

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

**Financial Statements and
Independent Auditors' Report
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals as of June 30, 2008)**

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2009
(With Comparative Totals as of June 30, 2008)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rancho Santiago Community College District Foundation
Santa Ana, CA 92706

We have audited the accompanying statement of financial position of the Rancho Santiago Community College District Foundation (A Component Unit of the Rancho Santiago Community College District) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Rancho Santiago Community College District 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 financial statements and, in our report dated November 20, 2008 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 Rancho Santiago Community College District Foundation as of June 30, 2009, 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.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 4, 2009

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2009

(with comparative totals as of June 30, 2008)

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 90,431	\$ 73,703
Accounts receivable		
Grants	114,162	148,602
Miscellaneous	5,781	1,798
Prepaid expenses		<u>5,000</u>
Total current assets	<u>210,374</u>	<u>229,103</u>
Noncurrent assets		
Investments, at fair value	<u>2,729,110</u>	<u>3,564,644</u>
 Total assets	 <u>\$ 2,939,484</u>	 <u>\$ 3,793,747</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 7,632	\$ 18,352
Due to District	128,411	181,175
Due to affiliated foundations	32,222	
Deferred revenue		<u>3,000</u>
 Total liabilities	 <u>168,265</u>	 <u>202,527</u>
Net Assets		
Unrestricted	<u>32,921</u>	<u>17,888</u>
Temporarily restricted		
Programmatic support	10,915	3,415
Endowment grant	<u>2,727,383</u>	<u>3,569,917</u>
Total temporarily restricted	<u>2,738,298</u>	<u>3,573,332</u>
 Total net assets	 <u>2,771,219</u>	 <u>3,591,220</u>
 Total liabilities and net assets	 <u>\$ 2,939,484</u>	 <u>\$ 3,793,747</u>

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2009
 (with comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Total	
			2009	2008
Support and revenue				
Support:				
Contributions	\$ 956	\$ 20,000	\$ 20,956	\$ 14,290
Fundraising	193,998		193,998	208,076
Projects and grants		198,488	198,488	308,514
Donated services	32,047		32,047	31,534
Total support	227,001	218,488	445,489	562,414
Revenue:				
Interest income from bank	139		139	998
Unrealized gain (loss) on investments			-	(339)
Other revenue	11,437		11,437	12,047
Total revenue	11,576	-	11,576	12,706
Total support and revenue before net assets released from restrictions	238,577	218,488	457,065	575,120
Net assets released from restrictions	217,988	(217,988)	-	-
Total support and revenue after net assets released from restrictions	456,565	500	457,065	575,120
Expenses				
Program services	315,016		315,016	521,035
Supporting services:				
Management and general	12,069		12,069	27,178
Fundraising	114,447		114,447	73,991
Total expenses	441,532	-	441,532	622,204
Support and revenue over (under) expenses before endowment grant revenue	15,033	500	15,533	(47,084)
Endowment Grant Revenue (See Note 7)				
Interest and dividend income from investments, net		31,399	31,399	46,522
Realized gain (loss) on investments		(556,265)	(556,265)	449,570
Unrealized gain (loss) on investments		(310,668)	(310,668)	(985,301)
Total endowment grant revenue	-	(835,534)	(835,534)	(489,209)
Change in net assets	15,033	(835,034)	(820,001)	(536,293)
Net assets				
Beginning, July 1	17,888	3,573,332	3,591,220	4,127,513
Ending, June 30	\$ 32,921	\$ 2,738,298	\$ 2,771,219	\$ 3,591,220

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended June 30, 2009
 (with comparative totals for the fiscal year ended June 30, 2008)

	Program Services	Management & General	Fundraising	Total	
				2009	2008
Salaries and benefits	\$ 19,228	\$ 9,614	\$ 3,205	\$ 32,047	\$ 31,534
Payments to affiliated foundations	76,386			76,386	138,553
Scholarships	2,500			2,500	4,600
Facilities	3,000		85,242	88,242	54,584
Professional fees			7,870	7,870	221,926
Program activities	195,488			195,488	110,383
Public relations	5,000			5,000	33,150
Supplies and printing	13,414		16,135	29,549	14,458
General operating expenses		2,455	1,995	4,450	13,016
Total program and support expense	315,016	12,069	114,447	441,532	622,204
Investment expense	39,263			39,263	57,518
Total functional expense	\$ 354,279	\$ 12,069	\$ 114,447	\$ 480,795	\$ 679,722

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2009

(with comparative totals for the fiscal year ended June 30, 2008)

	2009	2008
Cash flows from operating activities		
Contributions and fundraising	\$ 483,874	\$ 545,673
Payments to affiliated foundations	(76,386)	(138,553)
Payments to suppliers	(356,861)	(375,131)
Payments to/on-behalf of students	(2,500)	(4,600)
Net cash provided by operating activities	48,127	27,389
Cash flows from investing activities		
Purchase of investments	(1,593,808)	(3,142,804)
Proceeds on the sale of investments	1,562,409	3,136,281
Net cash (used) by investing activities	(31,399)	(6,523)
Net increase in cash and cash equivalents	16,728	20,866
Cash and cash equivalents, beginning of year	73,703	52,837
Cash and cash equivalents, end of year	\$ 90,431	\$ 73,703
Reconciliation of change in net assets to cash provided by operating activities		
Change in net assets	\$ (820,001)	\$ (536,293)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Realized and unrealized loss on investments	866,933	536,070
Changes in assets and liabilities:		
(Increase)/decrease receivables	30,457	(27,174)
(Increase)/decrease prepaid expenses	5,000	599
Increase/(decrease) accounts payable	(10,720)	3,991
(Decrease) deferred revenue	(3,000)	(17,600)
Increase/(decrease) due to District	(52,764)	67,796
Increase due to affiliated foundations	32,222	-
Net cash provided by operating activities	\$ 48,127	\$ 27,389

