



Financial Statements  
June 30, 2022

Rancho Mirage  
Writers Festival Foundation

Rancho Mirage Writers Festival Foundation

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## **Independent Auditor's Report**

Rancho Mirage Writer's Festival Foundation Board  
Rancho Mirage, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and the general fund of the Rancho Mirage Writer's Festival Foundation (Foundation), a Component Unit of the City of Rancho Mirage, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Foundation, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the 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 opinions.

#### **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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS and *Government 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment 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 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 evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

### ***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 opinions on the basic financial statements are not affected by the missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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 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 Foundation's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 22, 2022

**Rancho Mirage Writers Festival Foundation**  
**Statement of Net Position and General Fund Balance Sheet**  
**June 30, 2022**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and investments	\$ 1,899,420	\$ -	\$ 1,899,420
Interest receivable	5,080	-	5,080
Prepaid items	391,450	-	391,450
Total assets	\$ 2,295,950	\$ -	\$ 2,295,950
<b>Liabilities and Fund Balance/Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 11,546	\$ -	\$ 11,546
Unearned revenue	522,000	-	522,000
Total liabilities	533,546	-	533,546
<b>Fund Balance</b>			
Nonspendable	391,450	(391,450)	-
Unassigned	1,370,954	(1,370,954)	-
<b>Net Position</b>			
Unrestricted	-	1,762,404	1,762,404
Total fund balance/net position	1,762,404	-	1,762,404
Total liabilities and fund balance/net position	\$ 2,295,950	\$ -	\$ 2,295,950

See Notes to Financial Statements.

**Rancho Mirage Writers Festival Foundation**  
**Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Operating grants and contributions			
Contributions	\$ 287,500	\$ -	\$ 287,500
General revenues			
Miscellaneous income	179	-	179
Interest income	36,320	-	36,320
Net change in fair value of investments	<u>(114,296)</u>	<u>-</u>	<u>(114,296)</u>
<b>Total revenues</b>	<u>209,703</u>	<u>-</u>	<u>209,703</u>
<b>Expenditures/Expenses</b>			
Current			
General government	333,312	-	333,312
Cultural and recreation	<u>154,530</u>	<u>-</u>	<u>154,530</u>
<b>Total expenditures/expenses</b>	<u>487,842</u>	<u>-</u>	<u>487,842</u>
Net Change in Fund Balance/Net Position	(278,139)	-	(278,139)
Fund Balance/Net Position, Beginning of Year	<u>2,040,543</u>	<u>-</u>	<u>2,040,543</u>
Fund Balance/Net Position, End of Year	<u>\$ 1,762,404</u>	<u>\$ -</u>	<u>\$ 1,762,404</u>

**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, California (City) 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. 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's 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.

**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. 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, 2022, the balance held was \$1,899,420.

**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/expenditure 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, 2022, classifications of fund balance and net position were reclassified in accordance with generally accepted accounting principles.