

**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, 2009  
(With Comparative Totals for June 30, 2008)**



**SANTA ANA COLLEGE FOUNDATION  
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2009  
(With Comparative Totals for June 30, 2008)**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
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, 2009, 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 November 6, 2008 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, 2009, 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 8, 2009

**SANTA ANA COLLEGE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2009**  
**(with comparative totals as of June 30, 2008)**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
Current assets:		
Cash and cash equivalents	\$ 665,388	\$ 885,423
Accounts receivable	7,785	44,101
Due from District Foundation	16,111	-
Investments, at fair value	<u>2,073,743</u>	<u>2,018,638</u>
Total current assets	<u>2,763,027</u>	<u>2,948,162</u>
Noncurrent assets		
Investments, at fair value	<u>496,667</u>	<u>528,482</u>
Property, plant and equipment:		
Fixed assets	4,436	2,956
Less accumulated appreciation	<u>(1,751)</u>	<u>(1,787)</u>
Net property, plant and equipment	<u>2,685</u>	<u>1,169</u>
Total noncurrent assets	<u>499,352</u>	<u>529,651</u>
Total assets	<u>\$ 3,262,379</u>	<u>\$ 3,477,813</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities:		
Accounts payable	<u>\$ 15,448</u>	<u>\$ 13,344</u>
Total current liabilities	<u>15,448</u>	<u>13,344</u>
Net Assets		
Unrestricted	<u>295,615</u>	<u>281,074</u>
Temporarily restricted		
Scholarships	1,164,351	1,396,512
Programmatic support	1,290,297	1,259,613
Endowment grant	<u>496,668</u>	<u>527,270</u>
Total temporarily restricted	<u>2,951,316</u>	<u>3,183,395</u>
Total net assets	<u>3,246,931</u>	<u>3,464,469</u>
Total liabilities and net assets	<u>\$ 3,262,379</u>	<u>\$ 3,477,813</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, 2009

(with comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Total	
			2009	2008
<b>Support and revenue</b>				
Support:				
Contributions	\$ 39,358	\$ 324,671	\$ 364,029	\$ 587,986
Contribution from affiliated foundation		38,193	38,193	69,277
Fundraising	59,720	77,456	137,176	137,708
Donated services	215,896		215,896	191,899
Donated facilities	6,782		6,782	6,782
 Total support	 321,756	 440,320	 762,076	 993,652
 Revenue:				
Interest on bank	12,031	7,822	19,853	30,412
Interest and dividends on investments	2,320	48,925	51,245	127,792
Realized gain (loss) on investments	(6,324)	(96,892)	(103,216)	37,405
Unrealized loss on investments	(9,323)	(91,766)	(101,089)	(195,561)
 Total revenue	 (1,296)	 (131,911)	 (133,207)	 48
 Total support and revenue before net assets released from restrictions	 320,460	 308,409	 628,869	 993,700
 Net assets released from restrictions	 540,488	 (540,488)	 -	 -
 Total support and revenue after net assets released from restrictions	 860,948	 (232,079)	 628,869	 993,700
 <b>Expenses</b>				
Program services	543,657		543,657	453,404
Supporting services:				
Management and general	122,040		122,040	128,612
Fundraising	180,710		180,710	154,264
 Total expenses	 846,407	 -	 846,407	 736,280
 Change in net assets	 14,541	 (232,079)	 (217,538)	 257,420
 <b>Net assets</b>				
Beginning, July 1	281,074	3,183,395	3,464,469	3,207,049
 Ending, June 30	 \$ 295,615	 \$ 2,951,316	 \$ 3,246,931	 \$ 3,464,469

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, 2009

(with comparative totals for the fiscal year ended June 30, 2008)

