



**AUDIT REPORT**

**FOR THE PERIOD FROM  
JULY 1, 2020 TO DECEMBER 31, 2020**

**A NONPROFIT PUBLIC BENEFIT CORPORATION**

**ANAHEIM COMMUNITY FOUNDATION  
TABLE OF CONTENTS  
DECEMBER 31, 2020**

---

**FINANCIAL SECTION**

Independent Auditors' Report ..... 1

Financial Statements

    Statement of Financial Position ..... 2

    Statement of Activities ..... 3

    Statement of Cash Flows ..... 4

Notes to Financial Statements ..... 5

---

## **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 December 31, 2020, and the related statements of activities, and cash flows for the six-month period 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 from 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 Anaheim Community Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.



San Diego, California  
January 3, 2022

**ANAHEIM COMMUNITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

---

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 1,073,009
Investments	1,163,395
Total current assets	<u>2,236,404</u>
<b>Total Assets</b>	<u><b>\$ 2,236,404</b></u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Total liabilities	<u>\$ -</u>
Net assets	
Without donor restrictions	542,157
With donor restrictions	1,694,247
Total net assets	<u>2,236,404</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 2,236,404</b></u>

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

**ANAHEIM COMMUNITY FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2020**

---

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 237,732	\$ 1,651,302	1,889,034
In-kind donations	8,974	-	8,974
Investment income, net	76,654	-	76,654
Donor restrictions satisfied	1,296,534	(1,296,534)	-
<b>Total Support and Revenues</b>	<u>1,619,894</u>	<u>354,768</u>	<u>1,974,662</u>
<b>EXPENSES</b>			
Program services			
Grants and assistance	1,300,531	-	1,300,531
Facilities	82,440	-	82,440
Consulting services	3,000	-	3,000
Management and general			
Office expenses	464	-	464
Insurance	461	-	461
Personnel costs	80,596	-	80,596
Miscellaneous	20	-	20
<b>Total Expenses</b>	<u>1,467,512</u>	<u>-</u>	<u>1,467,512</u>
<b>CHANGE IN NET ASSETS</b>	152,382	354,768	507,150
<b>Net Assets - Beginning</b>	<u>389,775</u>	<u>1,339,479</u>	<u>1,729,254</u>
<b>Net Assets - Ending</b>	<u>\$ 542,157</u>	<u>\$ 1,694,247</u>	<u>\$ 2,236,404</u>

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

**ANAHEIM COMMUNITY FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2020**

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 507,150
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Unrealized (gain)/loss on investments	(146,194)
Increase (decrease) in operating liabilities	
Grants payable	<u>(140,000)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>220,956</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Securities sold and redeemed	100,000
Securities purchased	(6,235)
Income distributions	<u>10,378</u>
<b>Net cash provided by (used in) investing activities</b>	<u>104,143</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	325,099
<b>Cash and cash equivalents - Beginning</b>	<u>747,910</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 1,073,009</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
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  
DECEMBER 31, 2020**

---

**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**

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Anaheim Community Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*Net assets with donor restrictions* – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

**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 and also detailed on the statement of activities. Certain costs and expenses have been allocated between program and supporting services for management and general purposes based on management’s estimates.

**ANAHEIM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**DECEMBER 31, 2020**

---

**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. Investment return is presented net of any investment fees.

**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 Foundation establishes or adjusts the allowance for specific revenue sources as a whole. At December 31, 2020, 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 expanding well over one fiscal year.

**J. Contributions**

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

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**  
**DECEMBER 31, 2020**

---

**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**

**Leases**

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Foundation will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

**ANAHEIM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**DECEMBER 31, 2020**

---

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of December 31, 2020, consists of cash in banks of \$1,073,009 held in interest-bearing accounts.

As of December 31, 2020, \$1,175,100 of Anaheim Community Foundation’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts at one or more banks. Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. The FDIC insures up to \$250,000 per depositor per insured bank.

