



Financial Statements

June 30, 2020 (With Summarized totals for 2019)

**Rancho Santiago Community College
District Foundation**

Rancho Santiago Community College District Foundation

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Independent Auditor's Report

The Board of Directors
Rancho Santiago Community College District Foundation
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of Rancho Santiago Community College District Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year 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.

Auditor's Responsibility

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 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 auditor's 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 Rancho Santiago Community College District Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2019 financial statements of Rancho Santiago Community College District Foundation, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Rancho Cucamonga, California
February 12, 2021

Rancho Santiago Community College District Foundation

Statement of Financial Position

June 30, 2020

(With Summarized Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 547,484	\$ 699,679
Accounts receivable	-	40,000
Accounts receivable - related party	<u>12,238</u>	<u>4,328</u>
Total current assets	<u><u>\$ 559,722</u></u>	<u><u>\$ 744,007</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	<u>\$ 4,269</u>	<u>\$ 4,897</u>
Net Assets		
Without donor restrictions	316,938	500,595
With donor restrictions	<u>238,515</u>	<u>238,515</u>
Total net assets	<u>555,453</u>	<u>739,110</u>
Total liabilities and net assets	<u><u>\$ 559,722</u></u>	<u><u>\$ 744,007</u></u>

Rancho Santiago Community College District Foundation

Statement of Activities

Year Ended June 30, 2020

(With Summarized Totals for 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Contributions	\$ 2,500	\$ -	\$ 2,500	\$ 94,500
Contracted services	1,035	-	1,035	400,429
Donated salaries and benefits	64,839	-	64,839	18,921
Total revenues	<u>68,374</u>	<u>-</u>	<u>68,374</u>	<u>513,850</u>
Expenses				
Program services	157,132	-	157,132	7,239
Management and general	98,471	-	98,471	26,158
Total expenses	<u>255,603</u>	<u>-</u>	<u>255,603</u>	<u>33,397</u>
Other Income				
Interest	3,572	-	3,572	1,085
Change in Net Assets	(183,657)	-	(183,657)	481,538
Net Assets, Beginning of Year	<u>500,595</u>	<u>238,515</u>	<u>739,110</u>	<u>257,572</u>
Net Assets, End of Year	<u>\$ 316,938</u>	<u>\$ 238,515</u>	<u>\$ 555,453</u>	<u>\$ 739,110</u>

Rancho Santiago Community College District Foundation

Statement of Cash Flows

Year Ended June 30, 2020

(With Summarized Totals for 2019)

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (183,657)	\$ 481,538
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	40,000	(40,000)
Accounts receivable - related party	(7,910)	182
Inventory	-	523
Accounts payable	(628)	(306)
	(152,195)	441,937
Net Cash Flows from Operating Activities		
	699,679	257,742
Cash and Cash Equivalents, Beginning of Year		
	\$ 547,484	\$ 699,679
Cash and Cash Equivalents, End of Year	\$ 547,484	\$ 699,679

Rancho Santiago Community College District Foundation
 Statement of Functional Expenses
 Year Ended June 30, 2020
 (With Summarized Totals for 2019)

	2020		2019	
	Program	Management and General	Total	Total
Donated salaries and benefits	\$ -	\$ 64,839	\$ 64,839	\$ 18,921
Foundation scholarships/Grants	140,000	-	140,000	-
Sponsorships	15,750	-	15,750	5,750
Professional services	-	13,847	13,847	6,520
Bank/Credit card use fees	-	-	-	30
Other licenses and fees	-	75	75	80
Contracted services	1,382	-	1,382	989
Awards	-	-	-	500
Supplies	-	210	210	607
Other expenses	-	19,500	19,500	-
Total expenses	\$ 157,132	\$ 98,471	\$ 255,603	\$ 33,397

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

Rancho Santiago Community College District Foundation (the Foundation) is a nonprofit organization founded in 1998 for the purpose of receiving contributions for the support and advancement of education on behalf of Rancho Santiago Community College District (the District). The primary purpose of the Foundation is to enhance the economic development of their region and to generate revenue to supplement the resources of the District and its two colleges, Santa Ana College and Santiago Canyon College.

