

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

**SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Santa Ana College Foundation
Santa Ana, California

We have audited the accompanying statement of financial position of Santa Ana College Foundation (a California nonprofit corporation) as of June 30, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Santa Ana College Foundation's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Ana College Foundation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of Santa Ana College Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 26, 2012

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 165,657
Cash and cash equivalents - restricted	413,768
Investments, at fair value - restricted	349,734
Accounts receivable	3,991
Prepaid expenditures	473
Total Current Assets	<u>933,623</u>

Noncurrent Assets

Investments, at fair value - unrestricted	237,095
Investments, at fair value - restricted	2,551,528
Property and equipment (net of accumulated depreciation)	27,000
Total Noncurrent Assets	<u>2,815,623</u>
Total Assets	<u><u>\$ 3,749,246</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	<u>\$ 12,461</u>
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NET ASSETS

Unrestricted	433,401
Temporarily restricted	3,303,384
Total Net Assets	<u>3,736,785</u>
Total Liabilities and Net Assets	<u><u>\$ 3,749,246</u></u>

See the accompanying notes to financial statements.

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 131,118	\$ 597,521	\$ 728,639
Donated facilities	17,150	-	17,150
Donated salaries	231,706	-	231,706
Administrative fee	28,158	-	28,158
Assets released from restrictions	678,723	(678,723)	-
Total Revenues	1,086,855	(81,202)	1,005,653
 EXPENSES			
Operating expenses	277,431	-	277,431
Program expenses	664,294	-	664,294
Fundraising expenses	134,687	-	134,687
Total Expenses	1,076,412	-	1,076,412
 OTHER INCOME (EXPENSE)			
Realized gain on sale of investments	3,142	5,640	8,782
Unrealized loss net	(9,302)	(37,528)	(46,830)
Interest and dividends	16,331	106,673	123,004
Miscellaneous income	13,621	-	13,621
Transfers	26,623	(26,623)	-
Total Other Income (Expense)	50,415	48,162	98,577
 CHANGE IN NET ASSETS	60,858	(33,040)	27,818
 NET ASSETS, BEGINNING OF YEAR	372,543	3,336,424	3,708,967
NET ASSETS, END OF YEAR	\$ 433,401	\$ 3,303,384	\$ 3,736,785

See the accompanying notes to financial statements.

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 27,818
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities	
Unrealized loss	46,830
Depreciation	3,549
Contributions restricted for long-term purposes	(597,521)
Changes in Assets and Liabilities	
Decrease in accounts receivable and prepaid accounts	6,007
Increase in accounts payable	2,804
Net Cash Flows From Operating Activities	<u>(510,513)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchase of investments	(182,173)
Net purchase of capital assets	<u>(29,945)</u>
Net Cash Flows From Investing Activities	<u>(212,118)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for long-term purposes	<u>597,521</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(125,110)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>290,767</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 165,657</u></u>

See the accompanying notes to financial statements.

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Operating</u>	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Donated salaries and benefits	\$ 139,024	\$ 46,341	\$ 46,341	\$ 231,706
Facilities	10,290	3,430	3,430	17,150
In-kind donations	-	-	13,621	13,621
Scholarship payments	-	373,475	-	373,475
Program expenses	-	100,847	-	100,847
Professional fees	17,423	31,237	-	48,660
Public relations	10,636	-	2,500	13,136
Equipment	3,654	-	2,825	6,479
Hospitality	6,293	6,038	27,168	39,499
Printing	10,568	-	15,585	26,153
Supplies	3,145	5,907	13,135	22,187
Administrative fee	28,158	-	-	28,158
Conferences and travel	6,176	9,740	-	15,916
Depreciation	3,549	-	-	3,549
General operating expenses	38,515	87,279	10,082	135,876
TOTAL EXPENSES	<u>\$ 277,431</u>	<u>\$ 664,294</u>	<u>\$ 134,687</u>	<u>\$ 1,076,412</u>

See the accompanying notes to financial statements.

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Santa Ana College Foundation (the Foundation) is a nonprofit organization founded in 1968 for the purpose of receiving contributions for the support and advancement of education on behalf of Santa Ana College. The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by, and directly under, the control of the Foundation.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows. As permitted by the statement, the Foundation does not use fund accounting.

The Foundation and the District are financial interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. The fair value of investments in partnerships and real estate held as investments is estimated using private valuations of the securities or properties held. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the District.

