

SANTA ANA COLLEGE FOUNDATION
(A Component Unit of the
Rancho Santiago Community College District)

**Financial Statements and
Independent Auditors' Report
For the Fiscal Year Ended June 30, 2007
(With Comparative Totals for June 30, 2006)**

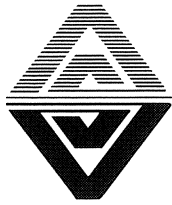


**SANTA ANA COLLEGE FOUNDATION
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2007
(With Comparative Totals for June 30, 2006)**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements.....	6-11



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Santa Ana College Foundation
Santa Ana, CA 92706

We have audited the accompanying statement of financial position of the Santa Ana College Foundation (A Component Unit of the Rancho Santiago Community College District) as of June 30, 2007, and the related statements of activities, functional expense, and cash flows for the year then ended. These financial statements are the responsibility of the Santa Ana College Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's financial statements and was audited by other auditors whose report dated October 30, 2006 expressed an unqualified opinion on those statements.

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 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 the Santa Ana College Foundation as of June 30, 2007, 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.

Vicenti, Lloyd & Stutzman, LLP

VICENTI, LLOYD & STUTZMAN LLP

October 31, 2007

**SANTA ANA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION**

**June 30, 2007
(with comparative totals as of June 30, 2006)**

ASSETS	2007	2006
Cash and cash equivalents	\$ 732,012	\$ 1,407,781
Accounts receivable		72,790
Investments, at fair value	<u>2,475,037</u>	<u>1,331,322</u>
 Total assets	 <u>\$ 3,207,049</u>	 <u>\$ 2,811,893</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	\$	\$ 7,753
Trust accounts liability		<u>67,671</u>
 Total current liabilities	 <u>-</u>	 <u>75,424</u>
 Net Assets		
Unrestricted	<u>228,284</u>	<u>248,394</u>
Temporarily restricted		
Scholarships	1,207,347	1,104,775
Programmatic support	1,237,614	1,122,410
Endowment grant	<u>533,804</u>	<u>260,890</u>
Total temporarily restricted	<u>2,978,765</u>	<u>2,488,075</u>
 Total net assets	 <u>3,207,049</u>	 <u>2,736,469</u>
 Total liabilities and net assets	 <u>\$ 3,207,049</u>	 <u>\$ 2,811,893</u>

The accompanying notes are an integral part of these financial statements.

**SANTA ANA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2007
(with comparative totals for the year ended June 30, 2006)**

	Unrestricted	Temporarily Restricted	Total	
			2007	2006
Support and revenue				
Support:				
Contributions	\$ 4,172	\$ 647,810	\$ 651,982	\$ 525,834
Contribution from affiliated foundation	51,198	10,538	61,736	52,789
Fundraising		119,961	119,961	79,649
Donated services	203,950		203,950	180,186
Donated facilities	4,710		4,710	5,532
	<u>264,030</u>	<u>778,309</u>	<u>1,042,339</u>	<u>843,990</u>
Revenue:				
Interest on bank	47,577	29,744	77,321	-
Interest and dividends on investments		39,590	39,590	52,194
Realized gain on investments	4,317	13,300	17,617	11,128
Unrealized gain on investments	23,054	23,045	46,099	6,367
	<u>74,948</u>	<u>105,679</u>	<u>180,627</u>	<u>69,689</u>
Total support and revenue before net assets released from restrictions	338,978	883,988	1,222,966	913,679
Net assets released from restrictions	<u>393,298</u>	<u>(393,298)</u>	<u>-</u>	<u>-</u>
Total support and revenue after net assets released from restrictions	<u>732,276</u>	<u>490,690</u>	<u>1,222,966</u>	<u>913,679</u>
Expenses				
Program services	399,326		399,326	310,958
Supporting services:				
Management and general	208,045		208,045	97,642
Fundraising	145,016		145,016	111,776
	<u>752,386</u>	<u>-</u>	<u>752,386</u>	<u>520,376</u>
Change in net assets	(20,110)	490,690	470,580	393,303
Net assets				
Beginning, July 1	248,394	2,488,075	2,736,469	2,343,166
Ending, June 30	<u>\$ 228,284</u>	<u>\$ 2,978,765</u>	<u>\$ 3,207,049</u>	<u>\$ 2,736,469</u>

The accompanying notes are an integral part of these financial statements.

