

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

**Financial Statements and
Independent Auditor's Report
For the Fiscal Year Ended June 30, 2011
(With Comparative Totals as of June 30, 2010)**

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

**For the Fiscal Year Ended June 30, 2011
(With Comparative Totals as of June 30, 2010)**

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INDEPENDENT AUDITOR'S 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, 2011, 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 10, 2010, 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, 2011, 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 29, 2011

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2011

(with comparative totals as of June 30, 2010)

ASSETS	2011	2010
Current assets		
Cash and cash equivalents	\$ 120,448	\$ 169,851
Accounts receivable		
Grants	63,030	29,571
Miscellaneous	870	595
Total current assets	<u>184,348</u>	<u>200,017</u>
Noncurrent assets		
Investments, at fair value	<u>3,113,067</u>	<u>2,577,234</u>
Total assets	<u>\$ 3,297,415</u>	<u>\$ 2,777,251</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$	\$ 5,286
Due to District	79,977	82,141
Deferred revenue	<u>28,000</u>	<u>35,396</u>
Total current liabilities	<u>107,977</u>	<u>122,823</u>
Net assets		
Unrestricted	<u>20,309</u>	<u>19,133</u>
Temporarily restricted		
Programmatic support	3,415	3,415
Endowment grant	<u>3,165,714</u>	<u>2,631,880</u>
Total temporarily restricted	<u>3,169,129</u>	<u>2,635,295</u>
Total net assets	<u>3,189,438</u>	<u>2,654,428</u>
Total liabilities and net assets	<u>\$ 3,297,415</u>	<u>\$ 2,777,251</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, 2011
(with comparative totals for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
Support and revenue				
Support:				
Contributions	\$ 500	\$	\$ 500	\$ 17,900
Fundraising			-	5,630
Projects and grants		155,422	155,422	99,096
Donated services	<u>32,937</u>		<u>32,937</u>	<u>32,189</u>
 Total support	 <u>33,437</u>	 <u>155,422</u>	 <u>188,859</u>	 <u>154,815</u>
 Revenue:				
Interest income from bank	97		97	96
Other revenue	<u>9,240</u>		<u>9,240</u>	<u>10,871</u>
 Total revenue	 <u>9,337</u>	 <u>-</u>	 <u>9,337</u>	 <u>10,967</u>
 Total support and revenue before net assets released from restrictions	 42,774	 155,422	 198,196	 165,782
 Net assets released from restrictions	 <u>157,422</u>	 <u>(157,422)</u>	 <u>-</u>	 <u>-</u>
 Total support and revenue after net assets released from restrictions	 <u>200,196</u>	 <u>(2,000)</u>	 <u>198,196</u>	 <u>165,782</u>
 Expenses				
Program services	180,478		180,478	511,581
Supporting services:				
Management and general	18,542		18,542	18,895
Fundraising				<u>221</u>
 Total expenses	 <u>199,020</u>	 <u>-</u>	 <u>199,020</u>	 <u>530,697</u>
Support and revenue over (under) expenses before endowment grant revenue	 <u>1,176</u>	 <u>(2,000)</u>	 <u>(824)</u>	 <u>(364,915)</u>
 Endowment Grant Revenue (See Note 8)				
Interest and dividend income from investments, net		32,248	32,248	70,157
Realized gain (loss) on investments		73,713	73,713	(48,075)
Unrealized gain on investments		<u>429,873</u>	<u>429,873</u>	<u>226,042</u>
 Total endowment grant revenue	 <u>-</u>	 <u>535,834</u>	 <u>535,834</u>	 <u>248,124</u>
 Change in net assets	 1,176	 533,834	 535,010	 (116,791)
 Net assets				
Beginning, July 1	<u>19,133</u>	<u>2,635,295</u>	<u>2,654,428</u>	<u>2,771,219</u>
Ending, June 30	<u>\$ 20,309</u>	<u>\$ 3,169,129</u>	<u>\$ 3,189,438</u>	<u>\$ 2,654,428</u>

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, 2011

(with comparative totals for the fiscal year ended June 30, 2010)