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2009

NOTE 1 – ORGANIZATION:

The Rancho Santiago Community College District Foundation (the Foundation) is a nonprofit organization, organized in 1998, which operates as an auxiliary organization 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:

Reporting Entity

The Foundation is deemed a component unit of Rancho Santiago Community College District and has been included in the District's basic financial statements.

Basis of Accounting

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

Donations, other than cash, or the equivalent of cash (stocks, bonds, etc.), are recorded at estimated fair value at the time of the donation.

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. Temporarily restricted net assets are restricted for scholarships, endowment grant and other programmatic support.

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. The Foundation had no permanently restricted net assets at June 30, 2009.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 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.

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.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all checking, money market, and certificate of deposit accounts insured by Federal Deposit Insurance Corporation with an original maturity of 90 days or less.

Investments

Investments are recorded at fair value based on quoted market values.

Donated Services and Facilities

The Foundation records the value of donated services and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the financial statements at fair market value. Donated services are recorded 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.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 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.

NOTE 3 – SECURED DEPOSITS:

A. Deposits

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 the amount insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2009, none of the Foundation's bank balance of \$96,254 was exposed to an uninsured credit risk.

B. Investments

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$100,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values. As of June 30, 2009 the Foundation has investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2009 are as follows:

Cash investments	\$ 748,473
Long term investments	<u>1,980,637</u>
Total	\$ <u>2,729,110</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

NOTE 4 – INVESTMENTS:

Investments are presented in the financial statements at their aggregate fair value. The fair value of the marketable securities is based on quoted market values. Investments are comprised of money market funds, certificates of deposit and marketable securities. The cost and fair values at June 30, 2009 are as follows:

	Cost	Fair Value	Cumulative Net Gain/(Loss)
Money market (Level 1)	\$ 76,770	\$ 76,770	\$ -
Certificate of deposit (Level 1)	669,000	671,703	2,703
Marketable equity (Level 1)	2,352,004	1,980,637	(371,367)
Total	\$ 3,097,774	\$ 2,729,110	\$ (368,664)

In accordance with SFAS No. 157, levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Investment return for the year ending June 30, 2009 was as follows:

Investment income, net of expense of \$39,263	\$ 31,399
Net realized losses	(556,265)
Net unrealized losses	(310,668)
Total	\$ (835,534)

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$217,988 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 6 – 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. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services for the fiscal year 2009 was \$32,047 and is reflected in the financial statements as donated services.

During the current fiscal year, the Foundation contributed partial proceeds from a special event in the amount of \$76,386 to Santa Ana College Foundation and Santiago Canyon College Foundation. Contributions are for scholarships and textbooks. This amount is reflected on statement of functional expenses as payments to affiliated foundations.

NOTE 7 – 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.

The cumulative earnings from inception of the grant are \$2,503,083. In accordance with the grant agreement, fifty percent of the cumulative earnings may be used for allowable expenditures. At June 30, 2009, total cumulative expenditures from inception of the grant were \$1,275,702 leaving no available balance as a result of net investment losses of \$(796,271) that occurred in 2008-09. For the fiscal year ended June 30, 2009, the Foundation incurred expenditures of \$46,262.

At June 30, 2009, the fair value of cash equivalents and investments for the endowment grant is \$2,727,383. Net asset balances required to be maintained until 2012 had a \$24,161 deficiency due to market conditions.

NOTE 8 – PROJECTS AND GRANTS:

The Foundation has received several projects and grants from federal and local sources. The Foundation has contracted with the District to administer the program. For the fiscal year 2008-09 the following was spent and has been included in program services expenses.

Women in Business Grant	\$ 101,733
National Hispanic Business Women Project	78,755
Kinder/Connect – Merage Foundation Grant	<u>18,000</u>
Total	<u>\$ 198,488</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

NOTE 9 – CONTINGENCIES:

The Foundation has receivables in the amounts of \$10,757 and \$78,755 for the fiscal years ended June 30, 2008 and 2009 for the National Hispanic Business Women project. A corresponding payable has been set up to reimburse the District for administering the program. The Foundation is in the process of negotiating reimbursement from the organization for program expenses made on their behalf. Considering the lack of a formal contract, the collectability of this project is unknown and an allowance for uncollectible accounts receivable is not reflected in these financial statements. In the event the receivable is not collected, it is unknown as to whether the payable to the District will be required.

NOTE 10 – SUBSEQUENT EVENTS:

In accordance with FASB Accounting Standard 165, *Subsequent Events*, the Foundation has evaluated subsequent events through November 4, 2009, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition.