

**RANCHO SANTIAGO COMMUNITY COLLEGE
DISTRICT FOUNDATION**
(A Component Unit of the
Rancho Santiago Community College District)

**Financial Statements and
Independent Auditors' Report
For the Fiscal Year Ended June 30, 2008
(With Comparative Totals as of June 30, 2007)**

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2008
(With Comparative Totals as of June 30, 2007)**

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
Rancho Santiago Community College District Foundation
Santa Ana, CA 92706

We have audited the accompanying statement of financial position of the Rancho Santiago Community College District Foundation (A Component Unit of the Rancho Santiago Community College District) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Rancho Santiago Community College District 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, in our report dated November 16, 2007 we expressed an unqualified opinion on those financial 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 Rancho Santiago Community College District Foundation as of June 30, 2008, 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

November 20, 2008

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2008

(with comparative totals as of June 30, 2007)

ASSETS	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 73,703	\$ 52,837
Accounts receivable		
Grants	148,602	113,779
Miscellaneous	1,798	9,447
Prepaid expenses	5,000	5,599
Investments, at fair value	<u>3,564,644</u>	<u>4,094,191</u>
 Total assets	 <u>\$ 3,793,747</u>	 <u>\$ 4,275,853</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 18,352	\$ 14,361
Due to District	181,175	113,379
Deferred revenue	<u>3,000</u>	<u>20,600</u>
 Total liabilities	 <u>202,527</u>	 <u>148,340</u>
Net Assets		
Unrestricted	<u>17,888</u>	<u>27,412</u>
Temporarily restricted		
Programmatic support	3,415	5,825
Endowment grant	<u>3,569,917</u>	<u>4,094,276</u>
Total temporarily restricted	<u>3,573,332</u>	<u>4,100,101</u>
 Total net assets	 <u>3,591,220</u>	 <u>4,127,513</u>
 Total liabilities and net assets	 <u>\$ 3,793,747</u>	 <u>\$ 4,275,853</u>

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008
 (with comparative totals for the year ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Total	
			2008	2007
Support and revenue				
Support:				
Contributions	\$ 11,690	\$ 2,600	\$ 14,290	\$ 150,189
Fundraising	208,076		208,076	201,169
Grant		308,514	308,514	113,779
Donated services	31,534		31,534	33,265
Total support	251,300	311,114	562,414	498,402
Revenue:				
Interest income from bank	998		998	1,025
Unrealized gain (loss) on investments	(339)		(339)	40
Other revenue	12,047		12,047	13,489
Total revenue	12,706	-	12,706	14,554
Total support and revenue before net assets released from restrictions	264,006	311,114	575,120	512,956
Net assets released from restrictions	348,674	(348,674)	-	-
Total support and revenue after net assets released from restrictions	612,680	(37,560)	575,120	512,956
Expenses				
Program services	521,035		521,035	474,521
Supporting services:				
Management and general	27,178		27,178	13,500
Fundraising	73,991		73,991	78,619
Total expenses	622,204	-	622,204	566,640
Support and revenue over (under) expenses before endowment grant revenue	(9,524)	(37,560)	(47,084)	(53,684)
Endowment Grant Revenue (See Note 7)				
Interest and dividend income from investments		46,522	46,522	42,216
Realized gain (loss) on investments		449,570	449,570	255,230
Unrealized gain (loss) on investments		(985,301)	(985,301)	282,187
Total endowment grant revenue	-	(489,209)	(489,209)	579,633
Change in net assets	(9,524)	(526,769)	(536,293)	525,949
Net assets				
Beginning, July 1	27,412	4,100,101	4,127,513	3,601,564
Ending, June 30	\$ 17,888	\$ 3,573,332	\$ 3,591,220	\$ 4,127,513

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2008

(with comparative totals for the fiscal year ended June 30, 2007)

	Program Services	Management & General	Fundraising	Total	
				2008	2007
Salaries and benefits	\$ 18,921	\$ 9,460	\$ 3,153	\$ 31,534	\$ 33,265
Payments to affiliated foundations	138,553			138,553	123,471
Scholarships	4,600			4,600	-
Facilities			54,584	54,584	41,646
Professional fees	211,131	7,430	3,365	221,926	15,733
Program activities	110,383			110,383	230,865
Public relations	33,150			33,150	93,185
Supplies and printing	3,434		11,024	14,458	15,838
General operating expenses	<u>863</u>	<u>10,288</u>	<u>1,865</u>	<u>13,016</u>	<u>12,637</u>
Total program and support expense	521,035	27,178	73,991	622,204	566,640
Investment expense	<u>57,518</u>			<u>57,518</u>	<u>54,348</u>
Total functional expense	<u>\$ 578,553</u>	<u>\$ 27,178</u>	<u>\$ 73,991</u>	<u>\$ 679,722</u>	<u>\$ 620,988</u>

