



City of Camarillo

Finance Department

MEMORANDUM

DATE: December 5, 2018

TO: Dave Norman, City Manager

FROM: Genie Rocha, Director of Finance *GR*

**SUBJECT: CAMARILLO RANCH FOUNDATION AUDIT REPORT –
FISCAL YEAR 2017/18**

The City contracts with Lance, Soll & Lunghard, CPAs (LSL) for the annual audit of the Camarillo Ranch Foundation (Foundation). LSL works directly with the Foundation staff to conduct the audit and provides the audit report to the City upon completion. FY 2017/18 Foundation Audit and Communication Letter are attached for your reference and audit highlights are summarized below:

- “Clean” opinion -“the financial statements present fairly, in all material respects, the financial position of Camarillo Ranch Foundation”
- Changes from prior fiscal year:
 - Operating cash decreased \$50k (43%) from \$115k to \$65k
 - Unrestricted net assets decreased \$48k (48%) from \$99k to \$51k
 - Unrestricted revenue increased \$57k (7%) from \$851k to \$908k
 - Unrestricted expenses increased \$33k (4%) from \$923k to \$956k

The Foundation is working with an Accounting Firm (Mitchell & Associates) in order to record all necessary year-end adjustments required under generally accepted accounting principles. There were no internal control deficiencies in FY 2017/18. Staff will continue to monitor the audited financial position of the Foundation on an annual basis.



November 20, 2018

To the Board of Directors
Camarillo Ranch Foundation
Camarillo, California

We have audited the financial statements of Camarillo Ranch Foundation, Inc. the ("Foundation") for the year ended June 30, 2018 and have issued our report thereon dated November 20, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 23, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.



To the Board of Directors
Camarillo Ranch Foundation
Camarillo, California

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of the Camarillo Ranch Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
November 20, 2018



CAMARILLO RANCH FOUNDATION, INC.

FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Focused
on YOU



CAMARILLO RANCH FOUNDATION, INC.
(A California Nonprofit Organization)

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FISCAL YEAR ENDED
JUNE 30, 2018

CAMARILLO RANCH FOUNDATION, INC.
(A California Nonprofit Organization)

Financial Statements
Fiscal Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Camarillo Ranch Foundation, Inc.
Camarillo, California

We have audited the accompanying financial statements of the Camarillo Ranch Foundation, Inc. (a nonprofit organization), 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.

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 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 nonprofit organization'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.



To the Board of Directors
Camarillo Ranch Foundation
Camarillo, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Camarillo Ranch Foundation, Inc. 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.

Lance, Soll & Luyhard, LLP

Brea, California
November 20, 2018

CAMARILLO RANCH FOUNDATION, INC.
(A California Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:	
Cash and cash equivalents:	
Operations	\$ 64,506
Total Current Assets	64,506
Investments:	
Investments - board-designated endowment	332,910
Total Investments	332,910
Property and equipment, net of accumulated depreciation of \$178,310	116,445
Total Assets	\$ 513,861

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 61,848
Deposits	36,939
Unearned revenue	364,090
Total Liabilities	462,877
Net Assets:	
Unrestricted	50,984
Total Net Assets	50,984
Total Liabilities and Net Assets	\$ 513,861

See accompanying notes to financial statements.

CAMARILLO RANCH FOUNDATION, INC.
(A California Nonprofit Organization)

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unrestricted	Total
Support and Revenues:		
Contributions	\$ 26,040	\$ 26,040
Program service revenue	689,733	689,733
Special events	108,266	108,266
Membership dues	32,348	32,348
Miscellaneous income	43,438	43,438
Investment income	7,752	7,752
Total Support and Revenues	907,577	907,577
Expenses:		
Program services	92,971	92,971
Management and general	855,382	855,382
Fundraising	7,354	7,354
Total Expenses	955,707	955,707
Net Assets Released from Restrictions	-	-
Changes in Net Assets	(48,130)	(48,130)
Net Assets - Beginning of Year	99,114	99,114
Net Assets - End of Year	\$ 50,984	\$ 50,984

See accompanying notes to financial statements.