	Program Services	Management & General	Total	
			2011	2010
Salaries and benefits	\$ 23,056	\$ 9,881	\$ 32,937	\$ 32,189
Payments to affiliated foundations				
Scholarships	2,000		2,000	2,000
Projects and grants	155,422		155,422	99,096
Matching requirement for Women in Business grant			-	387,953
Professional fees		7,904	7,904	7,933
General operating expenses		757	757	1,526
Total program and support expense	180,478	18,542	199,020	530,697
Investment expense	38,208		38,208	35,724
Total functional expense	\$ 218,686	\$ 18,542	\$ 237,228	\$ 566,421

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, 2011

(with comparative totals for the fiscal year ended June 30, 2010)

	2011	2010
Cash flows from operating activities		
Contributions and fundraising	\$ 156,377	\$ 149,369
Payments to suppliers	(171,533)	(577,346)
Payments to/on-behalf of students	(2,000)	(2,000)
Net cash used by operating activities	(17,156)	(429,977)
Cash flows from investing activities		
Purchase of investments	(1,569,977)	(1,144,799)
Proceeds on the sale of investments	1,537,730	1,654,196
Net cash provided (used) by investing activities	(32,247)	509,397
Net increase (decrease) in cash and cash equivalents	(49,403)	79,420
Cash and cash equivalents, beginning of year	169,851	90,431
Cash and cash equivalents, end of year	\$ 120,448	\$ 169,851
Reconciliation of change in net assets to cash used by operating activities		
Change in net assets	\$ 535,010	\$ (116,791)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Realized and unrealized gain on investments	(503,586)	(177,967)
Changes in assets and liabilities:		
Increase receivables	(33,734)	(89,777)
Decrease accounts payable	(5,286)	(2,346)
Increase/(decrease) deferred revenue	(7,396)	35,396
Decrease due to District	(2,164)	(46,270)
Decrease due to affiliated foundations	(32,222)	(32,222)
Net cash used by operating activities	\$ (17,156)	\$ (429,977)

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, 2011

NOTE 1 – ORGANIZATION:

The Rancho Santiago Community College District Foundation (the Foundation) is a nonprofit organization established 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, 2011.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011**

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 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.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold.

Unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets.

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, 2011

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.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not (>50%) be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational return in the U.S. federal jurisdiction and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2006.

Subsequent Events

The Foundation has evaluated subsequent events through November 29, 2011, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

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 amount insured by the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At June 30, 2011, none of the Foundation's bank balance 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, 2011, the Foundation has investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2011 are as follows:

Cash investments	\$ 388,127
Long term investments	<u>2,724,940</u>
Total	<u>\$3,113,067</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, 2011 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market (Level 1)	\$ 64,083	\$ 64,083	\$ -
Certificate of deposit (Level 1)	324,044	321,000	3,044
Marketable equity (Level 1)	<u>2,724,940</u>	<u>2,395,374</u>	<u>329,566</u>
Total	<u>\$3,113,067</u>	<u>\$2,780,457</u>	<u>\$ 332,610</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 4 – INVESTMENTS: (continued)

Accounting standards require that levels 1 through 3 be assigned to the fair value measurement of investments. The fair value of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Investment return for the year ending June 30, 2011 was as follows:

Investment income, net of expense of \$38,208	\$ 32,248
Net realized gain	73,713
Net unrealized gain	<u>429,873</u>
Total	<u>\$535,834</u>

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$157,422 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 2011 was \$32,937 and is reflected in the financial statements as donated services.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011**

NOTE 7 – PROJECTS AND GRANTS:

The Foundation has received several projects and grants from federal and local sources. The Foundation has contracted with the District to administer the program. For the fiscal year 2010-11, the following was spent and has been included in program services expenses.

Women in Business Grant	\$ 145,958
Small Business Training Program	5,000
Union Bank Foundation Grant	
Kinder/Connect – Merge Foundation Grant	<u>4,464</u>
Total	<u>\$ 155,422</u>

NOTE 8 – ENDOWMENT GRANT:

The Foundation received an Endowment Challenge Grant from the Department of Education in the amount of \$1,000,002 in January 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 \$3,360,973. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2011, total cumulative expenditures from inception of the grant were \$1,695,261 leaving no available balance. For the fiscal year ended June 30, 2011, the Foundation incurred expenditures of \$40,208.

At June 30, 2011, the fair value of cash equivalents and investments for the endowment grant is \$3,165,714. Net asset balances required to be maintained until December 2011 had a \$(14,775) deficiency due to a prior year required match payment paid with endowment funds; although cumulative earnings were not available, management determined the match requirement was a legal obligation.