

**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, 2021 and 2020



Certified
Public
Accountants

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES
(A Component Unit of the California Municipal Finance Authority)
For the Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

To 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 (the 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, 2021 and 2020, 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, 2021 and 2020, 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 March 8, 2022 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 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California
March 8, 2022

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES

(A Component Unit of the California Municipal Finance Authority)

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 3,359	\$ 5,567
Accounts receivable	68,968	32,910
	<hr/>	<hr/>
Total assets	<u>\$ 72,326</u>	<u>\$ 38,477</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 66,575	\$ 32,910
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	5,751	5,567
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 72,326</u>	<u>\$ 38,477</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 2,804,291	\$ 2,784,037
Interest income	184	130
	<u>2,804,475</u>	<u>2,784,167</u>
Total unrestricted support and revenue	2,804,475	2,784,167
Net assets released from restrictions	252,041	189,412
	<u>3,056,516</u>	<u>2,973,579</u>
Total increase in unrestricted net assets	3,056,516	2,973,579
EXPENSES		
Program services		
Charitable donations	3,042,041	2,959,572
Support services		
General and administrative	14,291	13,877
	<u>3,056,332</u>	<u>2,973,449</u>
Total expenses	3,056,332	2,973,449
Change in unrestricted net assets	184	130
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	252,041	189,412
Net assets released from restrictions	(252,041)	(189,412)
	<u>-</u>	<u>-</u>
Change in temporarily restricted net assets	-	-
Change in net assets	184	130
NET ASSETS:		
Beginning of year	5,567	5,437
	<u>5,567</u>	<u>5,437</u>
End of year	\$ 5,751	\$ 5,567
	<u>\$ 5,751</u>	<u>\$ 5,567</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 (Continued)

For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 2,804,291	\$ 252,041	\$ 3,056,332
Interest income	184	-	184
Net assets released from restrictions	252,041	(252,041)	-
Total support and revenue	<u>3,056,516</u>	<u>-</u>	<u>3,056,516</u>
EXPENSES			
Program services:			
Charitable donations	3,042,041	-	3,042,041
Support services:			
General and administrative	14,291	-	14,291
Total expenses	<u>3,056,332</u>	<u>-</u>	<u>3,056,332</u>
Change in net assets	184	-	184
NET ASSETS:			
Beginning of year	<u>5,567</u>	<u>-</u>	<u>5,567</u>
End of year	<u>\$ 5,751</u>	<u>\$ -</u>	<u>\$ 5,751</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 (Continued)

For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 2,784,037	\$ 189,412	\$ 2,973,449
Interest income	130	-	130
Net assets released from restrictions	189,412	(189,412)	-
Total support and revenue	<u>2,973,579</u>	<u>-</u>	<u>2,973,579</u>
EXPENSES			
Program services:			
Charitable donations	2,959,572	-	2,959,572
Support services:			
General and administrative	13,877	-	13,877
Total expenses	<u>2,973,449</u>	<u>-</u>	<u>2,973,449</u>
Change in net assets	130	-	130
NET ASSETS:			
Beginning of year	<u>5,437</u>	<u>-</u>	<u>5,437</u>
End of year	<u>\$ 5,567</u>	<u>\$ -</u>	<u>\$ 5,567</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 184	\$ 130
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(36,058)	(19,450)
Accrued expenses	33,665	19,450
Net cash provided by (used by) operating activities	<u>(2,209)</u>	<u>130</u>
NET INCREASE (DECREASE) IN CASH	(2,209)	130
CASH		
Beginning of year	<u>5,567</u>	<u>5,437</u>
End of year	<u><u>\$ 3,359</u></u>	<u><u>\$ 5,567</u></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, 2021 and 2020

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) Topic 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 that 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 are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. There are no net assets with donor restrictions as of June 30, 2021 and 2020, respectively.

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, 2021 and 2020

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.

Accounts Receivable

Accounts receivable consists of contributions with or without donor restrictions which are reported at the amount management expects to receive from the CMFA. There is no valuation allowance recorded as of June 30, 2021 and 2020, respectively, as these amounts are expected to be received in full.

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.

NOTE 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has \$72,326 and \$38,477 of financial assets available within one year of the statement of financial position date of June 30, 2021 and 2020, respectively, for general expenses, consisting of cash of \$3,359 and \$5,567 and accounts receivable of \$68,968 and \$32,910. Of these balances, \$66,675 and \$32,910 as of June 30, 2021 and 2020, respectively, are for accrued expenses and are not available for general purposes.

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 financial position 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, 2021 and 2020, respectively, were entirely insured.

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, 2021 and 2020

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 positions. As of June 30, 2021, and 2020, 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 March 8, 2022, which is the date the financial statements were issued. There were no subsequent events that required an adjustment to, or disclosure in the financial statements as of June 30, 2021.



**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 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 the California Municipal Finance Authority, which comprise the statement of financial position as of June 30, 2021, 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 March 8, 2022.

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) as a basis for designing 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 financial statements. 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.

A handwritten signature in black ink that reads "Macias Gini E' O'Connell LPA". The signature is written in a cursive style with a small vertical line under the apostrophe in "E'".

San Diego, California
March 8, 2022