

**RANCHO SANTIAGO COMMUNITY COLLEGE
DISTRICT FOUNDATION**
(A Component Unit of the Rancho Santiago
Community College District)

**Audited Financial Statements, Single Audit Reports
And Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2004**

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
Audited Financial Statements, Single Audit Reports
And Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2004

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MACIAS GINI & COMPANY LLP

515 S. Figueroa Street, Ste. 325
Los Angeles, California 90071

213.612.0200 PHONE
213.286.6426 FAX

INDEPENDENT AUDITOR'S REPORT

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

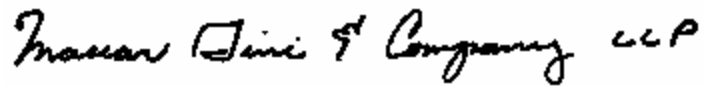
We have audited the accompanying statement of financial position of the Rancho Santiago Community College District Foundation ("Foundation") as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the 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 2003 financial statements and, in our report dated August 29, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Foundation as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope testing of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The accompanying schedule of expenditures of federal award is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Inassar Jini & Company LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

Los Angeles, California
September 30, 2004

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004
(with comparative totals as of June 30, 2003)

	2004	2003
ASSETS		
Cash and cash equivalents	\$ 100,264	\$ 76,429
Accounts receivable	761	1,550
Prepaid expenses	4,599	1,373
Investments, at fair value	3,115,406	2,689,179
Total assets	\$ 3,221,030	\$ 2,768,531
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 4,117	\$ 4,046
Trust accounts	4,079	4,079
Notes payable	-	80,000
Total liabilities	8,196	88,125
Net assets		
Unrestricted	53,731	(54,731)
Temporarily restricted	3,159,103	2,735,137
Total net assets	3,212,834	2,680,406
Total liabilities and net assets	\$ 3,221,030	\$ 2,768,531

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2004
(with comparative totals for the fiscal year ended 2003)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Support and revenue				
Support:				
Contributions	\$ 500	\$ 1,400	\$ 1,900	\$ 25,750
Fundraising (net of expenses of \$49,611 for 2004)	66,488	-	66,488	29,236
Donated services	7,206	-	7,206	6,729
Total support	<u>74,194</u>	<u>1,400</u>	<u>75,594</u>	<u>61,715</u>
Revenue:				
Interest and dividends	410	739	1,149	2,365
Realized (loss) on investments	(2,387)	-	(2,387)	(847)
Unrealized gain (loss) on investments	6,383	-	6,383	(1,229)
Other revenue	14,828	-	14,828	-
Total revenue	<u>19,234</u>	<u>739</u>	<u>19,973</u>	<u>289</u>
Total support and revenue before net assets released from restrictions	93,428	2,139	95,567	62,004
Net assets released from restrictions	<u>57,507</u>	<u>(57,507)</u>	<u>-</u>	<u>-</u>
Total support and revenue after net assets released from restrictions	150,935	(55,368)	95,567	62,004
Expenses				
Program services	37,938	-	37,938	70,101
Supporting services:				
Management and general	2,601	-	2,601	2,488
Fundraising	1,934	-	1,934	1,828
Total program and supporting services	<u>42,473</u>	<u>-</u>	<u>42,473</u>	<u>74,417</u>
Support and revenue over/(under) expenses before capital additions	108,462	(55,368)	53,094	(12,413)
Capital additions/(reductions) on Endowment Grant				
Interest and dividends	-	58,068	58,068	53,604
Realized gain (loss) on investments	-	115,972	115,972	(95,237)
Unrealized gain on investments	-	305,294	305,294	39,257
Total capital additions (reductions)	<u>-</u>	<u>479,334</u>	<u>479,334</u>	<u>(2,376)</u>
Change in net assets	108,462	423,966	532,428	(14,789)
Net assets				
Beginning, July 1	<u>(54,731)</u>	<u>2,735,137</u>	<u>2,680,406</u>	<u>2,695,195</u>
Ending, June 30	<u>\$ 53,731</u>	<u>\$ 3,159,103</u>	<u>\$ 3,212,834</u>	<u>\$ 2,680,406</u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FISCAL YEAR ENDED JUNE 30, 2004
(with comparative totals for the fiscal year ended 2003)

	Program Services	Management and General	Fundraising	Totals	
				2004	2003
Salaries and benefits	\$ 4,323	\$ 2,162	\$ 721	\$ 7,206	\$ 6,729
Payments to affiliated foundations	25,590	-	-	25,590	3,000
Professional fees	2,425	404	1,213	4,042	49,604
Program activities	5,600	-	-	5,600	15,000
General operating expenses	-	35	-	35	84
	<u>\$ 37,938</u>	<u>\$ 2,601</u>	<u>\$ 1,934</u>	<u>\$ 42,473</u>	<u>\$ 74,417</u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2004
(with comparative totals for the fiscal year ended 2003)

	2004	2003
Cash flows from operating activities		
Change in net assets	\$ 532,428	\$ (14,789)
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities		
Unrealized loss on investments	-	1,229
Unrealized gain on investments	(311,677)	(39,257)
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	788	(1,550)
(Increase)/decrease in prepaid expenses	(3,226)	842
Increase in accounts payable	71	546
Net cash provided (used) by operating activities	218,384	(52,979)
Cash flows from financing activities		
Payments to affiliated foundations	(80,000)	-
Cash flows from investing activities		
Reinvested interest and dividends	(58,397)	(54,281)
Purchase of investments	(172,124)	-
Proceeds from the sale of investments	115,972	137,989
Net cash (used) provided by investing activities	(114,549)	83,708
Net increase in cash and cash equivalents	23,835	30,729
Cash and cash equivalents, July 1	76,429	45,700
Cash and cash equivalents, June 30	\$ 100,264	\$ 76,429

The accompanying notes are an integral part of these financial statements.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - ORGANIZATION

The Rancho Santiago Community College District Foundation ("Foundation") is a nonprofit organization, which operates as an auxiliary organization of the Rancho Santiago Community College District (the District), a component unit of the Rancho Santiago Community College District. The primary functions of the Foundation are community and institutional development and administration of the Endowment Challenge Grant.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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 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.

