

SANTIAGO CANYON 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)**

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**SANTIAGO CANYON 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
Santiago Canyon College Foundation
Orange, CA 92869

We have audited the accompanying statement of financial position of the Santiago Canyon 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 Santiago Canyon 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 June 30, 2007 financial statements and, in our report dated November 13, 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 Santiago Canyon 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

October 3, 2008

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2008

(with comparative totals as of June 30, 2007)

ASSETS	2008	2007
Cash and cash equivalents	\$ 409,493	\$ 325,758
Accounts receivable	536	1,458
Investments, at fair value	<u>500,964</u>	<u>559,813</u>
Total assets	<u>\$ 910,993</u>	<u>\$ 887,029</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 12,787	\$ 50
Due to organizations	<u> </u>	<u>9,800</u>
Total liabilities	<u>12,787</u>	<u>9,850</u>
Net Assets		
Unrestricted		
Undesignated	331,395	386,867
Designated	<u>9,000</u>	<u> </u>
Total unrestricted	<u>340,395</u>	<u>386,867</u>
Temporarily restricted		
Scholarships	417,401	357,891
Programmatic support	140,410	123,421
Other	<u> </u>	<u>9,000</u>
Total temporarily restricted	<u>557,811</u>	<u>490,312</u>
Total net assets	<u>898,206</u>	<u>877,179</u>
Total liabilities and net assets	<u>\$ 910,993</u>	<u>\$ 887,029</u>

The accompanying notes are an integral part of these financial statements.

SANTIAGO CANYON 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	\$ 21,145	\$ 141,782	\$ 162,927	\$ 119,206
Contribution from affiliated foundation		69,277	69,277	61,736
Fundraising		51,754	51,754	49,645
Donated services	255,965		255,965	216,556
Donated facilities	7,950		7,950	7,950
 Total support	 285,060	 262,813	 547,873	 455,093
 Revenue:				
Interest from banks	5,892		5,892	7,975
Interest and dividends from investments		17,075	17,075	16,797
Unrealized gain (loss) on investments	(44,070)	(36,057)	(80,127)	41,922
Realized gain on investments	13,832		13,832	7,876
 Total revenue	 (24,346)	 (18,982)	 (43,328)	 74,570
 Total support and revenue before net assets released from restrictions	 260,714	 243,831	 504,545	 529,663
 Net assets released from restrictions	 176,332	 (176,332)	 -	 -
 Total support and revenue after net assets released from restrictions	 437,046	 67,499	 504,545	 529,663
 Expenses				
Program services	318,956		318,956	284,363
Supporting services:				
Management and general	98,131		98,131	75,042
Fundraising	66,431		66,431	99,872
 Total expenses	 483,518	 -	 483,518	 459,277
 Change in net assets	 (46,472)	 67,499	 21,027	 70,386
 Net assets				
Beginning, July 1	386,867	490,312	877,179	806,793
Ending, June 30	\$ 340,395	\$ 557,811	\$ 898,206	\$ 877,179

The accompanying notes are an integral part of these financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2008

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

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Salaries and benefits	\$ 153,579	\$ 76,789	\$ 25,597	\$ 255,965	\$ 216,556
Scholarship payments	117,528			117,528	109,262
Facilities	4,770	2,385	795	7,950	9,450
Professional fees	4,310	216	25,446	29,972	33,599
Program activities	7,750			7,750	10,067
Public relations	2,773	5,265		8,038	33,590
Supplies and printing	23,281	2,875	6,513	32,669	27,565
Seminars and conferences	1,359	2,414		3,773	3,412
Dues and memberships	100	612		712	5,778
Hospitality	3,450	59		3,509	3,383
General operating expenses	<u>56</u>	<u>7,516</u>	<u>8,080</u>	<u>15,652</u>	<u>6,615</u>
Total program and support expense	318,956	98,131	66,431	483,518	459,277
Investment expense	<u>5,226</u>	<u>6,274</u>		<u>11,500</u>	<u>9,406</u>
Total functional expense	\$ 324,182	\$ 104,405	\$ 66,431	\$ 495,018	\$ 468,683

The accompanying notes are an integral part of these financial statements.

**SANTIAGO CANYON 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)**

	2008	2007
Cash flows from operating activities		
Contributions and fundraising	\$ 284,880	\$ 230,587
Interest income	22,967	24,772
Payments to suppliers	(99,138)	(137,251)
Payments to/on-behalf of students	(117,528)	(109,262)
Net cash provided by operating activities	91,181	8,846
Cash flows from investing activities		
Reinvested interest and dividends	(17,075)	(16,797)
Purchase of investments	(45,574)	(17,080)
Proceeds on the sale of investments	55,203	17,561
Net cash used by investing activities	(7,446)	(16,316)
Net increase/(decrease) in cash and cash equivalents	83,735	(7,470)
Cash and cash equivalents, beginning of year	325,758	333,228
Cash and cash equivalents, end of year	\$ 409,493	\$ 325,758
Cash provided (used) by operating activities		
Change in Net Assets	\$ 21,027	\$ 70,386
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Realized and Unrealized net (gain)/ loss on investments	66,295	(49,798)
Changes in assets and liabilities:		
Decrease receivables	922	289
Increase/(decrease) accounts payable	12,737	(4,880)
(Decrease) due to District	(9,800)	(7,151)
Net cash provided by operating activities	\$ 91,181	\$ 8,846

The accompanying notes are an integral part of these financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2008

NOTE 1 – ORGANIZATION:

The Santiago Canyon College Foundation (the Foundation) is a nonprofit organization, organized in July 1998 which operates as an auxiliary organization of the Rancho Santiago Community College District (District). The primary functions of the Foundation are to enhance and augment the mission of Santiago Canyon College (SCC). Its purpose is to seek, receive, and secure donations and gifts to assist the college in meeting its short and long-range goals and objectives.

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. An amount of \$9,000 has been designated by the board as a good faith effort toward future self sufficiency.

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.

SANTIAGO CANYON 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. The Foundation has no permanently restricted net assets as of June 30, 2008.

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 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.

SANTIAGO CANYON 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.

SANTIAGO CANYON 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, \$259,341 of the Foundation's bank balance of \$388,319 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	\$ 71,408
Long term investments	<u>429,556</u>
Total	<u>\$500,964</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 less than the fair value.

SANTIAGO CANYON 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. The cost and fair values at June 30, 2008 are as follows:

	Cost	Fair Value	Cumulative Net Gain/(Loss)
Money market	\$ 71,408	\$ 71,408	\$ -
Mutual funds	8,282	26,493	18,211
Marketable securities:			
Equity	341,894	341,498	(396)
Debt	64,454	61,565	(2,889)
Total	\$ 486,038	\$ 500,964	\$ 14,927

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

Investment income, net of expense of \$11,500	\$ 17,075
Net unrealized loss	(80,127)
Net realized gains	13,832
Total	\$ (49,220)

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$176,332 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2008

NOTE 6 – RELATED PARTIES:

The primary purpose of the Foundation is to assist in the institutional development and encourage community support to Santiago Canyon College. The Foundation receives gifts, property and funds to be used for the benefit of Santiago Canyon 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 director, administrative secretary, administrative scholarship assistant, 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 \$255,965 and \$7,950, 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 foundations.