Use of 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 reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (A) (vi). 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 2009 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2012, the Foundation had cash balances of \$372,859 held in financial institutions in excess of Federal depository insurance coverage.

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

For equipment, the Foundation capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life of greater than one year. Depreciation for equipment and leasehold improvements is computed on a straight-line basis over an estimated useful life of three to five years.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

NOTE 2 - RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2012:

Scholarships	\$ 1,047,540
Student assistance	1,648,189
Title V endowment grant	607,655
Total Temporarily Restricted Net Assets	\$ 3,303,384

NOTE 3 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2012:

	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss)
Certificates of Deposit	\$ 518,484	\$ 518,484	\$ -
Equity Securities	631,381	660,864	29,483
Other Fixed Income	2,035,322	1,959,009	(76,313)
	\$ 3,185,187	\$ 3,138,357	\$ (46,830)

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2012:

Realized gains on investments	\$ 8,782
Unrealized loss on investments	(46,830)
Interest and dividends	123,004
Total Investment Income	<u>84,956</u>
Investment expenses	(19,786)
Total Investment Income, Net of Expenses	<u><u>\$ 65,170</u></u>

NOTE 4 - INVESTMENT SECURITIES

Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, 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 assets 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 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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2012. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2012.

ASSETS	Level 1	Level 2	Total
Certificates of Deposit	\$ 518,484	\$ -	\$ 518,484
Equity Securities	-	660,864	660,864
Other Fixed Income	-	1,959,009	1,959,009
Total	<u>\$ 518,484</u>	<u>\$ 2,619,873</u>	<u>\$ 3,138,357</u>

The following table presents changes in the Foundation's Level 1 and Level 2 investment assets measured at fair value on a recurring basis for the year ending June 30, 2012.

	Level 1	Level 2	Total
Balance, beginning of year	\$ 3,416,782	\$ -	\$ 3,416,782
Net realized gains	-	8,782	8,782
Net unrealized losses	-	(46,830)	(46,830)
Net investment sales	-	(240,377)	(240,377)
Transfers between levels	(2,898,298)	2,898,298	-
Balance, end of year	<u>\$ 518,484</u>	<u>\$ 2,619,873</u>	<u>\$ 3,138,357</u>

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2012:

Depreciable Assets	
Leasehold improvements	\$ 29,945
Furniture and equipment	4,436
	<u>34,381</u>
Accumulated depreciation	(7,381)
Total Depreciable Assets	<u>\$ 27,000</u>

Depreciation expense for the year ended June 30, 2012, was \$3,549.

**SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - TRANSFERS BETWEEN FUNDS

During the year ended June 30, 2012, management reviewed original donor instructions and determined that various donations in the amount of \$26,623 had been classified incorrectly, and transfers were made to properly move them to the correct fund.

NOTE 7 - ENDOWMENT GRANT

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended June 30, 2003. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received \$300,000 over a five-year period ending June 30, 2010, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50 percent of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

NOTE 8 - RELATED PARTY TRANSACTIONS

Santa Ana College

Santa Ana College donates administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District. Accordingly, the Foundation received \$231,706 from the District for salaries and benefits for the year ended June 30, 2012, which has been reflected in the financial statements as donated salaries. In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal year 2012 amounted to \$17,150, which has been reflected in the financial statements as donated facilities.

NOTE 9 - DONOR DESIGNATED ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2012, is as follows:

	Total Endowment Funds
Donor-restricted endowment funds	<u>\$ 607,655</u>

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Changes in endowment net assets as of June 30, 2012, are as follows:

	Total Net Endowment Funds
Endowment net assets, beginning of year	\$ 621,132
Investment income	21,262
Net appreciation (depreciation)	(21,855)
Transfers of investment to unrestricted	(6,650)
Amounts appropriated for expenditures	(6,234)
Endowment net assets, end of year	<u>\$ 607,655</u>

NOTE 10 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 26, 2012, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Santa Ana College Foundation
Santa Ana, California

We have audited the financial statements of Santa Ana College Foundation (a California nonprofit corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. 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.

Internal Control Over Financial Reporting

Management of Santa Ana College Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Santa Ana College Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Ana College Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Santa Ana College Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Ana College Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within Santa Ana College Foundation, Rancho Santiago Community College District Administration and Board of Trustees, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vournick, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 26, 2012