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008
(with comparative totals for the fiscal year ended June 30, 2007)

	2008	2007
Cash flows from operating activities		
Contributions and fundraising	\$ 545,673	\$ 419,918
Payments to affiliated foundations	(138,553)	(123,471)
Payments to suppliers	(375,131)	(323,809)
Payments to/on-behalf of students	(4,600)	-
Net cash provided/(used) by operating activities	27,389	(27,362)
Cash flows from investing activities		
Purchase of investments	(3,142,804)	(500,982)
Proceeds on the sale of investments	3,136,281	488,767
Net cash used by investing activities	(6,523)	(12,215)
Net increase/(decrease) in cash and cash equivalents	20,866	(39,577)
Cash and cash equivalents, beginning of year	52,837	92,414
Cash and cash equivalents, end of year	\$ 73,703	\$ 52,837
Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ (536,293)	\$ 525,949
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Realized and unrealized (gain) loss on investments	536,070	(537,457)
Changes in assets and liabilities:		
(Increase)/decrease receivables	(27,174)	(122,549)
(Increase)/decrease prepaid expenses	599	(959)
Increase/(decrease) accounts payable	3,991	(22,246)
Increase/(decrease) deferred revenue	(17,600)	20,600
Increase/(decrease) due to District	67,796	113,379
Decrease in trust accounts	-	(4,079)
Net cash provided (used) by operating activities	\$ 27,389	\$ (27,362)

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2008

NOTE 1 – ORGANIZATION:

The Rancho Santiago Community College District Foundation (the Foundation) is a nonprofit organization, organized in 1998, which operates as an auxiliary organization of the Rancho Santiago Community College District. The primary functions of the foundation are community and institutional development and administration of the Endowment Challenge Grant.

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 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.

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. The Foundation had no permanently restricted net assets at June 30, 2008.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2008

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

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 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.

Investments

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

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.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008**

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

Fundraising

Gross fundraising revenue is reduced by expenses directly related to the fundraising events. All other expenses associated with fundraising are included in the statements of activities and functional expenses as fundraising costs.

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.

Cash Flow Statements of the Prior Year

Certain reclassifications have been made to the 2006-07 statement of cash flows to conform to the 2007-08 statement of cash flows presentation.

NOTE 3 – SECURED DEPOSITS:

A. **Deposits**

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, 2008, \$3,159 of the Foundation's bank balance of \$103,159 was exposed to an uninsured credit risk.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008**

NOTE 3 – SECURED DEPOSITS: (continued)

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, 2008 the Foundation has investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2008 are as follows:

Cash investments	\$2,941,781
Long term investments	<u>622,863</u>
Total	<u>\$3,564,644</u>

NOTE 4 – INVESTMENTS:

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, 2008 are as follows:

	Cost	Fair Value	Cumulative Net Gain/(Loss)
Money market	\$ 110,934	\$ 110,934	\$ -
Certificate of deposit	627,000	622,863	(4,137)
Marketable equity	<u>2,874,289</u>	<u>2,830,847</u>	<u>(43,442)</u>
Total	<u>\$ 3,612,223</u>	<u>\$ 3,564,644</u>	<u>\$ (47,579)</u>

Investment return for the year ending June 30, 2008 was as follows:

Investment income, net of expense of \$57,518	\$ 46,522
Net realized gains	449,570
Net unrealized gains	<u>(985,640)</u>
Total	<u>\$ (489,548)</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008**

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$348,674 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 6 – RELATED PARTIES:

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 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 for the fiscal year 2008 was \$31,534 and is reflected in the financial statements as donated services.

During the current fiscal year, the Foundation contributed partial proceeds from a special event in the amount of \$138,553 to Santa Ana College Foundation and Santiago Canyon College Foundation. Contributions are for scholarships and textbooks. This amount is reflected on statement of functional expenses as payments to affiliated foundations.

NOTE 7 – ENDOWMENT GRANT:

The Foundation received an Endowment Challenge Grant from the Department of Education in the amount of \$1,000,003 in fiscal year 1992. 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 \$3,299,354. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2008, total cumulative expenditures from inception of the grant were \$1,229,440 leaving an available balance of \$420,237. For the fiscal year ended June 30, 2008, the Foundation incurred allowable expenditures of \$92,668.

At June 30, 2008, the fair value of cash equivalents and investments for the endowment grant is \$3,569,917.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008**

NOTE 8 – GRANTS:

The Foundation has received several grants from federal and local sources. The Foundation has contracted with the District to administer the program. For the fiscal year 2007-08 the following was spent and has been included in program services expenses.

Women in Business	\$148,131
National Hispanic Business Women	90,383
Wells Fargo Bank	50,000
Kinder/Connect – Merage Foundation	<u>20,000</u>
Total	<u>\$308,514</u>