

**RANCHO SANTIAGO COMMUNITY  
COLLEGE DISTRICT FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018  
with Comparative Totals for the Year Ended June 30, 2017  
and Independent Auditors' Report**

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rancho Santiago Community College District Foundation  
Orange, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Rancho Santiago Community College District Foundation (the Foundation), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2018, 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, we consider 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 the Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the fiscal 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 Foundation's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**CliftonLarsonAllen LLP**

Glendora, California

November 20, 2018

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

*With Comparative Totals as of June 30, 2017*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b><u>Assets</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 257,742	\$ 109,956
Accounts receivable	4,510	5,768
Inventory	<u>523</u>	<u>523</u>
<b>Total Current Assets</b>	<u>\$ 262,775</u>	<u>\$ 116,247</u>
 <b><u>Liabilities and Net Assets</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	<u>\$ 5,203</u>	<u>\$ -</u>
<b>Total Current Liabilities</b>	<u>5,203</u>	<u>-</u>
 <b>Net Assets:</b>		
Unrestricted	100,057	32,732
Temporarily restricted	<u>157,515</u>	<u>83,515</u>
<b>Total Net Assets</b>	<u>257,572</u>	<u>116,247</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 262,775</u>	<u>\$ 116,247</u>

*See accompanying notes to the financial statements.*

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2018**

*With Comparative Totals for the Year Ended June 30, 2017*

	<b>June 30, 2018</b>			<b>June 30, 2017</b>
	Unrestricted	Temporarily Restricted	Total	Total
<b>Revenue</b>				
Support and revenue				
Contributions	\$ 1,020	\$ 90,500	\$ 91,520	\$ 98,500
Contracted services	61,607		61,607	-
Donated salaries and benefits	29,443		29,443	26,228
Administration fee	9,000		9,000	-
<b>Total Support</b>	101,070	90,500	191,570	124,728
Other income				
Interest and dividends, net of expenses	40		40	50
<b>Total Other Income</b>	40	-	40	50
Total revenues before net				
assets released from restrictions	101,110	90,500	191,610	124,778
Net assets released from restrictions	16,500	(16,500)	-	-
<b>Total Revenue</b>	117,610	74,000	191,610	124,778
<b>Operating Expenses</b>				
Program services	16,500		16,500	39,394
Supporting services				
Management and general	33,785		33,785	56,515
<b>Total Expenses</b>	50,285	-	50,285	95,909
<b>Change in net assets</b>	67,325	74,000	141,325	28,869
<b>Net Assets</b>				
Beginning of year, as originally stated	32,732	7,015	39,747	87,378
Adjustment for restatement (see Note 6)		76,500	76,500	
Beginning of year, as restated	32,732	83,515	116,247	87,378
End of year	\$ 100,057	\$ 157,515	\$ 257,572	\$ 116,247

*See accompanying notes to the financial statements.*

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2018**

*With Comparative Totals for the Year Ended June 30, 2017*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Cash flows from operating activities</b>		
Cash received from donations	\$ 99,262	\$ (7,148)
Cash received from contracted services	61,607	
Cash paid for student scholarships and campus programs	(7,500)	(1,000)
Cash paid for operating expenses	<u>(5,583)</u>	<u>(46,148)</u>
Net cash provided (used) by operating activities	<u>147,786</u>	<u>(54,296)</u>
 <b>Cash flows from investing activities</b>		
Reinvested interest and dividends, net of expenses	<u>                    </u>	<u>(374)</u>
Net cash used by investing activities	<u>-</u>	<u>(374)</u>
 Net increase (decrease) in cash and cash equivalents	147,786	(54,670)
 Cash and cash equivalents, beginning of year	<u>109,956</u>	<u>164,626</u>
 Cash and cash equivalents, end of year	<u>\$ 257,742</u>	<u>\$ 109,956</u>
 <b>Reconciliation of change in net assets to cash provided (used) by operating activities</b>		
Change in net assets	\$ 141,325	\$ 28,869
Adjustment to reconcile change in net assets to cash provided (used) by operating activities		
Decrease in operating assets:		
Accounts receivable	1,258	29,148
Increase (decrease) in operating liabilities:		
Accounts payable	5,203	187
Amounts held on behalf of others	<u>-</u>	<u>(112,500)</u>
Net cash provided (used) by operating activities	<u>\$ 147,786</u>	<u>\$ (54,296)</u>

