

**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, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, effective July 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. As a result of the implementation of ASU No. 2016-14, the Foundation reclassified its unrestricted net assets presented as of and for the fiscal year ended June 30, 2018, to net assets without donor restrictions. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2020, 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 solely 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 the effectiveness of the Foundation’s 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

April 16, 2020

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, 2019 and 2018

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. 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 using 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.

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Tope 958, *Not-for-Profit Entities*, Subtopics 205, 210, 220 and 230. 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:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management.

Net assets with donor restrictions – net assets are subject to donor-imposed restrictions, such as those that will be met by the passage of time or other events specified by the donor. When a restriction expires (generally, when expenses are incurred satisfying the restricted purpose), net assets with donor restrictions were classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. There is no net assets with donor restrictions as of June 30, 2019 and 2018.

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES
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Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 restricted support that increases the related net assets class. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, the net assets are reclassified to net assets without donor restrictions 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation due to the implementation of ASU No. 2016-14 described below.

New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The impact of implementation ASU No. 2016-14 resulted in the reclassification of unrestricted assets presented for fiscal year (FY) 2018 to net assets without donor restrictions. The ASU has been applied retrospective to all period presented.

On June 21, 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update intends to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations, and clarifies definition of resources transferred to determine whether an exchange transactions or contributions. The implementation ASU No. 2018-08 doesn't impact to the Foundation's financial statements presentation.

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Notes to the Financial Statements (Continued)
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NOTE 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has \$18,897 of financial assets available within one year of the statement of financial position date for general expenses, consisting of cash of \$5,437 and accounts receivable of \$13,460. Of this balance, \$13,460 is for the accrued expenses and not available for general purpose.

Management evaluates the Foundation's financial assets through annual budget reviews and monthly cash flow projections. Management has determined that financial assets are sufficient to manage its liquidity needs and meet its operating expenses within one year of the balance sheet date.

NOTE 4: 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's cash balances at June 30, 2019 and 2018, respectively, were entirely insured.

NOTE 5: 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.

NOTE 6: 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, 2019 and 2018, 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 7: PROGRAM SERVICES

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

NOTE 8: SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 16, 2020, which is the date the financial statements were issued, and determined the following event should be disclosed.

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NOTE 8: SUBSEQUENT EVENTS (Continued)

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect demand for our product and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.