



Financial Statements

June 30, 2019 (With Summarized Totals for 2018)

**Rancho Santiago Community College  
District Foundation  
(A California Nonprofit Corporation)**

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
(A California Nonprofit Corporation)**

**JUNE 30, 2019  
(WITH SUMMARIZED TOTALS FOR 2018)**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Rancho Santiago Community College District Foundation  
Santa Ana, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rancho Santiago Community College District Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rancho Santiago Community College District Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018, financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

The financial statements of the Foundation as of and for the year ended June 30, 2018, were audited by CliftonLarsonAllen LLP, whose report dated November 20, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 2, 2019

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
(A California Nonprofit Corporation)**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019  
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 699,679	\$ 257,742
Accounts receivable	44,328	4,510
Inventory	-	523
Total Current Assets	\$ 744,007	262,775
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 4,897	\$ 5,203
<b>NET ASSETS</b>		
Without donor restrictions	500,595	100,057
With donor restrictions	238,515	157,515
Total Net Assets	739,110	257,572
Total Liabilities and Net Assets	\$ 744,007	\$ 262,775

See the accompanying notes to financial statements.

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
(A California Nonprofit Corporation)**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES</b>				
Contributions	\$ 4,000	\$ 90,500	\$ 94,500	\$ 91,520
Contracted services	400,429	-	400,429	61,607
Donated salaries and benefits	18,921	-	18,921	29,443
Administrative fee	9,000	(9,000)	-	9,000
Assets released from restrictions	500	(500)	-	-
Total Revenues	<u>432,850</u>	<u>81,000</u>	<u>513,850</u>	<u>191,570</u>
<b>EXPENSES</b>				
Program services	7,239	-	7,239	16,500
Management and general	26,158	-	26,158	33,785
Total Expenses	<u>33,397</u>	<u>-</u>	<u>33,397</u>	<u>50,285</u>
<b>OTHER INCOME</b>				
Interest	1,085	-	1,085	40
<b>CHANGE IN NET ASSETS</b>	400,538	81,000	481,538	141,325
<b>NET ASSETS, BEGINNING OF YEAR</b>	100,057	157,515	257,572	116,247
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 500,595</u>	<u>\$ 238,515</u>	<u>\$ 739,110</u>	<u>\$ 257,572</u>

See the accompanying notes to financial statements.

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
(A California Nonprofit Corporation)**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 481,538	\$ 141,325
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Changes in Assets and Liabilities		
Accounts receivable	(39,818)	1,258
Inventory	523	-
Accounts payable	(306)	5,203
Net Cash Flows From Operating Activities	441,937	147,786
NET CHANGE IN CASH AND CASH EQUIVALENTS	441,937	147,786
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	257,742	109,956
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 699,679	\$ 257,742

See the accompanying notes to financial statements.

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
(A California Nonprofit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019			2018
	Program Services	Management and General	Total	Total
Donated salaries and benefits	\$ -	\$ 18,921	\$ 18,921	\$ 29,443
Foundation funded programs	-	-	-	7,000
Administrative expense	-	-	-	9,000
Sponsorships	5,750	-	5,750	-
Professional services	-	6,520	6,520	-
Bank/Credit card use fees	-	30	30	15
Other licenses and fees	-	80	80	10
Travel and conferences	-	-	-	416
Advertising and promotion	-	-	-	560
Contracted services	989	-	989	3,341
Awards	500	-	500	500
Supplies	-	607	607	-
TOTAL EXPENSES	<u>\$ 7,239</u>	<u>\$ 26,158</u>	<u>\$ 33,397</u>	<u>\$ 50,285</u>

See the accompanying notes to financial statements.



**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

***NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Organization and Nature of Activities**

Rancho Santiago Community College District Foundation (the Foundation) is a nonprofit organization founded in 1998 for the purpose of receiving contributions for the support and advancement of education on behalf of Rancho Santiago Community College District (the District). The primary purpose of the Foundation is to enhance the economic development of their region and to generate revenue to supplement the resources of the District and its two colleges, Santa Ana College and Santiago Canyon College.

**Financial Statement Presentation**

The Foundation and the District are financial interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

*Net Assets With Donor Restrictions* - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Revenue and Revenue Recognition**

The Foundation receives substantially all of its revenue from direct donations, pledges, corporate grants, and contracted services. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

**Comparative Financial Information**

Comparative financial information for the prior year has been presented as summarized totals, not by net asset restrictions, for additional analysis. Certain reclassifications may have been made to conform with the current year presentation.

**Donated Assets, Services, and Facilities**

The Foundation records the value of donated assets, services, and facilities when there is an objective basis available to measure their value. Donated services are recorded as contributions at the estimated fair value that the Foundation would have otherwise paid for the same service. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the District.

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Foundation is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal informational tax returns for the years ended June 30, 2016, 2017, and 2018, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2015, 2016, 2017, and 2018, are open to audit by State authorities.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken, or expected to be taken, on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in an interest bearing checking account. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2019, the Foundation had cash balances in financial institutions in excess of Federal depository insurance coverage in the amount of \$452,063.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision of bad debts. At June 30, 2019, management had determined all accounts receivable are fully collectible, and no allowance for bad debts has been established.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, there are no shared costs among the program and support services that require allocation.

**Administrative Fee**

Contributions with donor restrictions received by the Foundation are subject to a ten percent administrative fee of the value of the contributed asset. Revenues received from these related fees are used by the Foundation to further advancement efforts on behalf of the Rancho Santiago Community College District.

**Change in Accounting Principle**

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 changes the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Under this guidance, the Foundation is required to present two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the previously required three classes (unrestricted, temporarily restricted, and permanently restricted).

The Foundation has implemented the provisions of this ASU as of June 30, 2019, because management believes it approves the Foundation's financial reporting.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**New Accounting Pronouncements**

In February 2016, FASB issued ASU 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although the full impact of this Update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in the Update apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

**NOTE 2- LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprise of the following:

Cash and cash equivalents	<u>\$ 497,164</u>
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**Liquidity Management**

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances.

Additionally, on behalf of the Foundation, the District has implemented cash management procedures, that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 - RESTRICTIONS ON NET ASSET BALANCES**

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30:

	2019	2018
Various donor-restricted funds	<u>\$ 238,515</u>	<u>\$ 157,515</u>

**NOTE 4 - RELATED PARTY TRANSACTIONS**

During the year, District staff and administrators donate significant amounts of time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. As of June 30, 2019, the Foundation recognized \$18,921 in the financial statements as donated salaries and benefits. In addition, office space and other District services were provided by the District. The value of the donated space and donated indirect cost has not been determined and is not recognized in the financial statements.

**NOTE 5 - ADJUSTMENT RESULTING FROM CHANGE IN ACCOUNTING PRINCIPLE**

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of June 30, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018, net assets.

The effect on the Foundation's statement of activities as of June 30, 2018, is as follows:

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Net Assets, End of the Year			
Unrestricted	\$ 100,057	\$ (100,057)	\$ -
Temporarily restricted net assets	157,515	(157,515)	-
Net assets without donor restrictions	-	100,057	100,057
Net assets with donor restrictions	-	157,515	157,515

**NOTE 6 - SUBSEQUENT EVENTS**

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2019 through December 2, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.