

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, 2007
(With Comparative Totals for June 30, 2006)**

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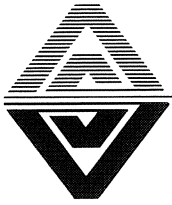


**SANTIAGO CANYON COLLEGE FOUNDATION
FINANCIAL STATEMENTS**

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

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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, 2007, and the related statements of activities, functional expense, 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 financial statements and was audited by other auditors whose report dated October 30, 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 Santiago Canyon College 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 13, 2007

SANTIAGO CANYON COLLEGE 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	\$ 325,758	\$ 333,228
Accounts receivable	1,458	1,747
Investments, at fair value	<u>559,813</u>	<u>493,699</u>
 Total assets	 <u>\$ 887,029</u>	 <u>\$ 828,674</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 50	\$ 4,930
Due to organizations	<u>9,800</u>	<u>16,951</u>
 Total liabilities	 <u>9,850</u>	 <u>21,881</u>
 Net Assets		
Unrestricted	<u>386,867</u>	<u>344,125</u>
Temporarily restricted		
Scholarships	357,891	342,099
Programmatic support	123,421	111,525
Other	<u>9,000</u>	<u>9,044</u>
Total temporarily restricted	<u>490,312</u>	<u>462,668</u>
 Total net assets	 <u>877,179</u>	 <u>806,793</u>
 Total liabilities and net assets	 <u>\$ 887,029</u>	 <u>\$ 828,674</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, 2007
(with comparative totals for the year ended June 30, 2006)

	Unrestricted	Temporarily Restricted	Total	
			2007	2006
Support and revenue				
Support:				
Contributions	\$ 39,305	\$ 79,901	\$ 119,206	\$ 115,340
Contribution from affiliated foundation		61,736	61,736	52,789
Fundraising		49,645	49,645	72,931
Donated services	216,556		216,556	87,240
Donated facilities	<u>7,950</u>		<u>7,950</u>	<u>6,330</u>
 Total support	 <u>263,811</u>	 <u>191,282</u>	 <u>455,093</u>	 <u>334,630</u>
 Revenue:				
Interest from banks	7,975		7,975	5,163
Interest and dividends from investments		16,797	16,797	14,882
Unrealized gain on investments	27,290	14,632	41,922	3,513
Realized gain on investments	7,876		7,876	6,359
Other revenue			-	<u>1,250</u>
 Total revenue	 <u>43,141</u>	 <u>31,429</u>	 <u>74,570</u>	 <u>31,167</u>
 Total support and revenue before net assets released from restrictions	 306,952	 222,711	 529,663	 365,797
 Net assets released from restrictions	 <u>195,067</u>	 <u>(195,067)</u>	 <u>-</u>	 <u>-</u>
 Total support and revenue after net assets released from restrictions	 <u>502,019</u>	 <u>27,644</u>	 <u>529,663</u>	 <u>365,797</u>
 Expenses				
Program services	284,363		284,363	201,029
Supporting services:				
Management and general	75,043		75,043	6,874
Fundraising	<u>99,872</u>		<u>99,872</u>	<u>83,135</u>
 Total expenses	 <u>459,277</u>	 <u>-</u>	 <u>459,277</u>	 <u>291,038</u>
 Change in net assets	 42,742	 27,644	 70,386	 74,759
 Net assets				
Beginning, July 1	<u>344,125</u>	<u>462,668</u>	<u>806,793</u>	<u>732,034</u>
Ending, June 30	<u>\$ 386,867</u>	<u>\$ 490,312</u>	<u>\$ 877,179</u>	<u>\$ 806,793</u>

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, 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	\$ 129,934	\$ 21,655	\$ 64,967	\$ 216,556	\$ 87,240
Scholarship payments	109,262			109,262	86,282
Facilities	5,670	945	2,835	9,450	7,230
Professional fees	8,750	1,185	23,664	33,599	22,152
Program activities	835	9,232		10,067	19,562
Public relations		33,270	320	33,590	8,578
Supplies and printing	20,771	1,438	5,356	27,565	8,702
Seminars and conferences	599	2,813		3,412	380
Dues and memberships	1,502	4,276		5,778	-
Minor equipment				-	2,570
Hospitality	520	133	2,730	3,383	4,325
General operating expenses	<u>6,520</u>	<u>95</u>		<u>6,615</u>	<u>44,017</u>
Total program and support expense	284,363	75,042	99,872	459,277	291,038
Investment expense	<u>5,811</u>	<u>3,595</u>		<u>9,406</u>	<u>-</u>
Total functional expense	\$ <u>290,174</u>	\$ <u>78,637</u>	\$ <u>99,872</u>	\$ <u>468,683</u>	\$ <u>291,038</u>

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, 2007

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

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 70,386	\$ 74,759
Adjustment to reconcile changes in net assets to net cash provided for operations		
Unrealized (gain) on investments	(41,922)	(3,513)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	289	2,142
Increase/ (decrease) in accounts payable	(4,880)	2,190
Decrease in trust accounts	(7,151)	(1,427)
Net cash provided by operating activities	16,722	74,151
Cash flows from investing activities		
Reinvested interest and dividends	(16,797)	(1,883)
Purchase of investments	(7,876)	(47,618)
Proceeds on the sale of investments	481	30,993
Net cash used by investing activities	(24,192)	(18,508)
Net increase/(decrease) in cash and cash equivalents	(7,470)	55,643
Cash and cash equivalents, beginning of year	333,228	277,585
Cash and cash equivalents, end of year	\$ 325,758	\$ 333,228

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, 2007

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.

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, 2007

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, 2007.

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.

SANTIAGO CANYON COLLEGE FOUNDATION

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

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.

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 2005-06 financial statements to conform to the 2006-07 financial statement presentation.

SANTIAGO CANYON COLLEGE 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, \$234,068 of the Foundation's bank balance of \$335,142 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	\$ 11,814
Long term investments	<u>547,999</u>
Total	<u>\$559,813</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, 2007, 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, 2007

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, 2007 are as follows:

	Cost	Fair Value	Cumulative Net Gain/(Loss)
Money market	\$ 11,813	\$ 11,813	\$ -
Mutual funds	8,756	33,876	25,120
Marketable securities:			
Equity	330,149	406,213	76,064
Debt	109,454	107,911	(1,543)
Total	\$ 460,172	\$ 559,813	\$ 99,641

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

Investment income, net of expense of \$9,406	\$ 16,797
Net unrealized gains	41,922
Net realized gains	7,876
Total	\$ 66,595

NOTE 5 – TRUST ACCOUNTS:

The Foundation acts as a fiscal agent for organizations and groups of Rancho Santiago Community College District. Accordingly, \$9,800 of assets as of June 30, 2007 belong to other parties. The Foundation does not have discretion over the funds held on behalf of others.

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$193,051 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, 2007

NOTE 7 – 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 2007 were \$216,556 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 \$61,736 of which \$51,198 is to be used for scholarships and student programs and \$10,538 is to be used for textbooks. These amounts are reflected on the statement of activities as contribution from affiliated foundations.