

SANTA ANA COLLEGE 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 for June 30, 2010)**



**SANTA ANA COLLEGE FOUNDATION
FINANCIAL STATEMENTS**

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

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INDEPENDENT AUDITOR'S 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, 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 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, in our report dated October 25, 2010, we 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, 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 30, 2011

SANTA ANA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2011
(with comparative totals as of June 30, 2010)

ASSETS	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 290,767	\$ 421,033
Accounts receivable	10,471	18,195
Investments, at fair value	<u>2,795,650</u>	<u>2,527,122</u>
Total current assets	<u>3,096,888</u>	<u>2,966,350</u>
Noncurrent assets		
Investments, at fair value	621,132	527,135
Property, plant and equipment:		
Fixed assets	4,436	4,436
Less accumulated depreciation	<u>(3,832)</u>	<u>(2,791)</u>
Net property, plant and equipment	<u>604</u>	<u>1,645</u>
Total noncurrent assets	<u>621,736</u>	<u>528,780</u>
Total assets	<u>\$ 3,718,624</u>	<u>\$ 3,495,130</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 9,657	\$ 20,884
Due to affiliated foundation	<u> </u>	<u>21,128</u>
Total current liabilities	<u>9,657</u>	<u>42,012</u>
Net assets		
Unrestricted	<u>372,543</u>	<u>312,985</u>
Temporarily restricted		
Scholarships	1,110,647	1,089,983
Programmatic support	1,604,645	1,523,015
Endowment grant	<u>621,132</u>	<u>527,135</u>
Total temporarily restricted	<u>3,336,424</u>	<u>3,140,133</u>
Total net assets	<u>3,708,967</u>	<u>3,453,118</u>
Total liabilities and net assets	<u>\$ 3,718,624</u>	<u>\$ 3,495,130</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, 2011

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

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
Support and revenue				
Support:				
Contributions	\$ 69,410	\$ 405,685	\$ 475,095	\$ 573,258
Fundraising	45,510	87,840	133,350	207,676
Administrative fee	19,579		19,579	
In kind donations	76,700		76,700	19,545
Donated services	221,638		221,638	211,295
Donated facilities	18,448		18,448	6,782
Total support	<u>451,285</u>	<u>493,525</u>	<u>944,810</u>	<u>1,018,556</u>
Revenue:				
Interest on bank	10,314		10,314	7,926
Interest and dividends on investments, net	3,219	90,118	93,337	49,556
Realized gain on investments	12,162	31,993	44,155	(33,420)
Unrealized gain (loss) on investments	<u>11,882</u>	<u>102,051</u>	<u>113,933</u>	<u>94,014</u>
Total revenue	<u>37,577</u>	<u>224,162</u>	<u>261,739</u>	<u>118,076</u>
Total support and revenue before net assets released from restrictions	488,862	717,687	1,206,549	1,136,632
Net assets released from restrictions	<u>521,396</u>	<u>(521,396)</u>	<u>-</u>	<u>-</u>
Total support and revenue after net assets released from restrictions	<u>1,010,258</u>	<u>196,291</u>	<u>1,206,549</u>	<u>1,136,632</u>
Expenses				
Program services	591,750		591,750	570,956
Supporting services:				
Management and general	121,384		121,384	116,319
Fundraising	<u>237,566</u>		<u>237,566</u>	<u>243,170</u>
Total expenses	<u>950,700</u>	<u>-</u>	<u>950,700</u>	<u>930,445</u>
Change in net assets	59,558	196,291	255,849	206,187
Net assets				
Beginning, July 1	<u>312,985</u>	<u>3,140,133</u>	<u>3,453,118</u>	<u>3,246,931</u>
Ending, June 30	<u>\$ 372,543</u>	<u>\$ 3,336,424</u>	<u>\$ 3,708,967</u>	<u>\$ 3,453,118</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, 2011

