

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

FINANCIAL STATEMENTS
JUNE 30, 2011

With
INDEPENDENT AUDITORS' REPORT

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Palmdale Community Foundation
Palmdale, California

We have audited the accompanying statement of financial position of the Palmdale Community Foundation (a California nonprofit organization) as of June 30, 2011, and the related statements of activities, cash flows and functional expenses 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Palmdale Community Foundation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
March 7, 2012

PALMDALE COMMUNITY FOUNDATION
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STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

Assets:

Cash and cash equivalents

Restricted:

Cash

\$ 1,156

Cash and investments in City of Palmdale Investment Pool

223,850

Total Assets

\$ 225,006

Net Assets:

Temporarily Restricted

\$ 225,006

Total Liabilities and Net Assets

\$ 225,006

The accompanying notes are an integral part of these financial statements.

PALMDALE COMMUNITY FOUNDATION
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STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Community support		\$ 46,189	\$ 46,189
Released from temporary restriction	\$ 46,746	(46,746)	
Total Public Support and Revenue	46,746	(557)	46,189
 EXPENSES			
Program services:			
Community support	46,703		46,703
Support services - administrative	43		43
Total Expenses	46,746		46,746
Change in Net Assets		(557)	(557)
Net Assets, Beginning of Year		225,563	225,563
Net Assets, End of Year	\$ -	\$ 225,006	\$ 225,006

The accompanying notes are an integral part of these financial statements.

PALMDALE COMMUNITY FOUNDATION
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities change in net assets	\$ (557)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Contributions restricted for temporarily restricted purposes	<u>(46,189)</u>
Net cash flows from operating activities	(46,746)
Cash flows from investing activities	
use of restricted cash equivalents	<u>46,746</u>
Net change in unrestricted cash and cash equivalents	-
Unrestricted cash and cash equivalents, beginning of year	-
Unrestricted cash and cash equivalents, end of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

PALMDALE COMMUNITY FOUNDATION
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Administrative	Total
Community Support:			
Community Programs	\$ 3,190		\$ 3,190
Saves Program	32,096		32,096
Emancipated Youth Program	10,797		10,797
Legacy Senior Center Computer Support	431		431
Legacy Senior Center Programs	189		189
Support Services:			
Office Supplies		\$ 43	43
Total Program Services	\$ 46,703	\$ 43	\$ 46,746

The accompanying notes are an integral part of these financial statements.

PALMDALE COMMUNITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Palmdale Community Foundation (the “Foundation”), a non-profit organization, is organized under the California Nonprofit Public Benefit Corporation Law for public purposes.

The specific purpose of the Foundation is to receive contributions and donations from the public and to use such contributions and donations to support charitable, literary, and educational activities authorized by Section 501 (c) (3) of the Internal Revenue Code, including the support of programs, projects, and activities sponsored by the City of Palmdale.

Persons appointed to the Foundation’s Board of Directors must include the City Attorney of the City of Palmdale, the Finance Director of the City of Palmdale, and the Assistant to the City Manager of the City of Palmdale. If the number of authorized directors exceeds three (3), the additional Directors must be persons who are affiliated with public or private agencies that provide services to the public in the City of Palmdale.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

Program Expenses

The Foundation supports various programs, projects, and activities sponsored by the City of Palmdale which include the library, airpark, playhouse, SAVES, veterans salute, fall festival, families in action, toy drive, and the Jazz festival. The expenses for all such programs supported by the Foundation are considered direct expenses and do not include any administrative costs.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Management has classified the expenses among the programs.

PALMDALE COMMUNITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Income Taxes

The Palmdale Community Foundation is exempt from Federal income and California franchise taxes under Section 501(c) (3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Foundation annually files forms 990, 199, and RRF-1 with the appropriate agencies.

Contributions

Contributions are recognized when received and are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as unrestricted.

Statement of Cash Flows

The indirect method is used to report cash flows from operating activities. Cash and cash equivalents include short term highly liquid cash balances not restricted by donors for specific purposes.

Fair Value Measurements

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards Fair Value Measurements, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation used the market approach to estimate fair value for all investment assets.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – DONATED SERVICES, MATERIALS, AND FACILITIES

The Foundation receives donated services, materials and facilities from a variety of unpaid volunteers. In addition, the City of Palmdale has donated a significant amount of staff time primarily for administrative services. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

NOTE 3 – CASH

The total cash held by the Foundation at June 30, 2011, was \$1,156, which was covered by insurance provided by the federal government.

In addition, cash and investments of the Foundation in the amount of \$223,850 are pooled with funds of the City of Palmdale for deposit and investment purposes. Interest earned on pooled cash and investments is credited to the funds based on each respective fund's month-end cash balance. Additional information relating to the City's investment pool can be found in the City of Palmdale's Comprehensive Annual Financial Report as of June 30, 2011.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2011. The Organization did not have any liabilities measured at fair value on a recurring basis as of June 30, 2011.

Assets:	Level 1	Level 2	Level 3
Cash and investments in City of Palmdale Investment Pool		\$ 223,850	
Total Investments at Fair Value	\$ -	\$ 223,850	\$ -

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – TEMPORARILY RESTRICTED DONATIONS

Amounts received by the Foundation are temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. The restricted asset is reclassified to unrestricted net assets when the donation is utilized for the specified purpose. At June 30, 2011, the Foundation had temporarily restricted assets in the amount of \$225,006 and held for the following programs.

	Temporarily Restricted Donations
Community Supported Programs	
Parks and Recreation	\$ 19,478
A Better Palmdale	21,062
Donation St. Clair	2,564
Aerospace	5,000
Airpark	959
Theatre	29,947
Library	5,625
Community Programs	15,397
Saves Program	81,259
Emancipated Youth Program	18,589
Theatre Camp Macys	1,930
Legacy Senior Center Computer Support	9,568
Legacy Senior Center Programs	2,526
Undesignated	11,102
Total Temporarily Restricted Assets by Program	\$ 225,006
Cash	\$ 1,156
Cash and Investments in City of Palmdale Investment Pool	223,850
Total Temporarily Restricted Assets	\$ 225,006

NOTE 5 – SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through March 7, 2012, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.