

**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, 2022 and 2021



Certified
Public
Accountants

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES
(A Component Unit of the California Municipal Finance Authority)
For the Years Ended June 30, 2022 and 2021

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Independent Auditor's Report

To the Board Directors
California Foundation for Stronger Communities

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of 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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023 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.



San Diego, California
February 14, 2023

CALIFORNIA FOUNDATION FOR STRONGER COMMUNITIES
(A Component Unit of the California Municipal Finance Authority)
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 6,637	\$ 3,359
Accounts receivable	15,912	68,968
Total assets	\$ 22,549	\$ 72,327
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 15,912	\$ 66,576
Net assets:		
Without donor restrictions	6,637	5,751
Total liabilities and net assets	\$ 22,549	\$ 72,327

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 3,850,560	\$ 2,804,291
Interest income	736	184
Total unrestricted support and revenue	3,851,296	2,804,475
Net assets released from restrictions	761,139	252,041
Total increase in unrestricted net assets	4,612,435	3,056,516
 EXPENSES		
Program services		
Charitable donations	4,596,139	3,042,041
Support services		
General and administrative	15,410	14,291
Total expenses	4,611,549	3,056,332
Change in unrestricted net assets	886	184
 TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	761,139	252,041
Net assets released from restrictions	(761,139)	(252,041)
Change in temporarily restricted net assets	-	-
Change in net assets	886	184
 NET ASSETS:		
Beginning of year	5,751	5,567
End of year	<u>\$ 6,637</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 3,850,560	\$ 761,139	\$ 4,611,699
Interest income	736	-	736
Net assets released from restrictions	761,139	(761,139)	-
Total support and revenue	<u>4,612,435</u>	<u>-</u>	<u>4,612,435</u>
EXPENSES			
Program services:			
Charitable donations	4,596,139	-	4,596,139
Support services:			
General and administrative	15,410	-	15,410
Total expenses	<u>4,611,549</u>	<u>-</u>	<u>4,611,549</u>
Change in net assets	886	-	886
NET ASSETS:			
Beginning of year	<u>5,751</u>	<u>-</u>	<u>5,751</u>
End of year	<u>\$ 6,637</u>	<u>\$ -</u>	<u>\$ 6,637</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 Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 886	\$ 184
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	53,056	(36,058)
Accrued expenses	(50,664)	33,665
	<u>3,278</u>	<u>(2,209)</u>
Net cash provided by (used by) operating activities		
	<u>3,278</u>	<u>(2,209)</u>
NET INCREASE (DECREASE) IN CASH	3,278	(2,209)
CASH		
Beginning of year	<u>3,359</u>	<u>5,567</u>
End of year	<u>\$ 6,637</u>	<u>\$ 3,359</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, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021

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, 2022 and 2021, 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 \$22,549 and \$72,327 of financial assets available within one year of the statement of financial position date of June 30, 2022 and 2021, respectively, for general expenses, consisting of cash of \$6,637 and \$3,359 and accounts receivable of \$15,912 and \$68,968. Of these balances, \$15,912 and \$66,675 as of June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021

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, 2022, and 2021, 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 February 14, 2023, 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, 2022.



**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 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 statement of financial position as of June 30, 2022, 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 February 14, 2023.

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 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.

Report on 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.

Macias Gini & O'Connell LLP

San Diego, California
February 14, 2023