



AUDIT REPORT

**For the Year Ended
June 30, 2018**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

ANAHEIM COMMUNITY FOUNDATION
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JUNE 30, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Anaheim Community Foundation
Anaheim, California

We have audited the accompanying financial statements of Anaheim Community Foundation (the "Foundation") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 financial statements are free of 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anaheim Community Foundation as of June 30, 2018, 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.

Christy White Associates

San Diego, California
August 17, 2018

**ANAHEIM COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$	516,425
Investments		902,576
Pledges receivable		<u>582</u>
Total Assets	\$	<u>1,419,583</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	<u>1,176</u>
Total liabilities		<u>1,176</u>
Net assets		
Unrestricted		442,042
Temporarily restricted		<u>976,365</u>
Total net assets		<u>1,418,407</u>
Total Liabilities and Net Assets	\$	<u>1,419,583</u>

The notes to the financial statements are an integral part of this statement.

**ANAHEIM COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Donations	\$ 327,464	\$ 416,364	\$ 743,828
Net investment income	52,681	-	52,681
Net assets released from restrictions	513,389	(513,389)	-
Total Support and Revenues	893,534	(97,025)	796,509
EXPENSES			
Program services	419,116	-	419,116
Supporting services			
Management and general	10,511	-	10,511
Total Expenses	429,627	-	429,627
CHANGE IN NET ASSETS	463,907	(97,025)	366,882
Net Assets - Beginning	(21,865)	1,073,390	1,051,525
Net Assets - Ending	\$ 442,042	\$ 976,365	\$ 1,418,407

The notes to the financial statements are an integral part of this statement.

**ANAHEIM COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services	Management and General	Total
EXPENSES			
Grants and assistance	\$ 419,116	\$ -	\$ 419,116
Fees for service	-	6,242	6,242
Printing and postage	-	3,853	3,853
Miscellaneous	-	416	416
Total Expenses	\$ 419,116	\$ 10,511	\$ 429,627

The notes to the financial statements are an integral part of this statement.

**ANAHEIM COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 366,882
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
(Increase) decrease in operating assets	
Realized and unrealized net (gain)/loss on investments	(33,716)
Pledges receivable	(332)
Increase (decrease) in operating liabilities	
Accounts payable	(1,074)
Net cash provided by (used in) operating activities	<u>331,760</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	13,967
Certificate of deposit redemption	115,390
Purchase of securities	(142,122)
Net cash provided by (used in) investing activities	<u>(12,765)</u>
 NET INCREASE (DECREASE) IN CASH	 318,995
 Cash and cash equivalents - Beginning	 <u>197,430</u>
 Cash and cash equivalents - Ending	 <u>\$ 516,425</u>
 SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Anaheim Community Foundation (the “Foundation”) was formed as a nonprofit public benefit corporation on January 19, 1984 for the purpose of raising funds to support and enhance a broad base of programs, services, organizations, and facilities that enrich the lives of Anaheim residents. Funding sources primarily consist of donations from the public as well as funds raised from special events within the community.

B. Basis of Accounting

The Foundation’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

Anaheim Community Foundation is required to report 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. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Foundation’s financial statement presentation.

D. 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, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents

Anaheim Community Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

G. Investments

The Foundation's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

H. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2018, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

I. Capital Assets

Anaheim Community Foundation has not yet adopted a policy to capitalize asset purchases as the Foundation does not currently hold any property, plant or equipment with a useful life extending well over one fiscal year.

J. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

K. Income Taxes

Anaheim Community Foundation is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a public benefit organization, the Foundation is required to register with the California Attorney General as a charity.

The Foundation's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Foundation's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

L. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

M. New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Foundation has not yet determined the impact on the financial statements.

ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018, consist of cash in interest-bearing bank accounts amounting to \$516,425.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Anaheim Community Foundation does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2018, Anaheim Community Foundation’s bank balance was not exposed to custodial credit risk as cash balances were held in a bank deposit sweep with Wells Fargo Bank, N.A. A bank deposit sweep consists of monies held at one financial institution and at one or more other of the financial institutions affiliated banks if and when cash balance amounts exceed \$250,000.

NOTE 3 – INVESTMENTS

Investments as of June 30, 2018, consist of fixed securities and mutual funds with a current market value of \$864,115. The fair value measurement classifications for these assets are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed securities	\$ 84,765	\$ -	\$ -	\$ 84,765
Mutual fund accounts	-	817,811	-	817,811
Total Investments	<u>\$ 84,765</u>	<u>\$ 817,811</u>	<u>\$ -</u>	<u>\$ 902,576</u>

The following schedule summarizes net investment income for the fiscal year ended June 30, 2018.

Interest and dividends	\$ 18,965
Realized gains	30,472
Unrealized gain/(loss)	<u>3,244</u>
Total Net Investment Income	<u>\$ 52,681</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of \$582 in pledges made but not yet received as of June 30, 2018.

ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 5 – NET ASSETS

Net assets as of June 30, 2018 are as follows:

Temporarily restricted net assets	
Community programs	\$ 252,396
Cultural and performing arts	102,788
Nature programs	260,833
Senior programs	18,811
Social service programs	50,326
Youth programs	211,769
Other supported programs	79,442
Total temporarily restricted net assets	<u>976,365</u>
Unrestricted net assets	
Board designated	351,084
Unrealized gain/(loss)	4,904
Undesignated	86,054
Total unrestricted net assets	<u>442,042</u>
Total Ending Net Assets	<u>\$ 1,418,407</u>

NOTE 6 – DONATED GOODS AND SERVICES

A number of volunteers in the Anaheim community have contributed their time to the activities of the Foundation. Many of the volunteers are employed by the City of Anaheim (the "City"). The City allows employees the use of their work time, office space and office equipment to carry on the activities of the Foundation. The activities do not require specialized service skills nor create or enhance non-financial assets; therefore, they do not meet the criteria required by generally accepted accounting principles to be recorded in the financial statements.

Donated goods and materials as well as other non-cash contributions are typically recorded at fair value at the date of contribution. During the fiscal year ended June 30, 2018, the Foundation received \$40,542 in donated goods and materials.

NOTE 7 – SUBSEQUENT EVENTS

Anaheim Community Foundation has evaluated subsequent events for the period from June 30, 2018 through August 17, 2018, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.