CAMARILLO RANCH FOUNDATION, INC.
(A California Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 51,627	\$ 425,754	\$ -	\$ 477,381
Advertising and promotional	-	65,451	-	65,451
Maintenance and repairs	23,360	20,631	-	43,991
Supplies and small equipment	5,639	15,682	-	21,321
Utilities and communication services	5,606	46,228	-	51,834
Insurance	2,683	22,131	-	24,814
Professional services	-	70,897	-	70,897
Taxes - payroll and other	4,056	33,446	-	37,502
Depreciation	-	15,770	-	15,770
Bank charges	-	21,309	-	21,309
Meetings and travel	-	9,289	-	9,289
Other	-	108,794	7,354	116,148
Total Expenses	\$ 92,971	\$ 855,382	\$ 7,354	\$ 955,707

See accompanying notes to financial statements.

CAMARILLO RANCH FOUNDATION, INC.
(A California Nonprofit Organization)

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ (48,130)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	15,770
From operating activities:	
Increase (decrease) in accounts payable and other liabilities	52,910
Increase (decrease) in deposits payable	(228)
Increase (decrease) in unearned revenue	(50,478)
Net Cash Provided by Operating Activities	(30,156)
Cash Flows from Investing Activities	
Acquisition of fixed assets	(7,170)
Purchase of investments	(13,143)
Net Cash Used by Investing Activities	(20,313)
Net Change in Cash and Cash Equivalents	(50,469)
Cash and Cash Equivalents - Beginning of Year	114,975
Cash and Cash Equivalents - End of Year	\$ 64,506
Cash and Cash Equivalents as Shown on Statement of Financial Position Operations	\$ 64,506

See accompanying notes to financial statements.

CAMARILLO RANCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies

a. Nature of Operations

The Camarillo Ranch Foundation, Inc. (the "Foundation") was incorporated on August 26, 1998, in the State of California to restore and preserve the main house, farm and grounds of the original home of Adolfo Camarillo. The home is a historical site owned by the City of Camarillo. The Foundation provides the public with educational material regarding the history of the Camarillo family and the City of Camarillo. The Foundation functions as a membership organization and may receive government grants and public donations to accomplish the mission of the Foundation.

b. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Grant and program revenues earned, but not yet received, are recorded as receivables, and grant and program funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenses are recorded when the liability is incurred.

c. New Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)". ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Foundation is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958)". ASU 2016-14 requires improved presentation and disclosures to help not-for-profit entities provide more relevant information about their resources to donors, grantors, creditors, and other users. These improvements apply to qualitative and quantitative requirements in net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early application is permitted. The Foundation is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

d. Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - The unrestricted fund is the general operating fund of the Foundation. All receipts not temporarily or permanently restricted by donors are accounted for in this fund. Expenses of this fund include management and program expenses.

CAMARILLO RANCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets - The Foundation accounts for contributions of cash and other assets in the temporarily restricted fund if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at June 30, 2018.

Permanently Restricted Net Assets - The Foundation accounts for contributions of cash and other assets in the permanently restricted fund if they are received with donor-imposed restrictions that stipulate the principal and/or interest amounts be maintained permanently. There were no permanently restricted net assets at June 30, 2018.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash, bank deposits, money market mutual funds, and all other highly liquid investments with original maturities of three months or less.

f. Investments

Investments held by the Foundation at June 30, 2018, are stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses of marketable securities held as trading securities are computed based on specific identifications of recorded cost, as many have been previously adjusted to market value.

g. Pledges Receivable

Pledges receivable are unconditional promises to give (pledges) that are expected to be collected within one year and are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their future cash flows. Conditional promises to give are not included as revenue until the conditions are substantially met. The Foundation did not have any pledges receivable as of June 30, 2018.

h. Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by persons possessing those skills, and would typically need to be purchased if not donated.

CAMARILLO RANCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Membership dues are recorded when received. Since membership is voluntary, no receivable exists until a member renews the membership or a pledge of membership or donation is made.

The Foundation receives revenue through site rental of the facility and from people that tour the facility. These amounts are recognized as program service revenue in the accompanying statement of activities, in the fiscal year in which the event occurs. Each site rental has a refundable deposit that the Foundation records as a current liability in the statement of financial position until the site has been used for its intended rental.

A number of volunteers donate their time to help with fundraising and office duties. All volunteer services received by the Foundation did not meet the above criteria and therefore are not reflected in the accompanying financial statements.

i. Property and Equipment

Property and equipment are capitalized at historical cost or, if donated, at the fair market value at the date of donation. Depreciation of property and equipment is accounted for on the straight-line method for financial reporting purposes over the estimated useful lives of the assets, which range from 5 to 40 years. Items with an original cost of \$5,000 or greater and an estimated useful life of more than one year are capitalized. Depreciation expense for the fiscal year ended June 30, 2018, was \$15,770.

j. Income Tax Status

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code. The Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded, as management believes the Foundation did not have any unrelated trade or business income.