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.

Contributions

Contributions, including unconditional promises to give, are recorded as 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 the present value of 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.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

At June 30, 2004, cash and cash equivalents consisted of cash in checking and savings accounts.

Investments

Investments are recorded at fair value.

Trust Accounts

The Foundation acts as a fiscal agent for departments and groups of the Rancho Santiago Community College District.

Donated Services

The Foundation records the value of donated services when there is an objective basis available to measure their value. Donated services are reflected in the financial statements 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.

Fundraising

Gross fundraising revenue is reduced by expenses directly related to the fundraising events. All other expenses associated with fundraising are included in the statements of activities and functional expenses as fundraising costs.

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 nonprofit foundation exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 year ended June 30, 2003, from which the summarized information was derived.

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$57,507 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 4 - TRUST ACCOUNT

The Foundation acts as a fiscal agent for one department of the District. The balance at June 30, 2004 is \$4,079.

NOTE 5 - INVESTMENTS

Investments are presented in the financial statements at their aggregate fair value. Investments are comprised of money market funds, certificates of deposit and marketable equity securities. The fair value of the marketable equity securities is based on quoted market values. The cost and fair values at June 30, 2004 are as follows:

	<u>Cost</u>	<u>Fair value</u>
Money market funds	\$ 381,973	\$ 381,973
Certificates of deposit	262,244	262,244
Marketable equity securities	<u>1,958,806</u>	<u>2,471,189</u>
Total	<u>\$ 2,603,023</u>	<u>\$ 3,115,406</u>

NOTE 6 - ENDOWMENT GRANT

The Foundation received an Endowment Challenge Grant from the Department of Education in the amount of \$1,000,003 in fiscal year 1992. The corpus of the endowment is to be invested over a period of twenty years and the Foundation may not spend more than fifty percent of the aggregate income earned for allowable expenditures. At the end of twenty years, the Foundation may use the corpus for any educational purpose. At June 30, 2004, the fair value of the endowment grant is \$3,159,103.

NOTE 7 - CONCENTRATION OF CREDIT RISK FOR CASH HELD BY BANK

As of June 30, 2004, the Foundation has cash deposits in aggregate of \$101,264 with one financial institution. The National Credit Union Association (NCUA) limits each corporation to a recovery of

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2004**

\$100,000 for all accounts at one financial institution. Therefore, the Foundation is subject to the risk of loss for amounts in excess of this limit.

NOTE 8 - RELATED PARTIES

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 accountant. Donated salaries and benefits were \$7,205 and have been reflected in the financial statements as donated services.

During the fiscal year, the Foundation distributed in equal shares the net proceeds from a special event held in the prior year in the amount of \$21,690 to Santa Ana College Foundation (SACF) and Santiago Canyon College Foundation (SCCF). In addition, the Foundation distributed \$2,100 to SACF and \$1,800 to SCCF for scholarships. These amounts are reflected on the statement of functional expenses as payments to affiliated foundations. The Foundation repaid loans from Santa Ana College Foundation and Santiago Canyon College Foundation in the amounts of \$50,000 and \$30,000, respectively.

NOTE 9 – CONTINGENCIES

The Foundation has received federal funds for specific purposes that are subject to review and audit by the grantor agency. Although such audits could generate expenditure disallowances under the terms of the grant, it is believed that any required reimbursements will not be material.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FISCAL YEAR ENDED JUNE 30, 2004**

<u>Program</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Program Expenditures</u>
Department of Education Endowment Challenge Grant	84.031	\$ 1,000,003	\$ 2,000

The cumulative earnings from inception of the grant are \$2,575,030. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2004, total cumulative expenditures from inception of the grant were \$915,930 leaving an available balance of \$371,585. For the fiscal year ended June 30, 2004, the Foundation incurred allowable expenditures of \$2,000.



MACIAS GINI & COMPANY LLP

515 S. Figueroa Street, Ste. 325
Los Angeles, California 90071

213.612.0200 PHONE
213.286.6426 FAX

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the Rancho Santiago Community College District Foundation (“Foundation”) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Directors, management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Truman Jini & Company LLP

Certified Public Accountants

Los Angeles, California
September 30, 2004



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Los Angeles, California 90071

213.612.0200 PHONE
213.286.6426 FAX

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

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

Compliance

We have audited the compliance of the Rancho Santiago Community College District Foundation (“Foundation”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The Foundation’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Foundation’s management. Our responsibility is to express an opinion on the Foundation’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation’s compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Truman Fink & Company LLP

Certified Public Accountants

Los Angeles, California
September 30, 2004

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2004**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Reportable condition(s) identified not considered
to be material weaknesses? _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes No

Reportable condition(s) identified not considered
to be material weaknesses? _____ Yes None reported

Type of auditors' report issued on compliance for
major programs: *Unqualified*

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a) _____ Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.031	Endowment Challenge Grant

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes _____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.