Anaheim Community Foundation does not currently have a policy for custodial credit risk for deposits; however, the Foundation is in the process of updating their investment policy to include custodial credit risk elimination strategies such as:

- Participating in the current financial institution’s Expanded Bank Deposit Sweep Program which provides \$1.25 million FDIC cash insurance, and
- The use of short-term certificates of deposits from outside financial institutions for placing cash or cash equivalent deposits in excess of the \$1.25 million insurance limit.

**NOTE 3 – INVESTMENTS**

Investments as of December 31, 2020, consist of \$1,163,395 held in fixed income securities and mutual funds. The following table provides a description and sets forth, by level within the fair value hierarchy explained in Note 1L, the Foundation’s investments as of December 31, 2020.

	Market Value	Fair Value Hierarchy			At Cost
		Level 1	Level 2	Level 3	
Fixed income securities	\$ 266,301	\$ 266,301	\$ -	\$ -	\$ 325,000
Mutual funds	897,094	897,094	-	-	887,488
<b>Total Investments</b>	<b>\$ 1,163,395</b>	<b>\$ 1,163,395</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,212,488</b>

Additionally, net investment income for the six-month period ended December 31, 2020 was as follows:

Interest and dividends	\$ 10,378
Realized gain/(loss)	(77,843)
Unrealized gain/(loss)	146,194
Investment expenses	(2,075)
<b>Net Investment Income</b>	<b>\$ 76,654</b>

**ANAHEIM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**DECEMBER 31, 2020**

---

**NOTE 4 – NET ASSETS**

Net assets with donor restrictions as of December 31, 2020 are as follows:

	Balance		Balance	
	July 1, 2020	Sources	Uses	December 31, 2020
Community programs	\$ 172,102	\$ 54,086	\$ (3,872)	\$ 222,316
Cultural and performing arts	104,245	-	1,274	105,519
Nature programs	185,997	2,759	2,458	191,214
Senior programs	20,375	-	2,765	23,140
Social service programs	152,282	1,188,573	(1,065,471)	275,384
Youth programs	207,574	5,000	2,363	214,937
Other supporting programs	305,522	109,722	(27,756)	387,488
Miscellaneous	191,382	291,162	(208,295)	274,249
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 1,339,479</b>	<b>\$ 1,651,302</b>	<b>\$ (1,296,534)</b>	<b>\$ 1,694,247</b>

Net assets without donor restrictions as of December 31, 2020 are as follows:

General fund reserves	\$ 361,154
Undesignated	181,003
<b>Total Net Assets without Donor Restrictions</b>	<b>\$ 542,157</b>

**NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Foundation's financial assets as of December 31, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial assets	
Cash and cash equivalents	\$ 1,073,009
Investments, at cost	1,212,488
Total Financial Assets, excluding noncurrent	<u>\$ 2,285,497</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(1,694,247)
Board designations	<u>(361,154)</u>
<b>Financial Assets available to meet cash needs</b>	
<b>for expenditures within one year</b>	<b><u>\$ 230,096</u></b>

**ANAHEIM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**DECEMBER 31, 2020**

---

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Operating Lease**

On June 1, 2019, Anaheim Community Foundation entered into an operating lease, beginning June 1, 2019 and ending June 30, 2022. The facilities are located at 1725 South Douglass Road in Anaheim, California. The site is utilized by the Foundation for "The Anaheim Hive," a shared space for community-based organizations to meet, work and collaborate. Total lease payments made during the fiscal year ended December 31, 2020 were \$75,240. Future minimum lease payments are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Payments</u>
2021	\$ 150,480
2022	75,240
<b>Total</b>	<u>\$ 225,720</u>

**NOTE 7 – 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 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 six-month period ended December 31, 2020, the Foundation received \$8,974 in donated goods and materials.

**NOTE 8 – RELATED PARTY TRANSACTION**

As of December 31, 2020, Anaheim Community Foundation has received \$1,004,500 in contributions from the City of Anaheim.

**NOTE 9 – SUBSEQUENT EVENTS**

Anaheim Community Foundation has evaluated subsequent events for the period from December 31, 2020 through January 3, 2022, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.