

**SANTIAGO CANYON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2012**

**SANTIAGO CANYON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**JUNE 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Santiago Canyon College Foundation  
Orange, California

We have audited the accompanying statement of financial position of Santiago Canyon College Foundation (a California nonprofit corporation) as of June 30, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Santiago Canyon College Foundation's management. 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 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 Santiago Canyon College Foundation as of June 30, 2012, 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.

*Vavrinek, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
November 26, 2012

**SANTIAGO CANYON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

**ASSETS**

Current Assets

Cash - unrestricted \$ 120,899

Cash - restricted 323,840

Total Current Assets 444,739

Noncurrent Assets

Investments - unrestricted 235,593

Investments - restricted 408,311

Total Noncurrent Assets 643,904

Total Assets \$ 1,088,643

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts payable \$ 4,035

**NET ASSETS**

Unrestricted 352,738

Temporarily restricted 596,403

Permanently restricted 135,467

Total Net Assets 1,084,608

Total Liabilities and Net Assets \$ 1,088,643

See the accompanying notes to financial statements.

**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Contributions	\$ 687	\$ 204,858	\$ 1,154	\$ 206,699
Donated salaries and benefits	132,094	-	-	132,094
Special events	25,586	38,090	-	63,676
Miscellaneous revenue	325	-	-	325
Assets released from restrictions	188,238	(188,238)	-	-
Total Revenues	<u>346,930</u>	<u>54,710</u>	<u>1,154</u>	<u>402,794</u>
<b>EXPENSES</b>				
Operating expenses	189,451	-	-	189,451
Program expenses	135,129	-	-	135,129
Fundraising expenses	42,207	-	-	42,207
Total Expenses	<u>366,787</u>	<u>-</u>	<u>-</u>	<u>366,787</u>
<b>OTHER INCOME (EXPENSE)</b>				
Realized gain (loss) on sale of investments	8,264	(9,423)	-	(1,159)
Unrealized gain (loss) on investments	19,451	(15,165)	-	4,286
Interest and dividends	5,644	11,958	-	17,602
Transfers	(53,628)	12,653	40,975	-
Total Other Income (Expense)	<u>(20,269)</u>	<u>23</u>	<u>40,975</u>	<u>20,729</u>
<b>CHANGE IN NET ASSETS</b>	(40,126)	54,733	42,129	56,736
<b>NET ASSETS, BEGINNING OF YEAR</b>	392,864	541,670	93,338	1,027,872
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 352,738</u>	<u>\$ 596,403</u>	<u>\$ 135,467</u>	<u>\$ 1,084,608</u>

See the accompanying notes to financial statements.

**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 56,736
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities	
Contributions restricted for long-term purposes	(206,012)
Unrealized gain	(4,286)
Changes in Assets and Liabilities	
Increase in accounts payable	1,998
Net Cash Flows From Operating Activities	<u>(151,564)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	8,348
Increase in restricted cash and cash equivalents	<u>(99,195)</u>
Net Cash Flows From Investing Activities	<u>(90,847)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Collections of contributions restricted for long-term purposes	<u>206,012</u>
<b>CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	(36,399)
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	157,298
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 120,899</u>
<b>NONCASH TRANSACTIONS</b>	
Donated salaries and benefits	<u>\$ 132,094</u>

See the accompanying notes to financial statements.

**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Operating</u>	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Donated salaries and benefits	\$ 132,094	\$ -	\$ -	\$ 132,094
Scholarships	-	125,219	-	125,219
Program expenses	-	9,910	-	9,910
Conferences and travel	2,574	-	-	2,574
Dues, memberships, and subscriptions	2,037	-	-	2,037
Professional fees	15,043	-	-	15,043
Public relations and advertising	-	-	1,590	1,590
Postage and printing	-	-	14	14
Investment expenses	13,548	-	-	13,548
Contracted services	5,272	-	-	5,272
Special events	-	-	30,732	30,732
Supplies	18,483	-	-	18,483
Miscellaneous	400	-	9,871	10,271
TOTAL EXPENSES	<u>\$ 189,451</u>	<u>\$ 135,129</u>	<u>\$ 42,207</u>	<u>\$ 366,787</u>

See the accompanying notes to financial statements.

**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Organization and Nature of Activities**

Santiago Canyon College Foundation (the Foundation) is a nonprofit organization founded on May 12, 1998, for the purpose of receiving contributions for the support and advancement of education on behalf of Santiago Canyon College (the District). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the District.

**Financial Statement Presentation**

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by, and directly under, the control of the Foundation.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows. As permitted by the statement, the Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financial interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. 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.

**Fair Value Measurements**

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. The fair value of investments in partnerships and real estate held as investments is estimated using private valuations of the securities or properties held. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

**Public Support and Revenue**

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.



