

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

**Financial Statements and  
Independent Auditors' Report  
For the Fiscal Year Ended June 30, 2010  
(With Comparative Totals for June 30, 2009)**

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**SANTIAGO CANYON COLLEGE FOUNDATION  
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2010  
(With Comparative Totals for June 30, 2009)**

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## INDEPENDENT AUDITORS' 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, 2010, 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, 2009 financial statements and, in our report dated September 25, 2009, 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, 2010, 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

October 6, 2010

**SANTIAGO CANYON COLLEGE FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2010**

**(with comparative totals as of June 30, 2009)**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 386,191	\$ 405,842
Investments, at fair value	473,850	431,472
Accounts receivable	900	8,916
Due from affiliated foundation	<u>21,128</u>	<u>16,111</u>
Total assets	<u>\$ 882,069</u>	<u>\$ 862,341</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ <u>4,076</u>	\$ <u>881</u>
Total liabilities	<u>4,076</u>	<u>881</u>
 Net Assets		
Unrestricted		
Undesignated	296,651	279,939
Designated	<u>45,000</u>	<u>37,000</u>
Total unrestricted	<u>341,651</u>	<u>316,939</u>
Temporarily restricted		
Scholarships	160,188	366,377
Programmatic support	<u>376,154</u>	<u>178,144</u>
Total temporarily restricted	<u>536,342</u>	<u>544,521</u>
Total net assets	<u>877,993</u>	<u>861,460</u>
Total liabilities and net assets	<u>\$ 882,069</u>	<u>\$ 862,341</u>

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, 2010**  
**(with comparative totals for the year ended June 30, 2009)**

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
<b>Support and revenue</b>				
Support:				
Contributions	\$ 20,006	\$ 127,273	\$ 147,279	\$ 145,108
Contribution from affiliated foundation		21,128	21,128	38,193
Fundraising		45,998	45,998	40,340
In-kind donations		19,736	19,736	12,700
Donated services	134,518		134,518	287,100
Donated facilities	7,950		7,950	7,950
	162,474	214,135	376,609	531,391
Revenue:				
Interest from banks	2,243		2,243	3,758
Interest and dividends from investments	6,986	10,977	17,963	21,541
Unrealized gain (loss) on investments	29,196	11,838	41,034	(45,007)
Realized loss on investments	(7,517)	(9,491)	(17,008)	(45,005)
	30,908	13,324	44,232	(64,713)
Total support and revenue before net assets released from restrictions	193,382	227,459	420,841	466,678
Net assets released from restrictions	235,638	(235,638)	-	-
Total support and revenue after net assets released from restrictions	429,020	(8,179)	420,841	466,678
<b>Expenses</b>				
Program services	292,192		292,192	321,988
Supporting services:				
Management and general	51,628		51,628	103,261
Fundraising	60,488		60,488	78,175
	404,308	-	404,308	503,424
Change in net assets	24,712	(8,179)	16,533	(36,746)
<b>Net assets</b>				
Beginning, July 1	316,939	544,521	861,460	898,206
Ending, June 30	\$ 341,651	\$ 536,342	\$ 877,993	\$ 861,460

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, 2010**  
**(with comparative totals for the year ended June 30, 2009)**

