

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, 2010
(With Comparative Totals for June 30, 2009)**



**SANTA ANA COLLEGE FOUNDATION
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2010
(With Comparative Totals for June 30, 2009)**

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	6-12



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, 2010, 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 8, 2009, 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, 2010, 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 25, 2010

SANTA ANA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(with comparative totals as of June 30, 2009)

ASSETS	2010	2009
Current assets:		
Cash and cash equivalents	\$ 421,033	\$ 665,388
Accounts receivable	18,195	7,785
Due from affiliated foundation		16,111
Investments, at fair value	<u>2,527,122</u>	<u>2,073,743</u>
Total current assets	<u>2,966,350</u>	<u>2,763,027</u>
Noncurrent assets		
Investments, at fair value	<u>527,135</u>	<u>496,667</u>
Property, plant and equipment:		
Fixed assets	4,436	4,436
Less accumulated depreciation	<u>(2,791)</u>	<u>(1,751)</u>
Net property, plant and equipment	<u>1,645</u>	<u>2,685</u>
Total noncurrent assets	<u>528,780</u>	<u>499,352</u>
Total assets	<u>\$ 3,495,130</u>	<u>\$ 3,262,379</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	\$ 20,884	\$ 15,448
Due to affiliated foundation	<u>21,128</u>	<u> </u>
Total current liabilities	<u>42,012</u>	<u>15,448</u>
Net Assets		
Unrestricted	<u>312,985</u>	<u>295,615</u>
Temporarily restricted		
Scholarships	1,089,983	1,164,351
Programmatic support	1,523,015	1,290,297
Endowment grant	<u>527,135</u>	<u>496,668</u>
Total temporarily restricted	<u>3,140,133</u>	<u>2,951,316</u>
Total net assets	<u>3,453,118</u>	<u>3,246,931</u>
Total liabilities and net assets	<u>\$ 3,495,130</u>	<u>\$ 3,262,379</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, 2010

(with comparative totals for the year ended June 30, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
Support and revenue				
Support:				
Contributions	\$ 52,954	\$ 520,304	\$ 573,258	\$ 364,029
Contribution from affiliated foundation			-	38,193
Fundraising	54,865	152,811	207,676	137,176
In kind donations	19,545		19,545	8,264
Donated services	211,295		211,295	215,896
Donated facilities	<u>6,782</u>		<u>6,782</u>	<u>6,782</u>
 Total support	 <u>345,441</u>	 <u>673,115</u>	 <u>1,018,556</u>	 <u>770,340</u>
 Revenue:				
Interest on bank	7,705	221	7,926	19,853
Interest and dividends on investments	1,357	48,199	49,556	51,245
Realized loss on investments	(5,006)	(28,414)	(33,420)	(103,216)
Unrealized gain (loss) on investments	<u>11,140</u>	<u>82,874</u>	<u>94,014</u>	<u>(101,089)</u>
 Total revenue	 <u>15,196</u>	 <u>102,880</u>	 <u>118,076</u>	 <u>(133,207)</u>
 Total support and revenue before net assets released from restrictions	 360,637	 775,995	 1,136,632	 637,133
 Net assets released from restrictions	 <u>587,178</u>	 <u>(587,178)</u>	 <u>-</u>	 <u>-</u>
 Total support and revenue after net assets released from restrictions	 <u>947,815</u>	 <u>188,817</u>	 <u>1,136,632</u>	 <u>637,133</u>
 Expenses				
Program services	570,956		570,956	543,657
Supporting services:				
Management and general	116,319		116,319	122,040
Fundraising	<u>243,170</u>		<u>243,170</u>	<u>188,974</u>
 Total expenses	 <u>930,445</u>	 <u>-</u>	 <u>930,445</u>	 <u>854,671</u>
 Change in net assets	 17,370	 188,817	 206,187	 (217,538)
 Net assets				
Beginning, July 1	<u>295,615</u>	<u>2,951,316</u>	<u>3,246,931</u>	<u>3,464,469</u>
 Ending, June 30	 <u>\$ 312,985</u>	 <u>\$ 3,140,133</u>	 <u>\$ 3,453,118</u>	 <u>\$ 3,246,931</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, 2010

(with comparative totals for the fiscal year ended June 30, 2009)

