

SANTIAGO CANYON COLLEGE FOUNDATION

**Financial Statements
And Independent Auditor's Report
For the Fiscal Year Ended June 30, 2004**

**SANTIAGO CANYON COLLEGE FOUNDATION
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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Independent Auditor's Report

To the Board of Directors
Santiago Canyon College Foundation

We have audited the accompanying statement of financial position of the Santiago Canyon College 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 15, 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. 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, 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.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
September 30, 2004

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

	2004	2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 213,332	\$ 159,017
Accounts receivable	3,243	1,868
Pledges receivable	2,242	2,944
Note receivable	-	30,000
Investments, at fair value	439,044	363,596
Total current assets	657,861	557,425
Fixed assets, net	318	2,921
Total assets	\$ 658,179	\$ 560,346
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,610	\$ 2,845
Due to organizations	31,210	24,744
Total liabilities	33,820	27,589
Net assets		
Unrestricted	283,810	233,700
Temporarily restricted:		
Scholarships	287,427	259,217
Programmatic support	47,235	35,173
Endowment	5,887	4,667
Total temporarily restricted	340,549	299,057
Total net assets	624,359	532,757
Total Liabilities and Net Assets	\$ 658,179	\$ 560,346

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, 2004
(with comparative totals for the fiscal year ended June 30, 2003)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2004</u>	<u>2003</u>
Support and revenue				
Support:				
Contributions	\$ 1,355	\$ 85,717	\$ 87,072	\$ 85,816
Special event (net of expenses of \$19,551)	19,556	21,707	41,263	11,310
Contributions from affiliated foundation	10,845	1,800	12,645	1,200
Donated services	156,617	-	156,617	153,685
Donated facilities	6,330	-	6,330	6,330
Total support	<u>194,703</u>	<u>109,224</u>	<u>303,927</u>	<u>258,341</u>
Revenue:				
Interest and dividends	4,001	11,107	15,108	20,870
Unrealized gains/(loss) on investments	33,985	(5,698)	28,287	5,869
Realized gain/(loss) on investments	430	(162)	268	(16,919)
Management fees	1,644	-	1,644	1,444
Other revenue	1,010	-	1,010	1,852
Total revenue	<u>41,070</u>	<u>5,247</u>	<u>46,317</u>	<u>13,116</u>
Total support and revenue before net assets released from restrictions	235,773	114,471	350,244	271,457
Net assets released from restrictions	<u>72,979</u>	<u>(72,979)</u>	<u>-</u>	<u>-</u>
Total support and revenue after net assets released from restrictions	308,752	41,492	350,244	271,457
Expenses				
Program services	124,355	-	124,355	145,299
Supporting services:				
Management and general	108,344	-	108,344	60,294
Fundraising	25,943	-	25,943	43,379
Total expenses	<u>258,642</u>	<u>-</u>	<u>258,642</u>	<u>248,972</u>
Increase in net assets	<u>50,110</u>	<u>41,492</u>	<u>91,602</u>	<u>22,485</u>
Net assets - beginning of year	<u>233,700</u>	<u>299,057</u>	<u>532,757</u>	<u>510,272</u>
Net assets - end of year	<u><u>\$ 283,810</u></u>	<u><u>\$ 340,549</u></u>	<u><u>\$ 624,359</u></u>	<u><u>\$ 532,757</u></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, 2004
(with comparative totals for the fiscal year ended June 30, 2003)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2004</u>	<u>2003</u>
Salaries and benefits	\$ 39,154	\$ 96,580	\$ 20,882	\$ 156,616	\$ 153,685
Scholarship payments	51,805	-	-	51,805	49,062
Facilities	1,583	3,904	844	6,331	6,330
Professional fees	2,922	1,770	383	5,075	5,408
Program activities	11,477	-	-	11,477	16,472
Public relations	702	-	2,521	3,223	3,184
Supplies and printing	8,524	506	109	9,139	3,921
Seminars and conferences	110	-	-	110	471
Minor equipment	559	1,378	298	2,235	3,137
Advertising	-	-	-	-	654
Depreciation	651	1,605	347	2,603	2,797
General operating expenses	6,868	2,601	559	10,028	3,851
Total operating expenses	<u>\$ 124,355</u>	<u>\$ 108,344</u>	<u>\$ 25,943</u>	<u>\$ 258,642</u>	<u>\$ 248,972</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, 2004
(with comparative totals for the fiscal year ended June 30, 2003)