*See accompanying notes to the financial statements.*

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2018**

*With Comparative Totals for the Year Ended June 30, 2017*

	<b>June 30, 2018</b>			<b>June 30, 2017</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>	<b>Total</b>
Donated salaries and benefits	\$ -	\$ 29,443	\$ 29,443	\$ 26,228
Scholarships and grants	500		500	1,000
Professional services - accounting			-	6,000
Professional services - legal			-	16,725
Foundation funded programs	7,000		7,000	-
Administrative expense	9,000		9,000	-
Advertising and promotion		560	560	-
Information technology		10	10	45
Conferences & meetings		416	416	-
Contracted services		3,341	3,341	45,911
Other expenses		15	15	-
	<u>\$ 16,500</u>	<u>\$ 33,785</u>	<u>\$ 50,285</u>	<u>\$ 95,909</u>

*See accompanying notes to the financial statements.*



# RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

*With Comparative Totals for the Year Ended June 30, 2017*

### NOTE 1: ORGANIZATION

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.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

#### Cash and Cash Equivalents

Cash and cash equivalents are considered to be all cash available for immediate use and cash held for investment. Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds.

#### 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 scholarship and educational program funds.

##### **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 specific purposes. The Foundation did not have any permanently restricted

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**

*With Comparative Totals for the Year Ended June 30, 2017*

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

net assets for the years ended June 30, 2018 and June 30, 2017.

**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.

**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.

Donations, other than cash, are recorded at estimated fair value at the time of the donation.

**Donated Services**

The Foundation records the value of donated services when there is an objective basis available to measure their value. Donated services are recorded at market value when a specialized skill is provided that would have otherwise been purchased or paid.

**Comparative Totals**

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017.

**Reclassifications**

Certain amounts to the summarized comparative information have been made to conform to the current year presentation.

**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

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**

*With Comparative Totals for the Year Ended June 30, 2017*

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

reporting period. Actual results could differ from those estimates.

**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.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations for generally three and four years, respectively.

**Subsequent Events**

The Foundation has evaluated subsequent events through November 20, 2018, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2018.

**NOTE 3: CONCENTRATION OF CREDIT RISK**

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 \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 4: NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets of \$16,500 were released from temporary donor restrictions during the fiscal year 2017-18. The Foundation met donor imposed restrictions by incurring qualified expenses.

**NOTE 5: RELATED PARTIES**

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as scholarship expense.

The Foundation was organized as auxiliary organization under Education Code. As an auxiliary

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**

*With Comparative Totals for the Year Ended June 30, 2017*

**NOTE 5: RELATED PARTIES**

organization, the District provides administrative services to assist the Foundation in carrying out its purpose. Salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District. The donated services for the fiscal year ended June 30, 2018 and 2017 were valued at \$29,443 and \$26,228, respectively, and are reflected in the financial statements as donated services.

Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The value of donated facilities has not been determined and is therefore not included in the financial statements; however, management does not believe the amount to be significant.

**NOTE 6: ADJUSTMENT FOR RESTATEMENT**

The balance in temporarily restricted net assets was restated by \$76,500 to recognize income from grants that was deferred in previous years. Management conducted a review of the grants and determined that they were not conditional. For the year ended June 30, 2017, the following balances were affected:

Financial statement line item	As originally stated	Restatement	As restated
Refundable advances	\$ 76,500	\$ (76,500)	\$ -
Temporarily restricted net assets	7,015	76,500	83,515
Contribution revenue	22,000	76,500	98,500