

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

**Financial Statements and  
Independent Auditor's Report  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Totals for June 30, 2010)**

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**SANTIAGO CANYON COLLEGE FOUNDATION  
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011  
(With Comparative Totals for June 30, 2010)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Santiago Canyon College Foundation  
Orange, CA 92869

We have audited the accompanying statement of financial position of the Santiago Canyon College Foundation (A Component Unit of the Rancho Santiago Community College District) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Santiago Canyon College 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 June 30, 2010 financial statements and, in our report dated October 6, 2010, we expressed an unqualified opinion on those 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, 2011, 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

November 30, 2011



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Santiago Canyon College Foundation  
Orange, CA 92869

We have audited the accompanying statement of financial position of the Santiago Canyon College Foundation (A Component Unit of the Rancho Santiago Community College District) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Santiago Canyon College 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 June 30, 2010 financial statements and, in our report dated October 6, 2010, we expressed an unqualified opinion on those statements.

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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, 2011, 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 30, 2011

**SANTIAGO CANYON COLLEGE FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2011**

**(with comparative totals as of June 30, 2010)**

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 382,006	\$ 386,191
Investments, at fair value	554,565	473,850
Accounts receivable		900
Due from affiliated foundation		21,128
Total current assets	<u>936,571</u>	<u>882,069</u>
Noncurrent assets		
Investments with FCCC	<u>93,338</u>	
Total assets	<u>\$ 1,029,909</u>	<u>\$ 882,069</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	<u>\$ 2,037</u>	<u>\$ 4,076</u>
Total current liabilities	<u>2,037</u>	<u>4,076</u>
Net assets		
Unrestricted		
Undesignated	347,864	296,651
Designated	<u>45,000</u>	<u>45,000</u>
Total unrestricted	<u>392,864</u>	<u>341,651</u>
Temporarily restricted		
Scholarships	298,535	376,154
Programmatic support	<u>243,135</u>	<u>160,188</u>
Total temporarily restricted	<u>541,670</u>	<u>536,342</u>
Permanently restricted		
FCCC endowment scholarship	<u>93,338</u>	
Total net assets	<u>1,027,872</u>	<u>877,993</u>
Total liabilities and net assets	<u>\$ 1,029,909</u>	<u>\$ 882,069</u>

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

**SANTIAGO CANYON COLLEGE FOUNDATION**

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**  
**(with comparative totals for the year ended June 30, 2010)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	
				<b>2011</b>	<b>2010</b>
<b>Support and revenue</b>					
Support:					
Contributions	\$ 21,224	\$ 135,481	\$ 93,338	\$ 250,043	\$ 147,279
Contribution from affiliated foundation	8,521	2,200		10,721	21,128
Fundraising		24,364		24,364	45,998
In-kind donations		41,425		41,425	19,736
Donated services	105,022			105,022	134,518
Donated facilities				-	7,950
Total support	134,767	203,470	93,338	431,575	376,609
Revenue:					
Interest from banks	1,535			1,535	2,243
Interest and dividends from investments, net	4,592	11,166		15,758	17,963
Unrealized gain (loss) on investments	42,835	31,495		74,330	41,034
Realized gain (loss) on investments	4,893	(2,409)		2,484	(17,008)
Total revenue	53,855	40,252	-	94,107	44,232
Total support and revenue before net assets released from restrictions	188,622	243,722	93,338	525,682	420,841
Net assets released from restrictions	238,394	(238,394)			-
Total support and revenue after net assets released from restrictions	427,016	5,328	93,338	525,682	420,841
<b>Expenses</b>					
Program services	252,791			252,791	292,192
Supporting services:					
Management and general	45,903			45,903	51,628
Fundraising	77,109			77,109	60,488
Total expenses	375,803	-	-	375,803	404,308
Change in net assets	51,213	5,328	93,338	149,879	16,533
<b>Net assets</b>					
Beginning, July 1	341,651	536,342	-	877,993	861,460
Ending, June 30	\$ 392,864	\$ 541,670	\$ 93,338	\$ 1,027,872	\$ 877,993

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, 2011**  
 (with comparative totals for the year ended June 30, 2010)

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2011</u>	<u>2010</u>
Donated salaries and benefits	\$ 63,013	\$ 31,507	\$ 10,502	\$ 105,022	\$ 134,518
Facilities				-	7,950
In-kind donations			41,425	41,425	19,736
Scholarship payments	125,208			125,208	123,807
Program activities	4,503			4,503	13,301
Salaries and benefits	10,476			10,476	16,403
Professional services	5,648	8,058	13,920	27,626	27,190
Public relations and advertising	250	2,175		2,425	5,050
Postage and printing	1,607		342	1,949	1,228
Supplies	24,133	2,325	5,817	32,275	34,862
Seminars and conferences	3,592	500		4,092	539
Dues and memberships	20	80		100	808
Equipment and repairs	6,381			6,381	-
Hospitality	5,963		5,103	11,066	11,195
General operating expenses	<u>1,997</u>	<u>1,258</u>	<u>          </u>	<u>3,255</u>	<u>7,721</u>
<b>Total program and support expense</b>	<b>252,791</b>	<b>45,903</b>	<b>77,109</b>	<b>375,803</b>	<b>404,308</b>
Investment expense	<u>          </u>	<u>1,010</u>	<u>          </u>	<u>1,010</u>	<u>2,911</u>
<b>Total functional expense</b>	<b>\$ 252,791</b>	<b>\$ 46,913</b>	<b>\$ 77,109</b>	<b>\$ 376,813</b>	<b>\$ 407,219</b>

