

**California
Foundation for
Stronger
Communities,
Carlsbad, California**

*Basic Financial Statements and
Independent Auditors' Report*

For the years ended June 30, 2012 and 2011

California Foundation for Stronger Communities
A Component Unit of the California Municipal Finance Authority
Basic Financial Statements
For the years ended June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the California Foundation for Stronger Communities
Carlsbad, California

We have audited the accompanying statements of financial position of the California Foundation for Stronger Communities (the "Foundation"), a California non-profit public benefit corporation, and a component unit of the California Municipal Finance Authority as of June 30, 2012, and the statements of activities and changes in net assets, and cash flows 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. The Foundation's 2011 financial statements were audited by other auditors whose report dated August 3, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit 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 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 also 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 Foundation as of June 30, 2012, and the changes in its net assets and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



To the Board of Directors
of the California Foundation for Stronger Communities
Carlsbad, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Marcum LLP". The letters are cursive and fluid, with the "M" and "L" being particularly prominent.

Marcum LLP
Certified Public Accountants
Irvine, California
December 7, 2012

**California Foundation for Stronger Communities,
A Component Unit of the California Municipal Finance Authority
Comparative Statements of Financial Position
For the years ended June 30, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets:		
Cash	\$ 4,908	\$ 4,919
Total current assets	4,908	4,919
Total assets	4,908	4,919
NET ASSETS		
Unrestricted	4,908	4,919
Total net assets	\$ 4,908	\$ 4,919

See accompanying Notes to Basic Financial Statements.

**California Foundation for Stronger Communities,
A Component Unit of the California Municipal Finance Authority
Comparative Statements of Activities and Changes in Net Assets
For the years ended June 30, 2012 and 2011**

	2012	2011
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 1,158,525	\$ 854,535
Interest income	43	-
Total unrestricted support and revenue	1,158,568	854,535
Net assets released from restrictions	30,280	137,202
Total increase in unrestricted net assets	1,188,848	991,737
EXPENSES		
Program services		
Charitable donations	1,185,280	989,202
Supporting services		
General and administrative	3,579	2,995
Total expenses	1,188,859	992,197
Change in unrestricted net assets	(11)	(460)
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	30,280	137,202
Net assets released from restrictions	(30,280)	(137,202)
Change in temporarily restricted net assets	-	-
Changes in net assets	(11)	(460)
NET ASSETS:		
Beginning of year	4,919	5,379
End of year	\$ 4,908	\$ 4,919

See accompanying Notes to Basic Financial Statements.

**California Foundation for Stronger Communities,
A Component Unit of the California Municipal Finance Authority
Comparative Statements of Cash Flows
For the years ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (11)	\$ (460)
Net cash used by operating activities	(11)	(460)
 CASH		
Beginning of year	<u>4,919</u>	<u>5,379</u>
End of year	<u>\$ 4,908</u>	<u>\$ 4,919</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**California Foundation for Stronger Communities,
A Component Unit of the California Municipal Finance Authority
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011**

1. REPORTING ENTITY

The California Foundation for Stronger Communities (Foundation) was established on February 17, 2004 as a California non-profit 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 funds, foundations, and corporations to strengthen and enhance charitable activities throughout the State of California.

The California Foundation for Stronger Communities is considered a component unit of the California Municipal Finance Authority (the primary government entity). Component units, although legally separate entities are, in substance, part of the government'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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of 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 which recognizes income when earned or 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 and 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 neither permanently nor temporarily restricted by 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 and changes in net assets.

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.

**California Foundation for Stronger Communities,
A Component Unit of the California Municipal Finance Authority
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis of Presentation, Continued

There were no temporarily restricted or permanently restricted net assets as of June 30, 2012 and 2011.

B. Cash

For the purpose of reporting cash flows, cash includes cash with financial institutions as demand deposits.

C. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

E. 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 designed 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.

3. CASH

Cash consisted of the following at June 30, 2012 and 2011:

	2012	2011
Demand Deposits	\$ 4,908	\$ 4,919
Total	\$ 4,908	\$ 4,919

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash as demand deposits with financial institutions, which at times, may exceed federally insured limits. The Foundation believes it is not exposed to any significant risk on its cash balances. At year June 30, 2012 and 2011, the Foundation had no uninsured cash balances

**California Foundation for Stronger Communities,
A Component Unit of the California Municipal Finance Authority
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011**

4. MAJOR DONOR

The Foundation receives a majority of its contributions from the CMFA of which the Foundation is a component unit. Discontinuance of such contributions, an event not deemed likely, would represent a significant reduction in total revenues.

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.

6. PROGRAM SERVICES

Program services pertain to financial support granted to various local charities including those designated by the CMFA.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through December 7, 2012, the date the basic financial statements were available to be issued. There were no subsequent events that required an adjustment to, or disclosure in the basic financial statements as of the year ended June 30, 2012.

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**INDEPENDENT AUDITORS' 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
of the California Foundation for Stronger Communities
Carlsbad, California

We have audited the statement of financial position of the California Foundation for Stronger Communities (the "Foundation"), a California non-profit public benefit corporation, and a component unit of the California Municipal Finance Authority as of June 30, 2012, and the statements of activities and changes in net assets, and cash flows for the year then ended and have issued our report thereon dated December 7, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



To the Board of Directors
of the California Foundation for Stronger Communities
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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*.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Marcum LLP". The signature is written in a cursive, flowing style.

Marcum LLP
Certified Public Accountants
Irvine, California
December 7, 2012