	Program Services	Management & General	Fundraising	Total	
				2009	2008
Salaries and benefits	\$ 45,338	\$ 75,564	\$ 94,994	\$ 215,896	\$ 191,899
Scholarship payments	426,481			426,481	381,271
Facilities	1,424	2,374	2,984	6,782	6,782
Professional fees		11,569	37,808	49,377	42,412
College support	19,755			19,755	
Program activities		9,007		9,007	5,542
Printing	865	675	2,145	3,685	6,342
Public relations		2,793	4,940	7,733	16,462
Supplies	1,373	5,145	15,882	22,400	24,413
Seminars and conferences		23		23	806
Conferences and travel			2,244	2,244	1,915
Equipment				-	9,927
General operating expenses	<u>48,421</u>	<u>14,890</u>	<u>19,713</u>	<u>83,024</u>	<u>48,509</u>
<b>Total program and support expense</b>	<b>543,657</b>	<b>122,040</b>	<b>180,710</b>	<b>846,407</b>	<b>736,280</b>
Investment expense	<u>16,873</u>	<u>911</u>		<u>17,784</u>	<u>19,743</u>
<b>Total functional expense</b>	<b><u>\$ 560,530</u></b>	<b><u>\$ 122,951</u></b>	<b><u>\$ 180,710</u></b>	<b><u>\$ 864,191</u></b>	<b><u>\$ 756,023</u></b>

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, 2009**

**(with comparative totals for the fiscal year ended June 30, 2008)**

	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Contributions and fundraising	\$ 646,812	\$ 909,074
Payments to suppliers	(211,255)	(142,984)
Payments to/on-behalf of students	(426,481)	(381,271)
Net cash provided by operating activities	9,076	384,819
<b>Cash flows from capital activities</b>		
Purchase of capital assets	(1,480)	(1,169)
Net cash used by capital activities	(1,480)	(1,169)
<b>Cash flows from investing activities</b>		
Purchase of investments	(286,266)	(339,200)
Proceeds on the sale of investments	58,635	108,961
Net cash used by investing activities	(227,631)	(230,239)
Net increase/(decrease) in cash and cash equivalents	(220,035)	153,411
Cash and cash equivalents, beginning of year	885,423	732,012
Cash and cash equivalents, end of year	\$ 665,388	\$ 885,423
<b>Reconciliation of cash provided by operating activities to Change in Net Assets</b>		
Change in net assets	\$ (217,538)	\$ 257,420
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Realized and unrealized loss on investments	204,305	158,156
Changes in assets and liabilities:		
(Increase)/decrease receivables	36,316	(44,101)
(Increase) due from District Foundation	(16,111)	
Increase/(decrease) accounts payable	2,104	13,344
Net cash provided by operating activities	\$ 9,076	\$ 384,819

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, 2009**

**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, 2009**

**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, 2009**

**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.

**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.

**SANTA ANA COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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). At June 30, 2009, \$441,093 of the Foundation's bank balance of \$703,593 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, 2009 the Foundation has investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2009 are as follows:

Cash investments	\$ 600,522
Long term investments	<u>1,969,888</u>
Total	<u>\$2,570,410</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, 2009, 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, 2009**

**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, 2009 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market (Level 1)	\$ 364,344	\$ 364,344	\$ -
Certificate of deposit (Level 1)	236,178	236,178	-
Marketable equity (Level 1)	759,641	755,159	4,482
Debt equity (Level 1)	<u>1,210,247</u>	<u>1,351,997</u>	<u>(141,750)</u>
Total	<u>\$ 2,570,410</u>	<u>\$ 2,707,678</u>	<u>\$ (137,268)</u>

In accordance with SFAS No. 157, 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.

Investment return for the year ending June 30, 2009 was as follows:

Investment income, net of expense of \$17,784	\$ 51,245
Net realized losses	(103,216)
Net unrealized losses	<u>(101,089)</u>
Total	<u>\$ (153,060)</u>

**NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets of \$540,488 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

## SANTA ANA COLLEGE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

#### **NOTE 6 – 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 2009 were \$215,896 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 \$38,193 of which \$30,478 is to be used for student scholarships or programs and \$7,715 is to be used for textbooks. These amounts are reflected on the statement of activities as contribution from affiliated foundation.

#### **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.

**SANTA ANA COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2009**

**NOTE 7 – ENDOWMENT GRANT: (continued)**

The cumulative losses from inception of the grant are \$(19,735) as a result of net investment losses of \$(30,602) in 2009. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2009, total cumulative expenditures from inception of the grant were \$5,257 leaving no available balance. For the fiscal year ended June 30, 2009, the Foundation incurred no expenditures.

At June 30, 2009, the fair value of cash equivalents and investments for the endowment grant is \$496,667. Net asset balances required to be maintained until 2023 had a \$15,125 deficiency due to the market conditions.