**SANTA ANA COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES**

**For the Fiscal Year Ended June 30, 2007
(with comparative totals for the fiscal year ended June 30, 2006)**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2007</u>	<u>2006</u>
Salaries and benefits	\$ 42,830	\$ 71,383	\$ 89,738	\$ 203,950	\$ 180,185
Scholarship payments	329,930			329,930	240,100
Facilities	2,826	1,178	706	4,710	5,532
Professional fees	5,666	7,061	29,357	42,084	2,578
Program activities		9,064		9,064	16,243
Printing	1,051	5,736	1,474	8,261	1,425
Public relations		79,562		79,562	17,537
Supplies	2,790	11,355	21,756	35,901	17,342
Seminars and conferences	2,380	3,527		5,907	4,301
Dues and memberships		2,115		2,115	-
Equipment	7,572	1,888	692	10,152	-
General operating expenses	<u>4,281</u>	<u>15,176</u>	<u>1,293</u>	<u>20,750</u>	<u>35,133</u>
Total program and support expense	399,326	208,045	145,016	752,386	520,376
Investment expense	<u>13,976</u>			<u>13,976</u>	<u>-</u>
Total functional expense	\$ <u>413,302</u>	\$ <u>208,045</u>	\$ <u>145,016</u>	\$ <u>766,362</u>	\$ <u>520,376</u>

The accompanying notes are an integral part of these financial statements.

**SANTA ANA COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS**

**For the Fiscal Year Ended June 30, 2007
(with comparative totals for the fiscal year ended June 30, 2006)**

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 470,580	\$ 393,303
Adjustment to reconcile changes in net assets to net cash provided for operations		
Unrealized (gain) on investments	(46,099)	(6,367)
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	72,790	(72,790)
Increase/(decrease) in accounts payable	(7,753)	4,759
Increase/(decrease) in trust accounts	(67,671)	4,292
Net cash provided by operating activities	421,847	323,197
Cash flows from investing activities		
Reinvested interest and dividends	(39,590)	(52,194)
Purchase of investments	(2,182,910)	(202,858)
Proceeds on the sale of investments	1,124,884	49,141
Net cash used by investing activities	(1,097,616)	(205,911)
Net increase/(decrease) in cash and cash equivalents	(675,769)	117,286
Cash and cash equivalents, beginning of year	1,407,781	1,290,495
Cash and cash equivalents, end of year	\$ 732,012	\$ 1,407,781

The accompanying notes are an integral part of these financial statements.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

NOTE 1 – ORGANIZATION:

The Santa Ana College Foundation (the Foundation) is a nonprofit organization, organized in 1968 to assist in the achievement and maintenance of a superior program of public education and community participation with the Rancho Santiago Community College District (District) by receiving contributions from public, raising funds and making contributions to educational and community programs of Santa Ana College, and by developing, conducting and financing programs and projects designed to benefit the students enrolled in the educational and community programs of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Foundation is deemed a component unit of Rancho Santiago Community College District and has been included in the District's basic financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Donations, other than cash, or the equivalent of cash (stocks, bonds, etc.), are recorded at estimated fair value at the time of the donation.

Classification of Net Assets

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarships, endowment grant and other programmatic support.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Classification of Net Assets (continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. Earnings generated from the permanently restricted net assets are available for scholarships. The Foundation does not have any permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Recognition of Donor Restricted Contributions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds.

