

**PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)**

**FINANCIAL STATEMENTS
With
INDEPENDENT AUDITOR'S REPORT THEREON**

**FOR THE YEAR ENDED
JUNE 30, 2021**

**PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)**

FOR THE YEAR ENDED JUNE 30, 2021

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Independent Auditor's Report

To the Board of Directors
Palmdale Community Foundation
City of Palmdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Palmdale Community Foundation (a California nonprofit organization), a component unit of the City of Palmdale, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which comprise the Foundation's basic financial statements as listed in the table of contents.

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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Palmdale Community Foundation, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2022, on our consideration of the City's internal control over financial reporting as it relates to the Foundation 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 City's internal control over financial reporting and compliance as it relates to the Foundation.



Rancho Cucamonga, California
May 5, 2022

**PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)**

**STATEMENT OF NET POSITION
AND GENERAL FUND BALANCE SHEET
JUNE 30, 2021**

	General Fund	Statement of Net Position
Assets		
Cash	\$ 250,927	\$ 250,927
Total Assets	250,927	250,927
Liabilities		
Due to City	3,202	3,202
Total Liabilities	3,202	3,202
Fund Balance		
Restricted	247,725	247,725
Total Fund Balance	247,725	247,725
Total Liabilities and Fund Balance	\$ 250,927	
Net Position:		
Restricted		247,725
Total Net Position		\$ 247,725

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

**PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)**

**STATEMENT OF ACTIVITIES AND GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Statement of Activities
Revenues:		
Total Revenues	\$ 132,960	\$ 132,960
Expenditures/Expenses:		
Current:		
Health and Welfare	103,665	103,665
Capital Outlay	19,450	19,450
Total Expenditures/Expenses	123,115	123,115
Change in Fund Balance/Net Position	9,845	9,845
Fund Balance/Net Position, Beginning of Year	237,880	237,880
Fund Balance/Net Position, End of Year	\$ 247,725	\$ 247,725

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

**PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – ORGANIZATION

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.

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. Since the Foundation was established by the City of Palmdale, to support or carry out public services, the Foundation, as a public corporation, is considered a governmental entity for financial statement reporting purposes. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Foundation is a component unit of the City of Palmdale, California (as defined by the Governmental Accounting Standards Board) and, as such, is included in the Comprehensive Annual Financial Report of the City.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The statement of net position and the statement of activities include all of the financial activities of the Foundation. All of the Foundation’s activities are considered governmental in nature; therefore, the Foundation does not report any business-type activities. Governmental activities are typically supported by intergovernmental revenues and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of the Foundation are offset by general revenues.

The accounting used for the Foundation is the full accrual accounting method at the entity-wide level on the statements. This method of accounting is similar to private sector companies in that all the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

**PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The Foundation accounts for all of its operating activities in its General Fund.

When both restricted and unrestricted net position is available, unrestricted resources are used only after restricted resources have been depleted.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist of unrestricted demand deposits as of June 30, 2021.

Fund Balance

In the Fund Financial Statements, governmental funds may classify fund balances into five components whereby each component identifies the extent to which the Foundation is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The five components of the fund balance are as follows:

Nonspendable: Resources that 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.

Restricted: Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Amounts received by the Foundation are donor restricted if they are received with donor stipulations that limit the use of the donated asset.

Committed: Revenues that are constrained to specific purposes by a formal action of the Foundation's Board, which constitutes the most binding constraint such as an ordinance. The constraint remains binding unless removed in the same formal manner by the Foundation's Board. The Foundation's Board action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

Assigned: Resources that are constrained by the Foundation's intent to be used for specific purposes, but that neither restricted nor committed. This policy delegates to the Finance Manager the authority to assign unrestricted fund balance amounts where the Foundation's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

**PALMDALE COMMUNITY FOUNDATION
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Unassigned: Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories.

Net Position

Net position is classified in the following categories:

Restricted: This component of net position consists of resources (net assets) that are not available to the Foundation and are subject to externally enforceable legal restrictions (imposed by laws, regulations or external creditors and/or donors). Net assets consist of amounts received by the Foundation and are donor restricted if they are received with donor stipulations that limit the use of the donated asset.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the Foundation's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the Foundation's policy is to first apply committed fund balance, then assigned fund balances, and finally unassigned fund balance.

Income Taxes

The Foundation 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 2015 and forward may be audited by regulatory agencies; however, the Foundation is not aware of any such actions at this time. The Foundation annually files forms 990, 199 and RRF-1 with the appropriate agencies.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation's cash balance of \$250,927 as of June 30, 2021 represents amounts held with third-party depository financial institutions and cash on hand. As of June 30, 2021, the bank balance was \$251,457, insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Foundation reimburses the City of Palmdale for the cost of providing the Foundation with various services, including accounting, administration, insurance and other services. Additionally, the Foundation provides various services to the community on behalf of the City of Palmdale. Amounts due to the City of Palmdale as of June 30, 2021 \$3,202.

NOTE 5 – RESTRICTED FUND BALANCE

Amounts received by the Foundation are donor restricted if they are received with donor stipulations that limit the use of the donated asset. At June 30, 2021, the Foundation had fund balance with donor restrictions in the amount of \$248,814 and held for the following programs and purposes:

Community Supported Programs	Total Restricted Fund Balance
Arts & Cultural Programs	\$ 565
Best of the West Snack Bar	100
Community Gardens	836
Community Outreach	755
Community Programs	9,249
Emancipated Youth Program	13,386
Gabriel's House	458
Legacy Senior Center Programs	89
Library	682
Neighborhood Service Programs	16,275
Other	250
Parks & Recreation	10,362
Pelona Vista Fitness Court	566
Playhouse	4,551
R. Lee Ermey Memorial Avenue	277
SAVES Programs	92,448
Vietnam Memorial Wall	4,629
Warnack Foundation Programs	93,336
Undesignated	(1,089)
Total Restricted Fund Balance by Program	\$ 247,725

NOTE 6 – RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts, theft of assets, errors and omissions, and natural disasters. The Foundation participates in the City of Palmdale's commercial insurance programs, who obtains the appropriate insurance coverage needed by the Foundation from insurance companies. In the past three years, there have not been any settled claims which have exceeded insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

**PALMDALE COMMUNITY FOUNDATION
(A California Non-Profit Corporation)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GENERAL FUND – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Total Revenues	\$ 132,970	\$ 132,970	\$ 132,960	\$ (10)
Expenditures:				
Current:				
Health and Welfare	103,670	103,670	103,665	5
Capital Outlay	19,450	19,450	19,450	-
Total Expenditures	123,120	123,120	123,115	5
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,850	9,850	9,845	(5)
Net Change in Fund Balance	9,880	9,880	9,845	(35)
Fund Balance - Beginning of Year	237,880	237,880	237,880	-
Fund Balance - End of Year	\$ 247,760	\$ 247,760	\$ 247,725	\$ (5)

**PALMDALE COMMUNITY FOUNDATION
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**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

Budgetary Information

The Foundation's budget is prepared and adopted on a modified accrual basis, where all expenditures are accounted for when liabilities are incurred. The budgetary level of control is at the fund level.



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
of the Palmdale Community Foundation
City of Palmdale, California

We have audited, in accordance with the 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 governmental activities and general fund of the Palmdale Community Foundation (a California nonprofit organization), a component unit of the City of Palmdale, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements, and have issued our report thereon dated May 5, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as it relates to the Foundation 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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control as it relates to the Foundation.

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 "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

May 5, 2022