

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, 2008
(With Comparative Totals for June 30, 2007)**



**SANTA ANA COLLEGE FOUNDATION
FINANCIAL STATEMENTS**

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

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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, 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 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 31, 2007 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, 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 6, 2008

SANTA ANA COLLEGE 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	\$ 885,423	\$ 732,012
Accounts receivable	44,101	
Investments, at fair value	<u>2,547,120</u>	<u>2,475,037</u>
	<u>3,476,644</u>	<u>3,207,049</u>
Property, plant and equipment:		
Fixed assets	2,956	1,787
Less accumulated depreciation	<u>(1,787)</u>	<u>(1,787)</u>
	<u>1,169</u>	<u>-</u>
 Total assets	 <u>\$ 3,477,813</u>	 <u>\$ 3,207,049</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	\$ <u>13,344</u>	\$ <u>-</u>
 Total current liabilities	 <u>13,344</u>	 <u>-</u>
 Net Assets		
Unrestricted	<u>281,074</u>	<u>228,284</u>
Temporarily restricted		
Scholarships	1,396,512	1,207,347
Programmatic support	1,259,613	1,237,614
Endowment grant	<u>527,270</u>	<u>533,804</u>
Total temporarily restricted	<u>3,183,395</u>	<u>2,978,765</u>
 Total net assets	 <u>3,464,469</u>	 <u>3,207,049</u>
 Total liabilities and net assets	 <u>\$ 3,477,813</u>	 <u>\$ 3,207,049</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, 2008

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

	Unrestricted	Temporarily Restricted	Total	
			2008	2007
Support and revenue				
Support:				
Contributions	\$ 27,584	\$ 560,402	\$ 587,986	\$ 651,982
Contribution from affiliated foundation		69,277	69,277	61,736
Fundraising	49,308	88,400	137,708	119,961
Donated services	191,899		191,899	203,950
Donated facilities	6,782		6,782	4,710
	<u>275,573</u>	<u>718,079</u>	<u>993,652</u>	<u>1,042,339</u>
Total support				
Revenue:				
Interest on bank	15,599	14,813	30,412	77,321
Interest and dividends on investments	7,671	120,121	127,792	39,590
Realized gain on investments	6,706	30,699	37,405	17,617
Unrealized gain (loss) on investments	(25,380)	(170,181)	(195,561)	46,099
	<u>4,596</u>	<u>(4,548)</u>	<u>48</u>	<u>180,627</u>
Total revenue				
Total support and revenue before net assets released from restrictions	280,169	713,531	993,700	1,222,966
Net assets released from restrictions	<u>478,527</u>	<u>(478,527)</u>	<u>-</u>	<u>-</u>
Total support and revenue after net assets released from restrictions				
	<u>758,696</u>	<u>235,004</u>	<u>993,700</u>	<u>1,222,966</u>
Expenses				
Program services	453,404		453,404	399,326
Supporting services:				
Management and general	128,612		128,612	208,044
Fundraising	154,264		154,264	145,016
	<u>736,280</u>	<u>-</u>	<u>736,280</u>	<u>752,386</u>
Total expenses				
Change in net assets	<u>22,416</u>	<u>235,004</u>	<u>257,420</u>	<u>470,580</u>
Net assets				
Beginning, July 1 - as previous stated	228,284	2,978,765	3,207,049	2,736,469
Reclassified (see note 6)	30,374	(30,374)	-	-
Beginning, July 1 - as reclassified	<u>258,658</u>	<u>2,948,391</u>	<u>3,207,049</u>	<u>2,736,469</u>
Ending, June 30	<u>\$ 281,074</u>	<u>\$ 3,183,395</u>	<u>\$ 3,464,469</u>	<u>\$ 3,207,049</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, 2008

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

	Program Services	Management & General	Fundraising	Total	
				2008	2007
Salaries and benefits	\$ 40,299	\$ 67,165	\$ 84,435	\$ 191,899	\$ 203,950
Scholarship payments	381,271			381,271	329,930
Facilities	1,424	2,375	2,983	6,782	4,710
Professional fees	400	18,972	23,040	42,412	42,084
Program activities		5,542		5,542	9,064
Printing	63	3,838	2,441	6,342	8,261
Public relations	815	4,747	10,900	16,462	79,562
Supplies	7,497	5,106	11,810	24,413	35,901
Seminars and conferences		806		806	5,907
Conferences and travel			1,915	1,915	2,115
Equipment	7,981	1,946		9,927	10,152
General operating expenses	13,654	18,115	16,740	48,509	20,750
Total program and support expense	453,404	128,612	154,264	736,280	752,386
Investment expense	17,562	2,181		19,743	13,976
Total functional expense	\$ 470,966	\$ 130,793	\$ 154,264	\$ 756,023	\$ 766,362

