

**CALIFORNIA FOUNDATION FOR
STRONGER COMMUNITIES**

(A Component Unit of the California
Municipal Finance Authority)

Independent Auditor's Reports
and Financial Statements

For the Years Ended
June 30, 2017 and 2016



Certified
Public
Accountants

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES
(A Component Unit of the California Municipal Finance Authority)

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Independent Auditor's Report

The Board of Directors
California Foundation for Stronger Communities

Report on the Financial Statements

We have audited the accompanying financial statements of the California Foundation for Stronger Communities (Foundation), a California nonprofit public benefit corporation, and a component unit of the California Municipal Finance Authority, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Foundation for Stronger Communities as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Diego, California
October 27, 2017

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES

(A Component Unit of the California Municipal Finance Authority)

Statements of Financial Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 5,398	\$ 5,353
Accounts receivable	<u>20,886</u>	<u>11,200</u>
Total assets	<u><u>\$ 26,284</u></u>	<u><u>\$ 16,553</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	<u>\$ 20,886</u>	<u>\$ 11,200</u>
Net assets:		
Unrestricted	<u>5,398</u>	<u>5,353</u>
Total liabilities and net assets	<u><u>\$ 26,284</u></u>	<u><u>\$ 16,553</u></u>

See accompanying notes to the financial statements.

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES

(A Component Unit of the California Municipal Finance Authority)

Statements of Activities

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 1,496,505	\$ 1,295,812
Interest income	6	76
	<u>1,496,511</u>	<u>1,295,888</u>
Total unrestricted support and revenue	1,496,511	1,295,888
Net assets released from restrictions	<u>9,556</u>	<u>5,991</u>
Total increase in unrestricted net assets	<u>1,506,067</u>	<u>1,301,879</u>
EXPENSES		
Program services		
Charitable donations	1,494,556	1,290,877
Support services		
General and administrative	11,466	10,926
	<u>1,506,022</u>	<u>1,301,803</u>
Total expenses	1,506,022	1,301,803
Change in unrestricted net assets	<u>45</u>	<u>76</u>
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	9,556	5,991
Net assets released from restrictions	<u>(9,556)</u>	<u>(5,991)</u>
Change in temporarily restricted net assets	<u>-</u>	<u>-</u>
Change in net assets	45	76
NET ASSETS:		
Beginning of year	<u>5,353</u>	<u>5,277</u>
End of year	<u>\$ 5,398</u>	<u>\$ 5,353</u>

See accompanying notes to the financial statements.

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES

(A Component Unit of the California Municipal Finance Authority)

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 45	\$ 76
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(9,686)	(78)
Accrued expenses	9,686	78
Net cash provided by operating activities	<u>45</u>	<u>76</u>
NET INCREASE IN CASH	45	76
CASH		
Beginning of year	<u>5,353</u>	<u>5,277</u>
End of year	<u>\$ 5,398</u>	<u>\$ 5,353</u>

See accompanying notes to the financial statements.

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES

(A Component Unit of the California Municipal Finance Authority)

Notes to the Financial Statements

For the Years Ended June 30, 2017 and 2016

NOTE 1: REPORTING ENTITY

The California Foundation for Stronger Communities (Foundation) was established on February 17, 2004 as a California nonprofit public benefit corporation, organized under the Nonprofit Public Benefit Law for public and charitable purposes. The Foundation was formed for the specific purpose of administering, assisting or advising in the administration of the California Municipal Finance Authority (CMFA), a joint exercise of powers authority created pursuant to Title I, Division 7, Chapter 5 of the Government Code of the State of California and to provide financial grants or other financial support or benefits to nonprofit organizations, foundations, and corporations to strengthen and enhance charitable activities throughout the State of California.

The Foundation is considered a component unit of the CMFA, a joint powers authority established pursuant to the Joint Exercise of Powers Act of the California Government Code. Component units, although legally separate entities are, in substance, part of the entity's operations, and so data from these units are combined with data of the primary government.

The CMFA issues separate financial statements and these can be obtained from the CMFA's finance department, 2111 Palomar Airport Road, Suite 320, Carlsbad, CA 92011 and can be found on the CMFA's website (www.cmfa-ca.com).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation

The accompanying financial statements of the Foundation, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which recognizes revenues when earned and expenses when incurred. Under the accrual basis of accounting, the Foundation recognizes contributions as revenue when they are received or when they are unconditionally pledged while expenses are recognized when the liability is incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets that are from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES

(A Component Unit of the California Municipal Finance Authority)

Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently restricted net assets: Net assets that are from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

The Foundation did not have any temporarily restricted or permanently restricted net assets to report as of June 30, 2017 and 2016.

Cash

For purposes of the Statements of Cash Flows, cash represents amounts held with financial institutions as demand deposits.

Contributions

Contributions include unconditional promises to give and are recognized as revenues in the period received. They are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted or permanently restricted support that increases the related net assets class. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions can affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

NOTE 3: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash as demand deposits held with financial institutions, which at times, may exceed federally insured limits. The Foundation is not exposed to any significant risk as the Foundation's cash balances at June 30, 2017 and 2016 were entirely insured.

NOTE 4: MAJOR DONOR

The Foundation receives all of its contributions from the CMFA, of which the Foundation is a component unit. Discontinuance of such contributions, an event that management does not deem likely, would represent a significant reduction in the Foundation's total revenues.

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES

(A Component Unit of the California Municipal Finance Authority)

Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2017 and 2016

NOTE 5: INCOME TAXES

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and relevant state tax regulations. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

The Foundation follows the provisions of Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, which provides standards for establishing, classifying, and disclosing any tax provision for uncertain tax provisions. As of June 30, 2017 and 2016, the Foundation has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of tax assets or liabilities or disclosure in the financial statements.

NOTE 6: PROGRAM SERVICES

Program services pertain to financial support (e.g. charitable donations) granted to various local charities including those designated by the CMFA.

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through October 27, 2017, the date the financial statements were available for issuance. There were no subsequent events that required an adjustment to, or disclosure in the financial statements as of June 30, 2017.



**Independent Auditor’s Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Directors
California Foundation for Stronger Communities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Foundation for Stronger Communities (the Foundation), a component unit of California Municipal Finance Authority, 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, and have issued our report thereon dated October 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Diego, California
October 27, 2017