmdale has donated a significant amount of staff time primarily for administrative services and covers the cost for Auditing Services and both Federal and State Tax Returns. However, these donated services are not recognized as revenue in the financial statements.

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, 2017, the Foundation had temporarily restricted assets in the amount of \$257,686 and held for the following programs:

PALMDALE COMMUNITY FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Community Supported Programs	Temporarily Restricted Donations
Parks and Recreation	\$ 20,743
Playhouse	28,087
Palmdale Playhouse Dressing Room	10,475
Orchestra Program	9,905
Library	20,889
Best of the West Snack Bar	100
Youth Sports	100
Vietnam Wall	3,962
Legacy Senior Center Programs	3,252
Arts and Cultural Programs	500
Neighborhood Houses	18,453
Community Engagement	12,534
Community Outreach	4,927
Community Gardens	7,767
Gabriel's House	5,468
SAVES Program	57,347
Emancipated Youth Program	13,749
Warnack Foundation Programs	39,428
Total Temporarily Restricted Donations by Program	\$ 257,686
Cash	\$ 2,283
Cash and Investments in City of Palmdale Investment Pool	259,261
Accounts Payable	(3,858)
Total Temporarily Restricted Assets	\$ 257,686

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 November 17, 2017, 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.

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