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, 2008

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

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Contribution and fundraising	\$ 909,074	\$ 1,023,380
Payments to suppliers	(142,984)	(221,549)
Payments to trust accounts	-	(67,671)
Payments to/on-behalf of students	<u>(381,271)</u>	<u>(329,930)</u>
Net cash provided by operating activities	<u>384,819</u>	<u>404,230</u>
Cash flows from capital activities		
Purchased of capital assets	<u>(1,169)</u>	<u> </u>
Net cash used by capital activities	<u>(1,169)</u>	<u>-</u>
Cash flows from investing activities		
Purchase of investments	(339,200)	(2,182,910)
Proceeds on the sale of investments	<u>108,961</u>	<u>1,102,911</u>
Net cash used by investing activities	<u>(230,239)</u>	<u>(1,079,999)</u>
Net increase/(decrease) in cash and cash equivalents	153,411	(675,769)
Cash and cash equivalents, beginning of year	<u>732,012</u>	<u>1,407,781</u>
Cash and cash equivalents, end of year	<u>\$ 885,423</u>	<u>\$ 732,012</u>
Reconciliation of cash provided by operating activities to Change in Net Assets		
Change in net assets	\$ 257,420	\$ 470,580
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Realized and unrealized (gain) loss on investments	158,156	(63,716)
Changes in assets and liabilities:		
(Increase)/decrease receivables	(44,101)	72,790
Increase/(decrease) accounts payable	13,344	(7,753)
Increase/(decrease) trust account liabilities	<u> </u>	<u>(67,671)</u>
Net cash provided by operating activities	<u>\$ 384,819</u>	<u>\$ 404,230</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, 2008

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, 2008

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 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 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, 2008

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

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.

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.

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.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

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, \$767,230 of the Foundation's bank balance of \$967,230 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, 2008 the Foundation has investments in excess of the SIPC insurance amount.

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

Cash investments	\$ 774,961
Long term investments	<u>1,772,159</u>
Total	<u>\$2,547,120</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, 2008, the aggregate cost of investments was more than the fair value.

SANTA ANA COLLEGE FOUNDATION

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

NOTE 4 – INVESTMENTS: (continued)

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, 2008 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market	\$ 320,531	\$ 322,039	\$ 1,508
Certificate of deposit	307,341	307,341	-
Marketable equity	743,683	716,623	(27,060)
Debt equity	<u>1,217,715</u>	<u>1,201,117</u>	<u>(16,598)</u>
Total	<u>\$ 2,589,270</u>	<u>\$ 2,547,120</u>	<u>\$ (42,150)</u>

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

Investment income, net of expense of \$19,743	\$ 127,792
Net realized gains	37,405
Net unrealized losses	<u>(195,561)</u>
Total	<u>\$ (30,364)</u>

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$478,527 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 6 – RECLASSIFICATION:

The classification of net assets in the amount of \$30,374, for the special event “Pageant of the Trees”, has been reclassified from temporary restricted net assets to unrestricted net assets. The proceeds of the event are to benefit student programs and services, which is more accurately classified as unrestricted.

SANTA ANA COLLEGE FOUNDATION

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

NOTE 7 – RELATED PARTIES:

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 2008 were \$191,899 and \$6,782 respectively and have been reflected in the financial statements as donated services and facilities.

During the current fiscal year, the Rancho Santiago Community College District Foundation contributed the partial proceeds from a special event in the amount of \$69,277 of which \$58,289 is to be used for scholarships and \$10,988 is to be used for textbooks. These amounts are reflected on the statement of activities as contribution from affiliated foundation.

NOTE 8 – 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 earnings from inception of the grant are \$16,061. 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 \$5,257 leaving an available balance of \$2,774. For the fiscal year ended June 30, 2008, the Foundation incurred expenditures of \$3,937.

At June 30, 2008, the fair value of cash equivalents and investments for the endowment grant is \$528,482.