The Foundation's returns for tax years from 2015 to 2018 are open to review for federal tax purposes, and its returns for tax years from 2014 to 2018 are open to review for state income tax purposes.

k. Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes assessed by governmental authorities on revenue-producing transactions (i.e., sales and use taxes) are recorded on a net basis and have been excluded from revenues in the accompanying statement of activities.

l. Use of Property and Structures

The Foundation uses certain property and structures that are necessary for the Foundation to operate on a daily basis; however, such property and structures are owned by the City of Camarillo. No amounts have been reflected in the financial statements for the use of the City of Camarillo's property.

CAMARILLO RANCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

m. Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the fiscal year ended June 30, 2018, advertising and promotional costs totaled \$65,451.

n. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2018:

Petty Cash	\$	60
Demand Deposits		61,998
Money Market Mutual Funds		2,448
Total	\$	<u>64,506</u>

At June 30, 2018, the demand accounts are maintained at one bank. The balances in all accounts at this institution are insured by the Federal Deposit Insurance Corporation.

The money market mutual funds included in cash and cash equivalents are held in accounts insured by the Securities Investor Protection Corporation.

Note 3: Fair Value Measurements

The Foundation determines the fair market value of certain financial instruments based on a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date.

The three levels are defined as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

CAMARILLO RANCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018

Note 3: Fair Value Measurements (Continued)

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

Trading securities measured at fair value on a recurring basis comprise the following:

	Fair Value at June 30, 2018
Mutual Funds:	
Money Market	\$ 277
Diversified Investment Portfolio	332,633
Total	<u>\$ 332,910</u>

Fair Value was determined as follows:

	Level 1	Level 2	Level 3
Mutual Funds:			
Money Market	\$ 277	\$ -	\$ -
Diversified Investment Portfolio	332,633	-	-
Total	<u>\$ 332,910</u>	<u>\$ -</u>	<u>\$ -</u>

Generally, for all trading securities, and to the extent possible, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Realized and unrealized gains and losses, as well as interest and dividend income, are reported in the statement of activities as investment income.

Note 4: Property and Equipment

Changes in property and equipment for the fiscal year ended June 30, 2018, were as follows:

	Balance at July 1, 2017	Transfers	Additions	Deletions	Balance at June 30, 2018
Building Improvements	\$ 82,160	\$ (19,860)	\$ -	\$ -	\$ 62,300
Equipment	205,425	(19,117)	-	-	186,308
Leasehold Improvements	-	38,977	7,170	-	46,147
Total property and equipment	287,585	-	7,170	-	294,755
Less accumulated depreciation	(162,540)	-	(15,770)	-	(178,310)
Total property and equipment, net	<u>\$ 125,045</u>	<u>\$ -</u>	<u>\$ (8,600)</u>	<u>\$ -</u>	<u>\$ 116,445</u>

CAMARILLO RANCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018

Note 5: Related Parties

One of the Foundation's board members is also a vice president and manager of International Services at Rabobank N.A., where the Foundation maintains several accounts including an operating checking account.

Note 6: Commitments and Contingencies

As of June 30, 2018, there are no outstanding material commitments or contingencies.

Note 7: Unrestricted Net Assets

At June 30, 2018, unrestricted net assets consist of the following:

Board-designated:		
General endowment fund	\$	111,400
Undesignated		(60,416)
Total unrestricted net assets	\$	<u>50,984</u>

In January 2001, the Board of Directors established an Endowment Committee and designated \$10,000 to be established as an endowment fund. The base amount of the fund is intended to reach \$100,000, whereby only interest and dividends may be spent. Separate endowment fund categories were not established, and therefore, the amount represents a general endowment fund. The Board of Directors has not adopted a spending policy for this general endowment fund.

The general endowment fund is invested in mutual funds and a domestic equity security. A reconciliation of the general endowment fund is as follows:

Balances as of July 1, 2017	\$	107,367
Investment Return		
Net appreciation of investments		<u>4,033</u>
Balances as of June 30, 2018	\$	<u>111,400</u>

Note 8: Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of November 20, 2018, which is the date the financial statements were available to be issued.