	Program Services	Management & General	Fundraising	Total	
				2010	2009
Donated salaries and benefits	\$ 44,372	\$ 73,953	\$ 92,970	\$ 211,295	\$ 215,896
Donated facilities	1,424	2,374	2,984	6,782	6,782
In kind donations	13,815		5,730	19,545	8,264
Payments to affiliated foundation			21,128	21,128	-
Scholarship payments	384,373			384,373	426,481
College support	27,474			27,474	19,755
Campus programs and grants	69,361			69,361	5,759
Professional fees	2,125	9,734	13,046	24,905	17,443
Public relations		5,705	5,823	11,528	7,733
Facility Rentals			17,385	17,385	31,934
Hospitality	7,394	1,833	28,902	38,129	11,424
Printing	280	2,349	9,268	11,897	3,685
Supplies	6,757	1,200	19,784	27,741	22,400
Conferences and travel	360	215	1,320	1,895	2,267
Depreciation		1,040		1,040	1,751
General operating expenses	<u>13,221</u>	<u>17,916</u>	<u>24,830</u>	<u>55,967</u>	<u>73,097</u>
Total program and support expense	570,956	116,319	243,170	930,445	854,671
Investment expense	<u>17,001</u>	<u>820</u>		<u>17,821</u>	<u>17,784</u>
Total functional expense	\$ <u>587,957</u>	\$ <u>117,139</u>	\$ <u>243,170</u>	\$ <u>948,266</u>	\$ <u>872,455</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, 2010

(with comparative totals for the fiscal year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Contributions and fundraising	\$ 828,006	\$ 646,812
Payments to suppliers	(264,735)	(209,504)
Payments to/on-behalf of students	<u>(384,373)</u>	<u>(426,481)</u>
Net cash provided by operating activities	<u>178,898</u>	<u>10,827</u>
Cash flows from capital activities		
Purchase of capital assets	<u> </u>	<u>(1,480)</u>
Net cash used by capital activities	<u>-</u>	<u>(1,480)</u>
Cash flows from investing activities		
Purchase of investments	(2,923,107)	(286,266)
Proceeds on the sale of investments	<u>2,499,854</u>	<u>56,884</u>
Net cash used by investing activities	<u>(423,253)</u>	<u>(229,382)</u>
Net decrease in cash and cash equivalents	(244,355)	(220,035)
Cash and cash equivalents, beginning of year	<u>665,388</u>	<u>885,423</u>
Cash and cash equivalents, end of year	<u>\$ 421,033</u>	<u>\$ 665,388</u>
Reconciliation of cash provided by operating activities to Change in Net Assets		
Change in net assets	\$ 206,187	\$ (217,538)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized (gain)/loss on investments	(60,594)	204,305
Depreciation expense	1,040	1,751
Changes in assets and liabilities:		
(Increase)/decrease receivables	(10,410)	36,316
(Increase)/decrease due from affiliated foundation	16,111	(16,111)
Increase accounts payable	5,436	2,104
Increase in due to affiliated foundation	<u>21,128</u>	<u> </u>
Net cash provided by operating activities	<u>\$ 178,898</u>	<u>\$ 10,827</u>

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, 2010

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, 2010

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.

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 with an original maturity of 90 days or less.

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, 2010

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

Reclassifications

Certain reclassifications have been made to the 2008-09 statement of activities and statement of functional expense to conform to the 2009-10 statement of activities and statement of functional expense.

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.

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 2005.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

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 an estimated useful life of three to five years.

Subsequent Events

The Foundation has evaluated subsequent events through October 25, 2010, 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, 2010, \$195,164 of the Foundation's bank balance of \$448,140 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, 2010 the Foundation has investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2010 are as follows:

Cash investments	\$ 623,193
Long term investments	<u>2,431,064</u>
Total	<u>\$3,054,257</u>

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2010, 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, 2010 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market (Level 1)	\$ 289,935	\$ 289,935	\$ -
Certificate of deposit (Level 1)	333,258	333,258	-
Marketable equity (Level 1)	576,760	623,637	(46,877)
Debt equity (Level 1)	1,839,008	1,826,521	12,487
Other fixed income (Level 1)	<u>15,296</u>	<u>15,782</u>	<u>(486)</u>
Total	<u>\$ 3,054,257</u>	<u>\$ 3,089,133</u>	<u>\$ (34,876)</u>

Levels 1 through 3 have been 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.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 4 – INVESTMENTS:

Investment return for the year ending June 30, 2010 was as follows:

Investment income, net of expense of \$17,821	\$ 49,556
Net realized losses	(33,420)
Net unrealized gain	<u>94,014</u>
Total	\$ <u>110,150</u>

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$587,178 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 2010 were \$211,295 and \$6,782 respectively and have been reflected in the financial statements as donated services and facilities.

During the current fiscal year, the Foundation contributed partial proceeds from a special event in the amount of \$21,128 to Santiago Canyon College Foundation. Contributions are for student programs and services. This amount is reflected on statement of functional expenses as payments to affiliated foundation.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 \$9,520. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2010, total cumulative expenditures from inception of the grant were \$5,257 leaving no available balance. For the fiscal year ended June 30, 2010, the Foundation incurred no expenditures.

At June 30, 2010, the fair value of cash equivalents and investments for the endowment grant is \$527,135. Net asset balances required to be maintained until 2023 had a \$497 deficiency due to the market conditions.