

SANTIAGO CANYON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT

JUNE 30, 2013 AND 2012

SANTIAGO CANYON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Santiago Canyon College Foundation
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of Santiago Canyon College Foundation (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Vaunini, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2013

SANTIAGO CANYON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets		
Cash - unrestricted	\$ 384,531	\$ 120,899
Cash - restricted	306,343	323,840
Accounts receivable	1,150	-
Prepaid expenditures	1,000	-
Total Current Assets	693,024	444,739
Noncurrent Assets		
Investments - unrestricted	740,720	235,593
Investments - restricted	452,878	408,311
Total Noncurrent Assets	1,193,598	643,904
Total Assets	\$ 1,886,622	\$ 1,088,643
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 2,256	\$ 4,035
NET ASSETS		
Unrestricted	1,123,995	352,738
Temporarily restricted	636,091	596,403
Permanently restricted	124,280	135,467
Total Net Assets	1,884,366	1,084,608
Total Liabilities and Net Assets	\$ 1,886,622	\$ 1,088,643

See the accompanying notes to financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Contributions	\$ 694,904	\$ 274,044	\$ -	\$ 968,948
Donated salaries and benefits	200,819	-	-	200,819
Special events	20,238	18,950	-	39,188
Miscellaneous revenue	203	4,713	-	4,916
Assets released from restrictions	219,325	(219,325)	-	-
Total Revenues	1,135,489	78,382	-	1,213,871
EXPENSES				
Operating expenses	81,394	-	-	81,394
Program expenses	302,368	-	-	302,368
Fundraising expenses	60,754	-	-	60,754
Total Expenses	444,516	-	-	444,516
OTHER INCOME (EXPENSE)				
Realized gain (loss) on sale of investments	2,365	(8,212)	-	(5,847)
Unrealized gain (loss) on investments	4,860	12,001	-	16,861
Interest and dividends	9,312	10,077	-	19,389
Transfers	63,747	(52,560)	(11,187)	-
Total Other Income (Expense)	80,284	(38,694)	(11,187)	30,403
CHANGE IN NET ASSETS	771,257	39,688	(11,187)	799,758
NET ASSETS, BEGINNING OF YEAR	352,738	596,403	135,467	1,084,608
NET ASSETS, END OF YEAR	\$ 1,123,995	\$ 636,091	\$ 124,280	\$ 1,884,366

See the accompanying notes to financial statements.

2012

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 687	\$ 204,858	\$ 1,154	\$ 206,699
132,094	-	-	132,094
25,586	38,090	-	63,676
325	-	-	325
188,238	(188,238)	-	-
<u>346,930</u>	<u>54,710</u>	<u>1,154</u>	<u>402,794</u>
189,451	-	-	189,451
135,129	-	-	135,129
42,207	-	-	42,207
<u>366,787</u>	<u>-</u>	<u>-</u>	<u>366,787</u>
8,264	(9,423)	-	(1,159)
19,451	(15,165)	-	4,286
5,644	11,958	-	17,602
(53,628)	12,653	40,975	-
<u>(20,269)</u>	<u>23</u>	<u>40,975</u>	<u>20,729</u>
(40,126)	54,733	42,129	56,736
392,864	541,670	93,338	1,027,872
<u>\$ 352,738</u>	<u>\$ 596,403</u>	<u>\$ 135,467</u>	<u>\$ 1,084,608</u>

SANTIAGO CANYON COLLEGE FOUNDATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 799,758	\$ 56,736
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Contributions restricted for long-term purposes	(274,044)	(206,012)
Unrealized gain	(16,861)	(4,286)
Changes in Assets and Liabilities		
Increase in accounts receivable	(1,150)	-
Increase in prepaid expenditures	(1,000)	-
Increase (Decrease) in accounts payable	(1,779)	1,998
Net Cash Flows From Operating Activities	504,924	(151,564)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	130,685	8,348
Purchase of investments	(663,518)	-
(Increase) Decrease in restricted cash and cash equivalents	17,497	(99,195)
Net Cash Flows From Investing Activities	(515,336)	(90,847)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	274,044	206,012
CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	263,632	(36,399)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	120,899	157,298
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 384,531	\$ 120,899
NONCASH TRANSACTIONS		
Donated salaries and benefits	\$ 200,819	\$ 132,094

See the accompanying notes to financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION
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STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			
	Operating	Program	Fundraising	Total
Donated salaries and benefits	\$ 60,246	\$ 120,491	\$ 20,082	\$ 200,819
Scholarships	-	141,117	-	141,117
Program expenses	-	12,127	-	12,127
Salaries and benefits	-	2,208	-	2,208
Capital improvement and equipment	-	2,157	-	2,157
Conferences and travel	5,344	-	-	5,344
Dues, memberships, and subscriptions	606	-	-	606
Professional fees	-	-	-	-
Public relations and advertising	-	-	1,452	1,452
Postage and printing	-	-	349	349
Investment expenses	1,344	-	-	1,344
Contracted services	11,164	-	-	11,164
Special events	-	-	28,510	28,510
Supplies	2,338	24,268	5,849	32,455
Miscellaneous	352	-	4,512	4,864
TOTAL EXPENSES	<u>\$ 81,394</u>	<u>\$ 302,368</u>	<u>\$ 60,754</u>	<u>\$ 444,516</u>

See the accompanying notes to financial statements.

