

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

FINANCIAL STATEMENTS
JUNE 30, 2015

With
INDEPENDENT AUDITORS' REPORT

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Palmdale Community Foundation
Palmdale, California

We have audited the accompanying financial statements of the Palmdale Community Foundation (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities, cash flows, and functional expenses for the year 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.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 Palmdale Community Foundation as of June 30, 2015, and the changes in its net assets and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Varrinck, Trine, Day & Co. LLP

Rancho Cucamonga, California

December 14, 2015

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Cash and cash equivalents

 Restricted:

 Cash

\$ 2,751

 Cash and investments in City of Palmdale Investment Pool

298,167

Total Assets

\$ 300,918

LIABILITIES

Accounts payable

\$ 31,019

Total Liabilities

31,019

NET ASSETS

Temporarily restricted

269,899

Total Liabilities and Net Assets

\$ 300,918

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, 2015

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Community support	\$ -	\$ 359,835	\$ 359,835
Net assets released from restriction	536,594	(536,594)	-
Total Public Support and Revenue	536,594	(176,759)	359,835
EXPENSES			
Program services:			
Community support	536,594	-	536,594
Change in Net Assets	-	(176,759)	(176,759)
Net Assets, Beginning of Year	-	446,658	446,658
Net Assets, End of Year	\$ -	\$ 269,899	\$ 269,899

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (176,759)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Increase in accounts payable and unearned revenues	30,094
Contributions restricted for temporarily restricted purposes	<u>(359,835)</u>
Net cash flows from operating activities	<u>(506,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in restricted cash equivalents	176,759
(Increase) in accounts payable	<u>(30,094)</u>
Net cash flows used in investing activities	<u>146,665</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections from contributions restricted for long term purposes	<u>359,835</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, 2015

	Program Services
Community Support:	
Airport	\$ 670
Sponsorships	9,000
Orchestra	4,290
Chimbole Statue	16,998
Local Legends	29,082
Playhouse	6,000
Gabriel's House	2,030
SAVES Program	58,395
Youth Sports	1,065
Vietnam Wall	2,500
Legacy Senior Center Computer Support	3,024
Library	1,067
Warnack Foundation Programs	402,125
Other Programs	348
Total Program Services	\$ 536,594

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

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – NATURE OF ACTIVITIES

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. 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.

Net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. The Foundation does not have any permanently restricted net assets.

Cash Equivalents

Cash and cash equivalents are stated at cost and consist of unrestricted demand deposits and deposits within the City investment pool as of June 30, 2015.

As of June 30, 2014, \$2,751 was held at a financial institution and was fully covered under FDIC policies. The remaining portion was held in the City investment pool.

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation used the market approach to estimate fair value for all investment assets.

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. At June 30, 2014 all donations received carried restrictions as to time or purpose.

PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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.

Program Expenses

The Foundation supports various programs, projects, and activities sponsored by the City of Palmdale which include the library, airpark, SAVES, veterans salute, Warnack Foundation, 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.

Income Taxes

The Organization is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (A) (vi). It is also exempt from State Franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2009 and forward may be audited by regulatory agencies; however, the Organization is not aware of any such actions at this time. The Foundation annually files forms 990, 199 and RRF-1 with the appropriate agencies.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2015, the cash held in the Foundation's bank account is \$2,751 and is fully insured by the FDIC. In addition, the concentration of cash and investments of the Foundation in the amount of \$298,167 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. Interest is credited directly to the restricted stipulation. 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, 2015, which can be found on the City's website.

PALMDALE COMMUNITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH AND CASH EQUIVALENTS, (Continued)

Assets:	Level 2	
Cash and investments in City of Palmdale Investment Pool	298,167	
Total Investments at Fair Value	\$ 298,167	

Concentration of Credit Risk – At June 30, 2015, \$298,167 of the Foundation’s cash is held in the City of Palmdale’s investment pool.

NOTE 4 – DONATED SERVICES, MATERIALS, AND FACILITIES

The Foundation receives donated services, materials and facilities from a variety of unpaid volunteers. The City of Palmdale has donated a significant amount of staff time primarily for administrative services and is estimated at approximately 32,708 hours for various programs during fiscal year 2014/15. However, these donated services are not recognized as revenue or expense in the financial statements.

PALMDALE COMMUNITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – 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, 2014, the Foundation had temporarily restricted net assets in the amount of \$269,899 and held for the following programs:

	Temporarily Restricted Donations
Community Supported Programs	
Parks and Recreation	\$ 18,035
Partners for Better Palmdale - Neighborhood Houses	16,821
Best of the West Snack Bar	100
Gabriel's House	4,245
Community Gardens	9,795
Playhouse	28,087
Library	34,899
Community Engagement	11,000
SAVES Program	86,684
Emancipated Youth Program	16,505
Warnack Foundation Programs	31,339
Orchestra Program	13,366
Local Legends	(4,072)
Legacy Senior Center Computer Support	1,495
Legacy Senior Center Programs	3,851
Other Programs	(2,251)
Total Temporarily Restricted Donations by Program	\$ 269,899
 Restricted:	
Cash	\$ 2,751
Cash and Investments in City of Palmdale Investment Pool	298,167
Accounts Payable	(31,019)
Total Temporarily Restricted Assets	\$ 269,899

NOTE 6 – 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 December 14, 2015, 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.