

**RANCHO SANTIAGO COMMUNITY COLLEGE
DISTRICT FOUNDATION**
(A Component Unit of the
Rancho Santiago Community College District)

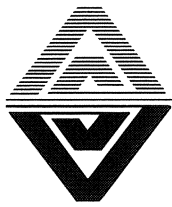
**Financial Statements and
Independent Auditors' Report
For the Fiscal Year Ended June 30, 2007
(With Comparative Totals as of June 30, 2006)**

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2007
(With Comparative Totals as of June 30, 2006)**

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.....	6-11



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rancho Santiago Community College District Foundation
Santa Ana, CA 92706

We have audited the accompanying statement of financial position of the Rancho Santiago Community College District Foundation (A Component Unit of the Rancho Santiago Community College District) as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Rancho Santiago Community College District 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 was audited by other auditors whose report dated August 25, 2006 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 Rancho Santiago Community College District Foundation as of June 30, 2007, 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 16, 2007

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2007

(with comparative totals as of June 30, 2006)

ASSETS	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 52,837	\$ 92,414
Accounts receivable		
Federal	113,379	
Miscellaneous	9,847	677
Prepaid expenses	5,599	4,640
Investments, at fair value	<u>4,094,191</u>	<u>3,544,518</u>
 Total assets	 <u>\$ 4,275,853</u>	 <u>\$ 3,642,249</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 14,361	\$ 36,606
Due to District	113,379	
Deferred revenue	20,600	
Trust accounts liability	<u> </u>	<u>4,079</u>
 Total liabilities	 <u>148,340</u>	 <u>40,685</u>
 Net Assets		
Unrestricted	<u>27,412</u>	<u>20,547</u>
Temporarily restricted		
Programmatic support	5,825	5,824
Endowment grant	<u>4,094,276</u>	<u>3,575,193</u>
Total temporarily restricted	<u>4,100,101</u>	<u>3,581,017</u>
 Total net assets	 <u>4,127,513</u>	 <u>3,601,564</u>
 Total liabilities and net assets	 <u>\$ 4,275,853</u>	 <u>\$ 3,642,249</u>

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2007

(with comparative totals for the year ended June 30, 2006)

	Unrestricted	Temporarily Restricted	Total	
			2007	2006
Support and revenue				
Support:				
Contributions	\$ 92,060	\$ 58,129	\$ 150,189	\$ 52,000
Fundraising	201,169		201,169	150,926
Federal Grant		113,779	113,779	
Donated services	33,265		33,265	9,458
 Total support	 326,494	 171,908	 498,402	 212,384
 Revenue:				
Interest income from bank	1,025		1,025	838
Unrealized gain on investments	40		40	5
Other revenue	13,489		13,489	11,183
 Total revenue	 14,554	 -	 14,554	 12,026
 Total support and revenue before net assets released from restrictions	 341,048	 171,908	 512,956	 224,410
 Net assets released from restrictions	 232,457	 (232,457)	 -	 -
 Total support and revenue after net assets released from restrictions	 573,505	 (60,549)	 512,956	 224,410
 Expenses				
Program services	474,521		474,521	198,575
Supporting services:				
Management and general	13,500		13,500	3,481
Fundraising	78,619		78,619	50,071
 Total expenses	 566,640	 -	 566,640	 252,127
 Support and revenue over (under) expenses before endowment grant revenue	 6,865	 (60,549)	 (53,684)	 (27,717)
 Endowment Grant Revenue (See Note 7)				
Interest and dividends income from investments		42,216	42,216	32,927
Realized gain on investments		255,230	255,230	195,421
Unrealized gain on investments		282,187	282,187	91,119
 Total endowment grant revenue	 -	 579,633	 579,633	 319,467
 Change in net assets	 6,865	 519,084	 525,949	 291,750
 Net assets				
Beginning, July 1	20,547	3,581,017	3,601,564	3,309,814
Ending, June 30	\$ 27,412	\$ 4,100,101	\$ 4,127,513	\$ 3,601,564

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2007

(with comparative totals for the fiscal year ended June 30, 2006)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2007</u>	<u>2006</u>
Salaries and benefits	\$ 19,959	\$ 9,979	\$ 3,327	\$ 33,265	\$ 9,458
Payments to affiliated foundations	123,471			123,471	103,578
Facilities			41,646	41,646	32,246
Professional fees	4,100	2,050	9,583	15,733	59,410
Program activities	230,865			230,865	4,000
Public relations	93,185			93,185	25,985
Supplies and printing			15,838	15,838	10,312
General operating expenses	<u>2,941</u>	<u>1,471</u>	<u>8,225</u>	<u>12,637</u>	<u>7,138</u>
Total program and support expense	474,521	13,500	78,619	566,640	252,127
Investment expense	<u>54,348</u>			<u>54,348</u>	<u>48,415</u>
Total functional expense	<u>\$ 528,869</u>	<u>\$ 13,500</u>	<u>\$ 78,619</u>	<u>\$ 620,988</u>	<u>\$ 300,542</u>

