

Financial Statements

June 30, 2020

Rancho Mirage

Writers Festival Foundation

Rancho Mirage Writers Festival Foundation

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## Independent Auditor's Report

Rancho Mirage Writers Festival Foundation Board  
Rancho Mirage, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Rancho Mirage Writers Festival Foundation (Foundation) 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 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.

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Foundation, as of June 30, 2020, and the respective changes in its 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*

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is 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 April 23, 2021, on our consideration of the Foundation’s internal control over financial reporting 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 Foundation’s internal control over financial reporting and compliance.



Riverside, California

April 23, 2021

Assets

Cash and investments

Interest receivable

Prepaid items

Total Assets

Total Liabilities

Fund Balance

Nonspendable

Unassigned

Net Position

Unrestricted

Liabilities and Fund Balance/Net Position

Total Fund Balance/Net Position

Liabilities

Total Liabilities and

Accounts payable

Fund Balance/Net Position

Unearned revenue

<u>512,000</u>	<u>-</u>	<u>512,000</u>
<u>524,802</u>	<u>-</u>	<u>524,802</u>
370,483	(370,483)	-
1,639,673	(1,639,673)	-
<u>-</u>	<u>2,010,156</u>	<u>2,010,156</u>
<u>2,010,156</u>	<u>-</u>	<u>-</u>
2,010,156		
<u><u>\$ 2,534,958</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,534,958</u></u>

See Notes to Financial Statements.

Statement of Net Position and General  
Fund Balance Sheet

June 30, 2020

General Fund Position	Statement of Adjustments	Net
<u>\$ 2,157,583</u>	<u>\$ -</u>	<u>\$ 2,157,583</u>
6,892	-	6,892
370,483	-	-
<u>-</u>	<u>-</u>	<u>370,483</u>
<u><u>\$ 2,534,958</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,534,958</u></u>
12,802	\$ -	\$ 12,802

**Rancho Mirage Writers Festival Foundation**  
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2020

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Operating grants and contributions			
Contributions	1,923,056	\$ -	\$ 1,923,056
Special events	779,105	-	779,105
General revenues			
Interest income	94,984	-	94,984
Miscellaneous income	25,000	-	25,000
Total Revenues	2,822,145	-	2,822,145
<b>Expenditures/Expenses</b>			
Current			
General government	528,677	-	528,677
Cultural and recreation	1,650,337	-	1,650,337
Total Expenditures	2,179,014	-	2,179,014
Net Change in Fund Balance	643,131	-	643,131
Fund Balance/Net Position, Beginning of Year	1,367,025	-	1,367,025
Fund Balance/Net Position, End of Year	\$ 2,010,156	\$ -	\$ 2,010,156



See Notes to Financial Statements.

**Note 1 - Nature of Organization and Significant Accounting Policies**

A. Organization

The Rancho Mirage Writers Festival Foundation (Foundation) was created on March 9, 2015 to organize an annual festival for writers and readers within the City of Rancho Mirage and to raise funds to accomplish that goal.

The Foundation receives contributions, sponsorships and collects registration fees to accomplish the mission of the foundation.

The Foundation is a related organization to the City of Rancho Mirage. The City performs all financial reporting functions of the Foundation.

B. Significant Accounting Policies

The following is a summary of the significant accounting policies of the Foundation:

**Financial Statement Presentation** –The financial statements include the accounts maintained by and directly under the control of the Foundation. 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 taxes, intergovernmental revenues and other nonexchange transactions.

**Cash and Cash Equivalents** – The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Concentration of Credit Risk** – Foundation cash is pooled with the City of Rancho Mirage investment portfolio.

**Prepaid Items** – Prepaid items include deposits the Foundation paid in the current year to various authors and speakers to secure subsequent services for the following year's Writers Festival event.

**Contributions** – Contributions are recognized at acquisition value when the Foundation receives funding from the donor. Contributions are reported as unrestricted, unless the funding is subject to donor-imposed stipulations.

**Net Position** – The Foundation's net position is classified as unrestricted. This category represents net position of the Foundation not restricted for any project or other purpose.

**Fund Balance** - Fund balance presented in the governmental fund financial statements represents the difference between assets and liabilities and is classified into the following categories based upon the type of constraints imposed on the use of funds:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for the specific purposes determined by board action by the entity's highest level of decision-making authority (Foundation Board).

**Assigned** – This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed. The Rancho Mirage Writers Festival Foundation Board retains the authority to assign fund balance for specific purposes.

**Unassigned** – This classification is the residual amount for the Foundation's General Fund and includes all spendable amounts not contained in the other classifications.

In the Foundation's financial statements, the General Fund reports nonspendable fund balance for amounts which are not available for expenditure and an unassigned fund balance.

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 balance, and finally unassigned fund balance. The Foundation applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Donated Goods and Services** – Donated goods and services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such goods and services. However, a number of volunteers have donated significant amounts of their time in the Foundation's program services.

**Income Taxes** - The Foundation is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. 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 2014 and forward may be audited by regulatory agencies; however, the Foundation is not aware of any such actions at this time.

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

**Management Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurements** –The Foundation determines the fair market values of certain financial instruments based on a fair value, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation used the market approach to determine fair value for all investment assets. The Foundation's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of the Foundation's investment in the City Investment Pool is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

**Unearned Revenue** – Amounts received in advance of revenue recognition requirements being met are classified as unearned revenue in the accompanying financial statements. These amounts will be recognized as revenue in the period the related event takes place.

## **Note 2 - Cash and Investments**

Investments are carried at market value. Accordingly, investment income includes both realized and unrealized gains and losses. For additional information on how the Foundation measures fair value, refer to Note 1 Significant Accounting Policies.

The Foundation is a voluntary participant in the cash and investment pool managed by the City of Rancho Mirage. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Rancho Mirage. This pool is not rated and is not registered with the Securities and Exchange Commission (SEC). The fair value of the Foundation's investment in this pool is reported in the accompanying financial statements at amounts based upon the Foundation's prorata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City. The amount that can be withdrawn is not subject to penalty or restrictions. As of June 30, 2020, the balance held was \$2,157,583.

## **Note 3 - Explanation of Adjustments Between the Balance Sheet and the Statement of Net Position and Between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities**

Based on the revenue and expense recognition differences between the modified accrual basis of accounting and the accrual basis of accounting, differences may arise between the balance sheet and the statement of net position and between the statement of revenues, expenditures and changes in fund balance and the statement of activities. As of June 30, 2020, classifications of fund balance and net position were reclassified in accordance with generally accepted accounting principles.