	Program Services	Management & General	Fundraising	Total	
				2010	2009
Donated salaries and benefits	\$ 80,711	\$ 40,355	\$ 13,452	\$ 134,518	\$ 287,100
Facilities	4,770	2,385	795	7,950	7,950
In-kind donations			19,736	19,736	12,700
Scholarship payments	123,807			123,807	95,112
Program activities	13,301			13,301	10,800
Salaries and benefits	16,403			16,403	-
Professional services	4,359	1,959	20,872	27,190	30,359
Public relations and advertising	2,050	3,000		5,050	5,187
Postage and printing	895		333	1,228	230
Supplies	27,143	2,419	5,300	34,862	29,083
Seminars and conferences	340	199		539	6,685
Dues and memberships	298	510		808	1,178
Hospitality	11,195			11,195	10,178
General operating expenses	6,920	801		7,721	6,862
<b>Total program and support expense</b>	<u>292,192</u>	<u>51,628</u>	<u>60,488</u>	<u>404,308</u>	<u>503,424</u>
Investment expense		2,911		2,911	8,304
<b>Total functional expense</b>	<u>\$ 292,192</u>	<u>\$ 54,539</u>	<u>\$ 60,488</u>	<u>\$ 407,219</u>	<u>\$ 511,728</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, 2010  
(with comparative totals for the fiscal year ended June 30, 2009)**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Contributions and fundraising	\$ 217,404	\$ 199,150
Interest income	20,206	25,299
Payments to suppliers	(115,102)	(112,468)
Payments to/on-behalf of students	<u>(123,807)</u>	<u>(95,112)</u>
Net cash provided/(used) by operating activities	<u>(1,299)</u>	<u>16,869</u>
<b>Cash flows from investing activities</b>		
Reinvested interest and dividends	(17,963)	(21,541)
Purchase of investments	(270,501)	(18,142)
Proceeds on the sale of investments	<u>270,112</u>	<u>19,163</u>
Net cash used by investing activities	<u>(18,352)</u>	<u>(20,520)</u>
Net decrease in cash and cash equivalents	(19,651)	(3,651)
Cash and cash equivalents, beginning of year	<u>405,842</u>	<u>409,493</u>
Cash and cash equivalents, end of year	<u>\$ 386,191</u>	<u>\$ 405,842</u>
<b>Reconciliation of change in net assets to net cash provided (used) by operating activities</b>		
Change in net assets	\$ 16,533	\$ (36,746)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Realized and unrealized net (gain)/loss on investments	(24,026)	90,012
Changes in assets and liabilities:		
(Increase)/decrease receivables	8,016	(8,380)
Increase due from affiliated foundations	(5,017)	(16,111)
Increase/(decrease) accounts payable	<u>3,195</u>	<u>(11,906)</u>
Net cash provided/(used) by operating activities	<u>\$ (1,299)</u>	<u>\$ 16,869</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, 2010**

**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, 2010

#### 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. The Foundation has no permanently restricted net assets as of June 30, 2010.

##### 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.

##### 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.

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010**

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

**Reclassifications**

Certain reclassifications have been made to the 2008-09 statement of activities and statement of functional expense to conform to the 2009-10 statement of activities and statement of functional expense.

**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.

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 2005.

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010**

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

**Subsequent Events**

The Foundation has evaluated subsequent events through October 6, 2010, 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, 2010, \$85,652 of the Foundation's bank balance of \$404,190 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, 2010 the Foundation has no investments in excess of the SIPC insurance amount.

Investments with brokers at June 30, 2010 are as follows:

Cash investments	\$ 50,687
Long term investments	<u>423,163</u>
Total	<u>\$473,850</u>

**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. At June 30, 2010, the aggregate cost of investments was more than the fair value.

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010**

**NOTE 4 – INVESTMENTS: (continued)**

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, 2010 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market (Level 1)	\$ 48,809	\$ 50,687	\$ 1,878
Mutual funds (Level 1)	144,078	139,258	(4,820)
Marketable securities:			
Equity (Level 1)	210,735	208,401	(2,334)
Debt (Level 1)	<u>82,373</u>	<u>75,504</u>	<u>(6,869)</u>
Total	<u>\$ 485,995</u>	<u>\$ 473,850</u>	<u>\$ (12,145)</u>

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, 2010 was as follows:

Investment income, net of expense of \$2,911	\$ 17,963
Net unrealized gain	41,034
Net realized loss	<u>(17,008)</u>
Total	<u>\$ 41,989</u>

**SANTIAGO CANYON COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010**

**NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets of \$235,638 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

**NOTE 6 – 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.

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. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services and facilities for the fiscal year 2010 were \$134,518 and \$7,950, respectively, and have been reflected in the financial statements as donated services and facilities.

During the current fiscal year, the Santa Ana College Foundation contributed the partial proceeds from a special event in the amount of \$21,128 which is to be used for student programs and services. These amounts are reflected on the statement of activities as contribution from affiliated foundations.