	2004	2003
Cash flows from operating activities		
Change in net assets	\$ 91,602	\$ 22,485
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,603	2,797
Unrealized (gains) on investments	(28,287)	(5,869)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(1,375)	(164)
Decrease in pledges receivable	702	2,639
(Decrease)/increase in accounts payable	(235)	585
Increase in due to organizations	6,466	1,512
Net cash provided by operating activities	71,476	23,985
Cash flows from financing activities		
Repayment of note	30,000	-
Net cash provided for financing activities	30,000	-
Cash flows from investing activities		
Proceeds on the sale of investments	1,300	44,794
Purchase of investments	(35,173)	(7,000)
Reinvested dividends and interest	(13,288)	(19,237)
Net cash (used)/provided by investing activities	(47,161)	18,557
Net increase in cash	54,315	42,542
Cash and cash equivalents, beginning of year	159,017	116,475
Cash and cash equivalents, end of year	\$ 213,332	\$ 159,017

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, 2004**

NOTE 1 - ORGANIZATION

The Santiago Canyon College Foundation (“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

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.

**SANTIAGO CANYON COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents consist of cash in interest bearing bank accounts.

Pledges Receivable

Pledges receivable are recorded at their present value, provide for annual payments and are collectable in full over a specified period of time.

Investments

Investments are recorded at fair value.

Fixed Assets and Depreciation

Purchased assets are recorded at cost and donated assets are recorded at their fair market value when donated. Depreciation for equipment and leasehold improvements are computed on a straight-line basis over an estimated useful life of three to five years. The Foundation capitalizes all expenditures for equipment and leasehold improvements in excess of \$1,000.

Due to Organizations

The Foundation acts as a fiscal agent for organizations and groups of Santiago Canyon College.

Donated Assets, Services and Facilities

The Foundation records the value of services 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 fair market value of facilities for the year. Donated services are recorded at fair value when a specialized skill is provided that would have otherwise been purchased. Donated assets are not reflected in the accompanying statements since all donated assets are accepted by the Foundation on behalf of the SCC.

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.

**SANTIAGO CANYON COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a non-profit foundation exempt from federal and state income 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 year ended June 30, 2003, from which the summarized information was derived.

NOTE 3 - PLEDGES RECEIVABLE

The pledges receivable at June 30, 2004 totals \$2,875 and have been recorded at their estimated present value of \$2,242. These pledges are collectible in full over one year. These amounts will be utilized for scholarships.

NOTE 4 - NOTE RECEIVABLE

The Foundation provided an interest-free loan to the Rancho Santiago Community College District Foundation in the amount of \$30,000 in fiscal year ending 2002. This loan was repaid in December 2003.

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$72,979 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 6 - FIXED ASSETS

A summary of fixed assets at June 30, 2004 is as follows:

Computer equipment	\$ 7,104
Office furniture	1,933
Other equipment	2,355
	<hr/> 11,392
Less accumulated depreciation	(11,074)
Total	<hr/> <u>\$ 318</u>

Depreciation expense for the period is \$2,603.

**SANTIAGO CANYON COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 7 – INVESTMENTS

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

	Cost	Fair value
Money market funds	\$ 26,188	\$ 26,188
Marketable securities:		
Equity	369,027	389,333
Debt	22,634	23,523
Total	\$ 417,849	\$ 439,044

NOTE 8 - RELATED PARTIES

The primary purpose of the Foundation is to assist in the institutional development and encourage community support to SCC. The Foundation receives gifts, property and funds to be used for the benefit of SCC, its programs, and any person or organization having an official relationship with SCC.

To assist the Foundation in carrying out this purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, secretary and accountant. In addition, working space for employees who perform administrative services for the Foundation are provided by the District at no charge. The donated services and facilities for fiscal year 2004 were \$156,617 and \$6,330 respectively and have been reflected in the financial statements as donated services and facilities. The total donated assets on behalf of the Santiago Canyon College were \$2,257 and have not been recorded by the Foundation.

During the current fiscal year, the Rancho Santiago Community College District Foundation (RSCCDF) contributed the partial proceeds from a special event in the amount of \$10,845 and scholarship funds in the amount of \$1,800. These amounts are reflected on the statement of activities as contribution from affiliated foundation.

The Foundation made an interest free loan of \$30,000 in fiscal year ending 2002 to RSCCDF and was repaid in December 2003. See Note 4, note receivable.

NOTE 9 – INSURED DEPOSITS

As of June 30, 2004, the Foundation has cash deposits in aggregate of \$196,691 with one financial institution. The National Credit Union Association (NCUA) limits each corporation to a recovery of \$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.