



AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

A NONPROFIT PUBLIC BENEFIT CORPORATION

**ANAHEIM COMMUNITY FOUNDATION
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DECEMBER 31, 2021**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Anaheim Community Foundation (the "Foundation") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Anaheim Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate 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.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



San Diego, California
May 16, 2022

**ANAHEIM COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,757,808
Investments	<u>1,107,826</u>
Total Assets	<u>\$ 2,865,634</u>

LIABILITIES AND NET ASSETS

Liabilities	
Total liabilities	<u>\$ -</u>
Net assets	
Without donor restrictions	1,019,779
With donor restrictions	<u>1,845,855</u>
Total net assets	<u>2,865,634</u>
Total Liabilities and Net Assets	<u>\$ 2,865,634</u>

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

**ANAHEIM COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 527,542	\$ 1,057,552	1,585,094
In-kind donations	6,441	-	6,441
Investment income, net	126,767	-	126,767
Donor restrictions satisfied	814,203	(814,203)	-
Total Support and Revenues	<u>1,474,953</u>	<u>243,349</u>	<u>1,718,302</u>
EXPENSES			
Program services			
Grants and assistance	703,784	-	703,784
Facilities	164,880	-	164,880
Contract services	38,741	-	38,741
Management and general			
Personnel costs	168,423	-	168,423
Fees for service	3,560	-	3,560
Office expenses	7,942	-	7,942
Insurance	717	-	717
Miscellaneous	1,025	-	1,025
Total Expenses	<u>1,089,072</u>	<u>-</u>	<u>1,089,072</u>
CHANGE IN NET ASSETS	385,881	243,349	629,230
Net Assets - Beginning	<u>542,157</u>	<u>1,694,247</u>	<u>2,236,404</u>
Prior period reclassification	91,741	(91,741)	-
Net Assets - Beginning, as Reclassified	<u>633,898</u>	<u>1,602,506</u>	<u>2,236,404</u>
Net Assets - Ending	<u>\$ 1,019,779</u>	<u>\$ 1,845,855</u>	<u>\$ 2,865,634</u>

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

**ANAHEIM COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 629,230
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Unrealized (gain)/loss on investments	(102,744)
Net cash provided by (used in) operating activities	<u>526,486</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Securities sold and redeemed	206,852
Securities purchased	(120,065)
Income distributions	71,526
Net cash provided by (used in) investing activities	<u>158,313</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	684,799
Cash and cash equivalents - Beginning	<u>1,073,009</u>
Cash and cash equivalents - Ending	<u>\$ 1,757,808</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
DECEMBER 31, 2021**

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, 2021

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, 2021, 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, 2021

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 calendar year.

ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2021

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2021, consists of cash in banks of \$1,757,808 held in interest-bearing accounts.

As of December 31, 2021, \$1,554,279 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 currently has an investment policy which was adopted as of February 6, 2020.

NOTE 3 – INVESTMENTS

Investments as of December 31, 2021, consist of \$1,107,826 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, 2021.

	Market Value	Fair Value Hierarchy			At Cost
		Level 1	Level 2	Level 3	
Fixed income securities	\$ 127,323	\$ 127,323	\$ -	\$ -	\$ 100,000
Mutual funds	980,503	980,503	-	-	962,694
Total Investments	\$ 1,107,826	\$ 1,107,826	\$ -	\$ -	\$ 1,062,694

Additionally, net investment income for the year ended December 31, 2021 was as follows:

Interest and dividends	\$ 15,550
Realized gain/(loss)	13,901
Unrealized gain/(loss)	102,744
Investment expenses	(5,428)
Net Investment Income	\$ 126,767

ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2021

NOTE 4 – NET ASSETS

Net assets with donor restrictions as of December 31, 2021 are as follows:

	Balance		Restated Balance		Sources		Uses		Balance	
	January 1, 2021	Reclassification	January 1, 2021						December 31, 2021	
Community programs	\$ 222,316	\$ -	\$ 222,316	\$ 487,955	\$ (180,461)	\$ 529,810				
Cultural and performing arts	105,519	-	105,519	35,570	(574)	140,515				
Nature programs	191,214	-	191,214	5,944	(1,196)	195,962				
Senior programs	23,140	-	23,140	250	6,384	29,774				
Social service programs	275,384	-	275,384	262,139	(460,369)	77,154				
Youth programs	214,937	-	214,937	22,161	4,440	241,538				
Other supporting programs	387,488	-	387,488	177,211	(125,147)	439,552				
Miscellaneous	274,249	(91,741)	182,508	66,322	(57,280)	191,550				
Total Net Assets with Donor Restrictions	\$ 1,694,247	\$ (91,741)	\$ 1,602,506	\$ 1,057,552	\$ (814,203)	\$ 1,845,855				

Net assets without donor restrictions as of December 31, 2021 are as follows:

General fund reserves	\$ 413,377
Undesignated	606,402
Total Net Assets without Donor Restrictions	\$ 1,019,779

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Foundation’s financial assets as of December 31, 2021, 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	\$ 1,757,808
Investments, at cost	1,062,694
Total Financial Assets, excluding noncurrent	<u>\$ 2,820,502</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(1,845,855)
Board designations	<u>(413,377)</u>
Financial Assets available to meet cash needs for expenditures within one year	\$ 561,270

**ANAHEIM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2021**

NOTE 6 – COMMITMENTS AND CONTINGENCIES

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 year ended December 31, 2021 were \$150,480. Total future minimum lease payments are \$150,480 for the year ended December 31, 2022.

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 year ended December 31, 2021, the Foundation received \$6,441 in donated goods and materials.

NOTE 8 – RELATED PARTY TRANSACTION

During the year ended December 31, 2021, Anaheim Community Foundation has received \$143,350 in contributions from the City of Anaheim.

NOTE 9 – NET ASSETS RECLASSIFICATION

The beginning net assets has been reclassified in order to properly classify the prior year accounts for payroll, administration and rent and utilities of \$91,741 previously classified as restricted miscellaneous program accounts.

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning, as Previously Stated	\$ 542,157	\$ 1,694,247	\$ 2,236,404
Reclassification	91,741	(91,741)	-
Net Assets - Beginning, as Reclassified	<u>\$ 633,898</u>	<u>\$ 1,602,506</u>	<u>\$ 2,236,404</u>

NOTE 10 – SUBSEQUENT EVENTS

Anaheim Community Foundation has evaluated subsequent events for the period from December 31, 2021 through May 16, 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.