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, 2011  
(with comparative totals for the fiscal year ended June 30, 2010)**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Contributions and fundraising	\$ 307,156	\$ 217,404
Interest and dividends, net	17,293	20,206
Payments to suppliers	(106,187)	(115,102)
Payments to/on-behalf of students	<u>(125,208)</u>	<u>(123,807)</u>
Net cash provided (used) by operating activities	<u>93,054</u>	<u>(1,299)</u>
<b>Cash flows from investing activities</b>		
Reinvested interest and dividends	(15,758)	(17,963)
Purchase of investments	(230,105)	(270,501)
Proceeds on the sale of investments	<u>148,624</u>	<u>270,112</u>
Net cash used by investing activities	<u>(97,239)</u>	<u>(18,352)</u>
Net decrease in cash and cash equivalents	(4,185)	(19,651)
Cash and cash equivalents, beginning of year	<u>386,191</u>	<u>405,842</u>
Cash and cash equivalents, end of year	<u>\$ 382,006</u>	<u>\$ 386,191</u>
<b>Reconciliation of change in net assets to net cash provided (used) by operating activities</b>		
Change in net assets	\$ 149,879	\$ 16,533
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Realized and unrealized net gain on investments	(76,814)	(24,026)
Changes in assets and liabilities:		
Decrease accounts receivables	900	8,016
(Increase)/decrease due from affiliated foundations	21,128	(5,017)
Increase/(decrease) accounts payable	<u>(2,039)</u>	<u>3,195</u>
Net cash provided (used) by operating activities	<u>\$ 93,054</u>	<u>\$ (1,299)</u>

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, 2011**

**NOTE 1 – ORGANIZATION:**

The Santiago Canyon College Foundation (the Foundation) is a nonprofit organization established 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:**

**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. An amount of \$45,000 has been designated by the board as a good faith effort toward future self-sufficiency.

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 scholarships, endowment grant and other programmatic support.

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011**

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

**Classification of Net Assets (continued)**

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. See Note 5 for further information.

**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.

**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.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold.

Unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets.

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011**

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

**In-Kind Donations**

The Foundation receives non-cash donations for items auctioned during their special fundraising events. These donations have been reflected in the statement of activities as in-kind donations and as fundraising expenses. The amount represents the fair value, when available, of the donated item.

**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.

**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 (>50%) be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011**

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

**Income Taxes** (continued)

The Foundation files informational return 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 by tax authorities for years before 2006.

**Subsequent Events**

The Foundation has evaluated subsequent events through November 30, 2011, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

**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) limit of \$250,000. At June 30, 2011, \$353,888 of the Foundation's bank balance of \$697,727 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, 2011 the Foundation has no investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2011 are as follows:

Cash investments	\$ 44,907
Long term investments	<u>509,658</u>
Total	<u>\$554,565</u>

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011**

**NOTE 4 – INVESTMENTS:**

Investments are recorded at cost at the date of acquisition or fair value at the date of the donation in the case of gifts. At June 30, fair value of the investments is determined, and if this amount is materially different from the carrying value (acquisition cost or gift valuation), the investments are adjusted to fair value. This adjustment is reflected in the statement of activities, and results in a change to net assets. The investments are reported at fair value in the Statement of Financial Position, with that determination made by aggregating all 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, 2011 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market (Level 1)	\$ 44,907	\$ 43,611	\$ 1,296
Mutual funds (Level 1)	189,877	166,484	23,393
Marketable securities:			
Equity (Level 1)	237,316	184,987	52,329
Debt (Level 1)	<u>82,465</u>	<u>79,441</u>	<u>3,024</u>
Total	<u>\$ 554,565</u>	<u>\$ 474,523</u>	<u>\$ 80,042</u>

Accounting Standards require that Levels 1 through 3 be 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, 2011 was as follows:

Investment income, net of expense of \$1,010	\$ 15,758
Net unrealized gain	74,330
Net realized gain	<u>2,484</u>
Total	<u>\$ 92,572</u>

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011**

**NOTE 5 – INVESTMENTS WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC):**

The Foundation has entered into a partnership arrangement with the California Colleges Scholarship Endowment (Endowment) through the Foundation for California Community Colleges (FCCC).

The Foundation transferred \$93,338 to the California Community Colleges Scholarship Endowment during the fiscal year June 30, 2011 from contributions received from donors and special events. These funds will be invested in a pooled investment fund held by the FCCC. At June 30, 2011, the fair value of this investment was \$93,338, which consisted of cash equity and fixed income instruments measured at quoted prices in active markets for identical assets. The FCCC has assembled an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the Endowment's assets.

The Endowment has been set up to provide matching scholarships funds for California community colleges. The Endowment was formed through a generous \$50 million matching commitment from the Bernard Osher Foundation and an initial contribution of \$25 million. The California Community Colleges and the FCCC has until June 2011 to raise an additional \$40 million, for which the Osher foundation will provide a 50 percent match up to \$25 million. The Endowment began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's FTES and each scholarship will be valued at \$1,000 for a school year.

**NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets of \$238,394 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

**NOTE 7 – RELATED PARTIES:**

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

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2011**

**NOTE 7 – RELATED PARTIES: (continued)**

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

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 director, administrative secretary, administrative scholarship assistant, and accountant. The donated services for the fiscal year 2011 were \$105,022, and have been reflected in the financial statements as donated services. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. For the fiscal year 2011, the Foundation no longer had its own designated area; therefore, donated facilities is not reflected in the financial statements.