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

	Program Services	Management & General	Fundraising	Total	
				2011	2010
Donated salaries and benefits	\$ 46,544	\$ 77,573	\$ 97,521	\$ 221,638	\$ 211,295
Donated facilities	3,874	6,457	8,117	18,448	6,782
In kind donations	53,690		23,010	76,700	19,545
Payments to affiliated foundation				-	21,128
Scholarship payments	356,704			356,704	384,373
College support	6,117			6,117	27,474
Campus programs and grants	67,715			67,715	69,361
Professional fees	10,166	15,295	16,697	42,158	24,905
Public relations		146	14,644	14,790	11,528
Facility Rentals			23,288	23,288	17,385
Hospitality	1,593	1,761	9,145	12,499	38,129
Printing	125	3,034	4,551	7,710	11,897
Supplies	940	2,522	13,224	16,686	27,741
Administrative fee	19,579			19,579	
Conferences and travel	4,250	1,043	1,536	6,829	1,895
Depreciation		1,041		1,041	1,040
General operating expenses	20,453	12,512	25,833	58,798	55,967
Total program and support expense	591,750	121,384	237,566	950,700	930,445
Investment expense	18,067	1,658		19,725	17,821
Total functional expense	\$ 609,817	\$ 123,042	\$ 237,566	\$ 970,425	\$ 948,266

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, 2011

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

	2011	2010
Cash flows from operating activities		
Contributions and fundraising	\$ 616,169	\$ 770,524
Interest income	123,230	57,482
Payments to suppliers	(308,524)	(264,735)
Payments to/on-behalf of students	(356,704)	(384,373)
Net cash provided by operating activities	74,171	178,898
Cash flows from investing activities		
Purchase of investments	(1,175,941)	(2,923,107)
Proceeds on the sale of investments	971,504	2,499,854
Net cash used by investing activities	(204,437)	(423,253)
Net decrease in cash and cash equivalents	(130,266)	(244,355)
Cash and cash equivalents, beginning of year	421,033	665,388
Cash and cash equivalents, end of year	\$ 290,767	\$ 421,033
Reconciliation of cash provided by operating activities to Change in Net Assets		
Change in net assets	\$ 255,849	\$ 206,187
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized gain on investments	(158,088)	(60,594)
Depreciation expense	1,041	1,040
Changes in assets and liabilities:		
(Increase)/decrease receivables	7,724	(10,410)
Decrease due from affiliated foundation		16,111
Increase/(decrease) accounts payable	(11,227)	5,436
Increase/(decrease) in due to affiliated foundation	(21,128)	21,128
Net cash provided by operating activities	\$ 74,171	\$ 178,898

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, 2011

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 the 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, 2011

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

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.

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 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.

Fixed Asset

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 and estimated useful life of three to five years.

SANTA ANA COLLEGE 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.

Administrative Fee

The interest policy that the Foundation adopted covers administrative time as well as any fees associated with banking, investments management and other credit cards charges that the foundation incurs through transactions associated with these accounts.

Reclassifications

Certain reclassifications have been made to the 2009-10 statement of cash flows to conform to the 2010-11 statement of cash flows.

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.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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 30, 2011, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

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 maintains cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At June 30, 2011, \$180,768 of the Foundation's bank balance of \$680,768 was exposed to an uninsured credit risk.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

NOTE 3 – SECURED DEPOSITS: (continued)

B. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement

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

Cash investments	\$ 647,730
Long term investments	<u>2,769,052</u>
Total	<u><u>\$3,416,782</u></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, 2011, the aggregate cost of investments was more than the fair value.

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.

Cost and fair values at June 30, 2011 are as follows:

	Fair Value	Cost	Cumulative Net Gain/(Loss)
Money market (Level 1)	\$ 139,881	\$ 139,881	\$ -
Certificate of deposit (Level 1)	507,849	507,849	-
Marketable equity (Level 1)	657,191	581,693	75,498
Other fixed income (Level 1)	<u>2,111,861</u>	<u>2,098,103</u>	<u>13,758</u>
Total	<u><u>\$ 3,416,782</u></u>	<u><u>\$ 3,327,526</u></u>	<u><u>\$ 89,256</u></u>

SANTA ANA COLLEGE FOUNDATION

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

NOTE 4 – INVESTMENTS: (continued)

Accounting Standards require 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 \$19,725	\$ 93,337
Net realized gain	44,155
Net unrealized gain	<u>113,933</u>
Total	<u>\$ 251,425</u>

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$521,396 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 Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

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.

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 2011 were \$221,638 and \$18,448 respectively and have been reflected in the financial statements as donated services and facilities.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

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 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 earning from inception of the grant are \$103,516. 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 \$5,257 leaving an available balance of \$46,501. For the fiscal year ended June 30, 2011, the Foundation incurred no expenditures.

At June 30, 2011, the fair value of cash equivalents and investments for the endowment grant is \$621,132. Net asset balances are required to be maintained until 2023.