Investments

Investments are recorded at fair value based on quoted market values.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Donated Services and Facilities

The Foundation records the value of donated services and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the financial statements at fair market value. Donated services are recorded at fair value when a specialized skill is provided that would have otherwise been purchased or paid.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocations of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is a non-profit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

Summarized Financial Information of the Prior Year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2006, from which the summarized information was derived. Certain reclassifications have been made to the 2005-06 financial statements to conform to the 2006-07 financial statement presentation.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

NOTE 3 – SECURED DEPOSITS:

A. Deposits

Cash and cash equivalents are defined as all checking, money market, and certificate of deposit accounts insured by Federal Deposit Insurance Corporation with an original maturity of 90 days or less.

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of the \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2007, \$308,624 of the Foundation's bank balance of \$408,624 was exposed to an uninsured credit risk.

B. Investments

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$100,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values. As of June 30, 2007 the Foundation has investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2007 are as follows:

Cash investments	\$ 820,005
Long term investments	<u>1,655,032</u>
Total	<u>\$2,475,037</u>

NOTE 4 – INVESTMENTS:

Investments are recorded at cost at the date of acquisition or fair value at the date of the donation in the case of gifts. At June 30, fair value of the investments is determined, and if this amount is materially different from the carrying value (acquisition cost or gift valuation), the investments are adjusted to fair value. This adjustment is reflected in the statement of activities, and results in a change to net assets. The investments are reported at fair value in the Statement of Financial Position, with that determination made by aggregating all investments. At June 30, 2007, the aggregate cost of investments was less than the fair value.

SANTA ANA COLLEGE FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

NOTE 4 – INVESTMENTS: (continued)

Investments are presented in the financial statements at their aggregate fair value. The fair value of the marketable securities is based on quoted market values. Investments are comprised of money market funds, certificates of deposit and marketable securities. The cost and fair values at June 30, 2007 are as follows:

	Cost	Fair Value	Cumulative Net Gain/(Loss)
Money market	\$ 521,426	\$ 523,123	\$ 1,697
Certificate of deposit	296,881	296,881	-
Debt equity	725,004	724,412	(592)
Marketable equity	808,990	930,621	121,631
Total	\$ 2,352,301	\$ 2,475,037	\$ 122,736

Investment return for the year ending June 30, 2007 was as follows:

Investment income, net of expense of \$13,976	\$ 39,590
Net realized gains	17,617
Net unrealized gains	46,099
Total	\$103,306

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$393,298 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 6 – RELATED PARTIES:

The primary purpose of the Foundation is to assist in the institutional development and encourage community support to Santa Ana College. The Foundation receives gifts, property and funds to be used for the benefit of Santa Ana College, its programs, and any person or organization having an official relationship with the College.

SANTA ANA COLLEGE FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

NOTE 6 – RELATED PARTIES: (continued):

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, administrative secretary and accountant. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services and facilities for the fiscal year 2007 were \$203,950 and \$4,710 respectively and have been reflected in the financial statements as donated services and facilities.

During the current fiscal year, the Rancho Santiago Community College District Foundation contributed the partial proceeds from a special event in the amount of \$61,736 of which \$51,198 is to be used for scholarships and \$10,538 is to be used for textbooks. These amounts are reflected on the statement of activities as contribution from affiliated foundations.

NOTE 7 – ENDOWMENT GRANT:

The District provided the Foundation with an endowment grant which was awarded by the U.S. Department of Education in fiscal year ended June 30, 2003. This grant is a Title V, Hispanic Serving Institution Grant and the purpose is 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 \$261,935 through September 2006 by certifying matching funds of \$261,935 from acceptable resources was met. The Foundation contributed matching funds of \$100,300 in fiscal year 2007. The corpus of the endowment is to be invested over a period of twenty years and the Foundation may not spend more than fifty percent of the aggregate income earned for allowable expenditures. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

The cumulative earnings from inception of the grant are \$13,464. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2007, total cumulative expenditures from inception of the grant were \$1,320 leaving an available balance of \$12,144. For the fiscal year ended June 30, 2007, the Foundation incurred no expenditures.

At June 30, 2007, the fair value of cash equivalents and investments for the endowment grant is \$533,804.