Financial Statement Presentation

The Foundation and the District are financial interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, 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.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Comparative Financial Information

The accompanying 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 (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Foundation receives substantially all of its revenue from direct donations, pledges, corporate grants, and contracted services. Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor, either without or with restrictions. The Foundation reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about how the contributions are to be spent, the Foundation reports these contributions as without donor restrictions. The Foundation records special events revenue equal to the cost of direct benefit to donors, and contribution revenue for the difference.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets, services, and facilities when there is an objective basis available to measure their value. Donated services are recorded as contributions at the estimated fair value that the Foundation would have otherwise paid for the same service. 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 generally accepted accounting principles, requires the Foundation to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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. The Foundation's Federal informational tax returns are no longer subject to tax examinations for the years before June 30, 2017. California State informational returns are no longer subject to tax examinations for the years before June 30, 2016.

The Foundation has adopted FASB 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 an interest bearing checking account. The Foundation maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020 and 2019, the Foundation had cash balances in financial institutions in excess of FDIC in the amount of \$322,011 and \$452,063, respectively.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for reimbursements for contracted services. Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision of bad debts. At June 30, 2020 and 2019, management has deemed all amounts as collectible; therefore, no allowance for doubtful accounts is considered necessary.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, there are no shared costs among the program and supporting services that require allocation.

Administrative Fee

Contributions with donor restrictions received by the Foundation are subject to a ten percent administrative fee of the value of the contributed asset. Revenues received from these related fees are used by the Foundation to further advancement efforts on behalf of the Rancho Santiago Community College District.

Change in Accounting Principle

The Foundation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 includes a second provision for entities that serve as a resource provider and are making contributions to other organizations. This portion of the standard has a later implementation date and is effective for entities with annual periods beginning after December 15, 2019, and will be implemented at that time. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Foundation for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Foundation for the year ended June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprise of the following:

	2020	2019
Cash and cash equivalents	\$ 308,969	\$ 497,164

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances.

Additionally, on behalf of the Foundation, the District has implemented cash management procedures, that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

Note 3 - Restrictions on Net Asset Balances

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Various donor-restricted funds	<u>\$ 238,515</u>	<u>\$ 238,515</u>

Note 4 - Related Party Transactions

Rancho Santiago Community College District

During the year, Rancho Santiago Community College District (the 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. As of June 30, 2020 and 2019, the Foundation recognized \$64,839 and \$18,921, respectively, in the financial statements as donated salaries and benefits. In addition, office space and other District services were provided by the District. The value of the donated space and donated indirect cost has not been determined and is not recognized in the financial statements. The Foundation bills the District for reimbursement of contracted services paid for on behalf of the District. Accordingly, at June 30, 2020 and 2019, the District owed the Foundation \$12,238 and \$4,328, respectively.

Santiago Canyon College Foundation

Santiago Canyon College Foundation (SCC Foundation) provides services for the Foundation in the form of passing through scholarships and grants issued by the Foundation to students. These scholarships are recorded in the Foundation financials under program expenses. As of June 30, 2020 and 2019, \$28,000 and \$0 was passed through to SCC Foundation for student scholarships and grants.

Santa Ana College Foundation

Santa Ana College Foundation (SAC Foundation) provides services for the Foundation in the form of passing through scholarships and grants issued by the Foundation to students. These scholarships are recorded in the Foundation financials under program expenses. As of June 30, 2020 and 2019, \$82,000 and \$0 was passed through to SAC Foundation for student scholarships and grants.

Note 5 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2020 through February 12, 2021, 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.

Subsequent to year end, the Foundation has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Foundation financial position is not known.