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2007

(with comparative totals for the fiscal year ended June 30, 2006)

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 525,949	\$ 291,750
Adjustment to reconcile changes in net assets to net cash provided for operations		
Unrealized (gain) on investments	(282,227)	(91,124)
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(122,549)	57
(Increase) in prepaid expenses	(959)	(274)
Increased/(decrease) in accounts payable	(22,245)	19,961
Increase in due to District	113,379	
Increase in deferred revenue	20,600	
Decrease in trust accounts	(4,079)	
Net cash provided by operating activities	227,869	220,370
Cash flows from investing activities		
Reinvested interest and dividends	(43,241)	(33,765)
Purchase of investments	(712,972)	(214,863)
Proceeds on the sale of investments	488,767	20,266
Net cash used by investing activities	(267,446)	(228,362)
Net decrease in cash and cash equivalents	(39,577)	(7,992)
Cash and cash equivalents, beginning of year	92,414	100,406
Cash and cash equivalents, end of year	\$ 52,837	\$ 92,414

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2007

NOTE 1 – ORGANIZATION:

The Rancho Santiago Community College District Foundation (the Foundation) is a nonprofit organization, organized in 1998, which operates as an auxiliary organization of the Rancho Santiago Community College District. The primary functions of the foundation are community and institutional development and administration of the Endowment Challenge Grant.

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 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.

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 had no permanently restricted net assets at June 30, 2007.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

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

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 consist of cash in interest bearing bank accounts and money market funds.

Investments

Investments are recorded at fair value based on quoted market values.

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.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

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

Fundraising

Gross fundraising revenue is reduced by expenses directly related to the fundraising events. All other expenses associated with fundraising are included in the statements of activities and functional expenses as fundraising costs.

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.

Summarized Financial Information of the Prior Year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2006, from which the summarized information was derived. Certain reclassifications have been made to the financial statements for the year 2005-06 to conform to the 2006-07 financial statement presentation.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

NOTE 3 – SECURED DEPOSITS:

A. Deposits

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.

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, 2007, none of the Foundation's bank balance of \$57,751 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, 2007 the Foundation has investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2007 are as follows:

Cash investments	\$ 666,124
Long term investments	<u>3,428,067</u>
Total	<u>\$4,094,191</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

NOTE 4 – INVESTMENTS:

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, 2007 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market	\$ 541,216	\$ 541,216	\$ -
Certificate of deposit	125,000	124,907	(93)
Debt equity	145,000	143,007	(1,993)
Marketable equity	<u>2,345,259</u>	<u>3,285,061</u>	<u>939,802</u>
 Total	 <u>\$ 3,156,475</u>	 <u>\$ 4,094,191</u>	 <u>\$ 937,716</u>

Investment return for the year ending June 30, 2007 was as follows:

Investment income, net of expense of \$54,348	\$ 42,216
Net realized gains	255,230
Net unrealized gains	<u>282,227</u>
 Total	 <u>\$579,673</u>

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$232,457 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 6 – RELATED PARTIES:

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 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 for the fiscal year 2007 was \$33,265 and is reflected in the financial statements as donated services.

During the current fiscal year, the Foundation contributed partial proceeds from a special event in the amount of \$123,471 to Santa Ana College Foundation and Santiago Canyon College Foundation. Contributions are for scholarships and textbooks. This amount is reflected on statement of functional expenses as payments to affiliated foundations.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

NOTE 7 – ENDOWMENT GRANT:

The Foundation received an Endowment Challenge Grant from the Department of Education in the amount of \$1,000,003 in fiscal year 1992. 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 \$3,731,045. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2007, total cumulative expenditures from inception of the grant were \$1,136,773 leaving an available balance of \$728,751. For the fiscal year ended June 30, 2007, the Foundation incurred allowable expenditures of \$114,898.

At June 30, 2007, the fair value of cash equivalents and investments for the endowment grant is \$4,094,276.

NOTE 8 – WOMEN IN BUSINESS GRANT:

The Foundation received a Women in Business Center Program Grant from the Department of Small Business Administration in the amount of \$150,000. The Foundation has contracted with the District to administer the program. For the fiscal year 2006-07, \$113,779 was spent and has been included in program services expenses.