2012

Operating	Program	Fundraising	Total
\$ 132,094	\$ -	\$ -	\$ 132,094
-	125,219	-	125,219
-	9,910	-	9,910
-	-	-	-
-	-	-	-
2,574	-	-	2,574
2,037	-	-	2,037
15,043	-	-	15,043
-	-	1,590	1,590
-	-	14	14
13,548	-	-	13,548
5,272	-	-	5,272
-	-	30,732	30,732
18,483	-	-	18,483
400	-	9,871	10,271
<u>\$ 189,451</u>	<u>\$ 135,129</u>	<u>\$ 42,207</u>	<u>\$ 366,787</u>

SANTIAGO CANYON COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 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.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis. Certain reclassifications may have been made to conform with the current year presentation.

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 2010 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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012, balances held in financial institutions of \$179,044 and \$62,062, respectively, were not fully insured.

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:

	2013	2012
Scholarships	\$ 535,149	\$ 445,560
Student assistance	100,942	119,890
Others	-	30,953
Total Temporarily Restricted Net Assets	\$ 636,091	\$ 596,403

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

	2013	2012
Scholarships and programs for the District	\$ 124,280	\$ 135,467

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 \$200,819 and \$132,094, respectively, for the June 30, 2013 and 2012, fiscal years, and are recognized in the financial statements as donation revenue and an operating expense.

NOTE 4 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2013 and 2012:

2013	Adjusted Cost	Fair Market Value	Unrealized Gain
Corporate bonds	\$ 11,869	\$ 12,054	\$ 185
Government bonds	81,614	82,886	1,272
Common stock	315,908	320,831	4,923
Preferred stock	9,492	9,640	148
CDs and mutual funds	663,062	673,395	10,333
California Community Colleges (CCC) Scholarship Endowment Fund	94,792	94,792	-
Total	<u>\$ 1,176,737</u>	<u>\$ 1,193,598</u>	<u>\$ 16,861</u>
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)
CCC Scholarship Endowment Fund	106,672	106,672	-
	<u>\$ 639,618</u>	<u>\$ 643,904</u>	<u>\$ 4,286</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

	2013	2012
Realized loss on investments, net	\$ (5,847)	\$ (1,159)
Unrealized gain on investments, net	16,861	4,286
Interest and dividends	19,389	17,602
Total Investment Income	30,403	20,729
Investment expenses	(1,344)	(13,548)
Total Investment Income, Net of Expenses	\$ 29,059	\$ 7,181

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.

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Corporate bonds	\$ 12,054	\$ -	\$ -	\$ 12,054
Government bonds	82,886	-	-	82,886
Common stock	320,831	-	-	320,831
Preferred stock	9,640	-	-	9,640
CDs and mutual funds	-	673,395	-	673,395
CCC Scholarship Endowment Fund	-	-	94,792	94,792
Total	<u>\$ 425,411</u>	<u>\$ 673,395</u>	<u>\$ 94,792</u>	<u>\$ 1,193,598</u>

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
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>

NOTE 6 - TRANSFERS BETWEEN FUNDS

During the year ended June 30, 2013, management reviewed original donor instructions and determined that various donations in the amount of \$63,747 had been classified incorrectly, and transfers were made to properly move them to the correct fund.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 years 2013 and 2012 amounted to \$200,819 and \$132,094, respectively, which has been reflected in the financial statements as donated salaries and benefits.

Rancho Santiago Community College District Foundation

The Foundation received a one-time contribution from the Rancho Santiago Community College District Foundation in the amount of \$731,672.

NOTE 8 - DONOR DESIGNATED ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2013, is as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Donor-restricted endowment funds	<u>\$ 636,091</u>	<u>\$ 124,280</u>	<u>\$ 760,371</u>

Changes in endowment net assets as of June 30, 2013, are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Endowment net assets, beginning of year	\$ 551,345	\$ 135,467	\$ 686,812
Net appreciation	84,746	-	84,746
Transfers	-	(11,187)	(11,187)
Endowment net assets, end of year	<u>\$ 636,091</u>	<u>\$ 124,280</u>	<u>\$ 760,371</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 2013 and 2012, the Foundation posted unrealized gain (loss) and dividend distributions for their endowed funds to unrealized gain (loss) holding accounts in unrestricted matching funds in the amounts of \$12,001 and \$(15,165), respectively. 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.

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 29, 2013, 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.