**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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.

**Donated Assets, Services, and Facilities**

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. 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. Income tax returns for 2009 and forward may be audited by regulatory agencies; however, the Foundation is not aware of any such actions at this time.

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2012, balances held in financial institutions of \$62,062 were not fully insured.

**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

**Investments**

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**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, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

**NOTE 2 - RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2012:

Scholarships	\$ 445,560
Student assistance	119,890
Others	<u>30,953</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 596,403</u></u>

Permanently restricted net assets consist of the following at June 30, 2012:

Scholarships and programs for the District	<u><u>\$ 135,467</u></u>
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**NOTE 3 - DONATED SERVICES**

During the year, many individuals, 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. Donated services are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value. Donated services include the value of Foundation services paid for salaries and benefits by the District. These services were valued at \$132,094 and are recognized in the financial statements as donation revenue and an operating expense.

**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 - INVESTMENTS**

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2012:

	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss)
International Bonds	\$ 13,375	\$ 12,678	\$ (697)
Government Bonds	63,895	69,645	5,750
Common Stock	152,132	165,796	13,664
Preferred Stock	62,658	59,392	(3,266)
CDs and Mutual Funds	240,886	229,721	(11,165)
California Community Colleges (CCC) Scholarship Endowment Fund	106,672	106,672	-
Total	<u>\$ 639,618</u>	<u>\$ 643,904</u>	<u>\$ 4,286</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2012:

	Total
Realized loss on investments, net	\$ (1,159)
Unrealized gain on investments, net	4,286
Interest and dividends	17,602
Total Investment Income	<u>20,729</u>
Investment expenses	<u>(13,548)</u>
Total Investment Income, Net of Expenses	<u>\$ 7,181</u>

**NOTE 5 - INVESTMENT SECURITIES**

**Market Value of Financial Assets and Liabilities**

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

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**NOTES TO FINANCIAL STATEMENTS**  
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The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2012. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2012.

Assets	Level 1	Level 2	Level 3	Total
International Bonds	\$ 12,678	\$ -	\$ -	\$ 12,678
Government Bonds	69,645	-	-	69,645
Common Stock	165,796	-	-	165,796
Preferred Stock	59,392	-	-	59,392
CDs and Mutual Funds	-	229,721	-	229,721
CCC Scholarship Endowment Fund	-	-	106,672	106,672
Total	<u>\$ 307,511</u>	<u>\$ 229,721</u>	<u>\$ 106,672</u>	<u>\$ 643,904</u>

The following table presents changes in the Foundation's Level 1, Level 2, and Level 3 investment assets measured at fair value on a recurring basis for the year ending June 30, 2012.

	Level 1	Level 2	Level 3	Total
Balance, beginning of year	\$ 554,565	\$ -	\$ 93,338	\$ 647,903
Changes in values	(17,333)	-	-	(17,333)
Transfers	(229,721)	229,721	-	-
New contributions	-	-	13,334	13,334
Balance, end of year	<u>\$ 307,511</u>	<u>\$ 229,721</u>	<u>\$ 106,672</u>	<u>\$ 643,904</u>

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 - TRANSFERS BETWEEN FUNDS**

During the year ended June 30, 2012, management reviewed original donor instructions and determined that various donations in the amount of \$53,628 had been classified incorrectly, and transfers were made to properly move them to the correct fund.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

**Santiago Canyon College**

Santiago Canyon College charges administrative services to the Foundation. Salaries and benefits for the Executive Director and administrative staff are provided by the District at no charge. The donated salaries and benefits for the fiscal year 2012 amounted to \$132,094, which has been reflected in the financial statements as donated salaries and benefits.

**NOTE 8 - DONOR DESIGNATED ENDOWMENTS**

Endowment net asset composition by type of fund as of June 30, 2012, is as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Donor-restricted endowment funds	<u>\$ 551,345</u>	<u>\$ 135,467</u>	<u>\$ 686,812</u>

Changes in endowment net assets as of June 30, 2012, are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Endowment net assets, beginning of year	\$ 541,670	\$ 93,338	\$ 635,008
Contributions	-	1,154	1,154
Net appreciation	9,675	-	9,675
Transfers	-	40,975	40,975
Endowment net assets, end of year	<u>\$ 551,345</u>	<u>\$ 135,467</u>	<u>\$ 686,812</u>

**NOTE 9 - UNREALIZED GAIN AND LOSS DISTRIBUTION**

In 2011-2012, the Foundation posted unrealized gain and dividend distributions for their endowed funds to unrealized gain/loss holding accounts in unrestricted matching funds in the amount of \$15,165. As the accounts in unrestricted funds gain credit balances, the holding balance is transferred back to temporarily restricted funds. Their use of the holding accounts is to prevent the temporarily restricted funds from spending unrealized monies.

**SANTIAGO CANYON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

***NOTE 10 - SUBSEQUENT EVENTS***

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 26, 2012, 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.