

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION**
(A California Nonprofit Corporation)

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2014 AND 2013

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rancho Santiago Community College District Foundation (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rancho Santiago Community College District Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2014, on our consideration of Rancho Santiago Community College District Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rancho Santiago Community College District Foundation's internal control over financial reporting and compliance.

Vannest, Tume, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2014

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30,**

	2014	2013
ASSETS		
Current Assets		
Cash - unrestricted	\$ 71,294	\$ 114,454
Cash - restricted	2,183	14,347
Accounts receivable	30,827	30,827
Total Current Assets	104,304	159,628
Noncurrent Assets		
Investments - unrestricted	294,099	340,022
Total Assets	\$ 398,403	\$ 499,650
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 15,340	\$ 7,089
Deferred revenue	-	5,932
Total Current Liabilities	15,340	13,021
NET ASSETS		
Unrestricted	184,067	287,333
Temporarily restricted	198,996	199,296
Total Net Assets	383,063	486,629
Total Liabilities and Net Assets	\$ 398,403	\$ 499,650

See the accompanying notes to financial statements.

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,**

	2014		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 25,000	\$ 1,000	\$ 26,000
Fundraising	-	-	-
Donated salaries and benefits	21,282	-	21,282
Federal revenues	-	-	-
Miscellaneous revenue	-	-	-
Assets released from restrictions	1,300	(1,300)	-
Total Revenues	<u>47,582</u>	<u>(300)</u>	<u>47,282</u>
EXPENSES			
Operating expenses	156,648	-	156,648
Program expenses	1,300	-	1,300
Fundraising expenses	10,589	-	10,589
Total Expenses	<u>168,537</u>	<u>-</u>	<u>168,537</u>
OTHER INCOME (EXPENSE)			
Realized gain (loss) on sale of investments	(7,114)	-	(7,114)
Unrealized gain	5,731	-	5,731
Interest and dividends	19,072	-	19,072
Total Other Income (Expense)	<u>17,689</u>	<u>-</u>	<u>17,689</u>
CHANGE IN NET ASSETS	(103,266)	(300)	(103,566)
NET ASSETS, BEGINNING OF YEAR	<u>287,333</u>	<u>199,296</u>	<u>486,629</u>
NET ASSETS, END OF YEAR	<u><u>\$ 184,067</u></u>	<u><u>\$ 198,996</u></u>	<u><u>\$ 383,063</u></u>

See the accompanying notes to financial statements.

2013		
Unrestricted	Temporarily Restricted	Total
\$ 7,250	\$ 8,000	\$ 15,250
115,660	-	115,660
29,139	-	29,139
-	83,957	83,957
3,015	-	3,015
56,130	(56,130)	-
<u>211,194</u>	<u>35,827</u>	<u>247,021</u>
163,896	-	163,896
2,813,824	-	2,813,824
20,918	-	20,918
<u>2,998,638</u>	<u>-</u>	<u>2,998,638</u>
-	32,778	32,778
-	127,276	127,276
19,308	-	19,308
<u>19,308</u>	<u>160,054</u>	<u>179,362</u>
(2,768,136)	195,881	(2,572,255)
<u>3,055,469</u>	<u>3,415</u>	<u>3,058,884</u>
<u>\$ 287,333</u>	<u>\$ 199,296</u>	<u>\$ 486,629</u>

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (103,566)	\$ (2,572,255)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Contributions restricted for long-term purposes	(1,000)	(8,000)
Unrealized gain	(5,731)	(127,276)
Changes in Assets and Liabilities		
Decrease in accounts receivable	-	4,795
Increase in accounts payable	8,251	724
Decrease in due to Rancho Santiago Community College District	-	(33,653)
Decrease in deferred revenue	(5,932)	(3,000)
Net Cash Flows From Operating Activities	(107,978)	(2,738,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(47,600)	(350,032)
Proceeds on the sale of investments	99,254	2,919,259
Decrease (Increase) in restricted cash and cash equivalents	12,164	(1,795)
Net Cash Flows From Investing Activities	63,818	2,567,432
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	1,000	8,000
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(43,160)	(163,233)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	114,454	277,687
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 71,294	\$ 114,454

See the accompanying notes to financial statements.

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,**

	2014			
	Operating	Program	Fundraising	Total
Donated salaries and benefits	\$ 21,282	\$ -	\$ -	\$ 21,282
Contributions to college foundations	-	-	-	-
Foundation scholarships/Grants	19,977	1,300	-	21,277
Program expenses	-	-	-	-
Rental facility (short-term)	-	-	-	-
Bank/Credit card use fees	15	-	-	15
Dues, memberships, and subscriptions	125	-	-	125
Professional fees	8,800	-	-	8,800
Advertising - Foundation	-	-	-	-
Miscellaneous fundraising expenses	-	-	10,589	10,589
Investment expenses	3,673	-	-	3,673
Contracted services	101,696	-	-	101,696
Special events - other operating expenses	-	-	-	-
Supplies	1,080	-	-	1,080
TOTAL EXPENSES	\$ 156,648	\$ 1,300	\$ 10,589	\$ 168,537

See the accompanying notes to financial statements.

2013

Operating	Program	Fundraising	Total
\$ 29,139	\$ -	\$ -	\$ 29,139
-	2,438,907	-	2,438,907
1,000	3,000	-	4,000
-	371,550	-	371,550
69,019	-	-	69,019
2,091	-	-	2,091
114	367	-	481
8,800	-	-	8,800
-	-	1,900	1,900
-	-	16,942	16,942
45,606	-	-	45,606
6,750	-	-	6,750
-	-	438	438
1,377	-	1,638	3,015
<u>\$ 163,896</u>	<u>\$ 2,813,824</u>	<u>\$ 20,918</u>	<u>\$ 2,998,638</u>

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Rancho Santiago Community College District Foundation (the Foundation) is a nonprofit organization founded in 1998 for the purpose of receiving contributions for the support and advancement of education on behalf of Rancho Santiago Community College District (the District). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the District.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by, and directly under, the control of the Foundation.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation had no permanently restricted net assets at June 30, 2014. In addition, the Foundation is required to present a statement of cash flows. As permitted by the statement, the Foundation does not use fund accounting.

The Foundation and the District are financial interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis. Certain reclassifications may have been made to conform with the current year presentation.

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets 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 estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the District.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal informational tax returns for the years ended June 30, 2011, 2012, and 2013, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2010, 2011, 2012, and 2013, are open to audit by State authorities.

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2014, the Foundation did not have any cash balances held in financial institutions in excess of Federal depository insurance coverage.

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

NOTE 2 - RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	2014	2013
Scholarships	\$ 167,754	\$ 168,054
Other	31,242	31,242
Total Temporarily Restricted Net Assets	\$ 198,996	\$ 199,296

NOTE 3 - DONATED SERVICES

During the year, District staff and administrators donate significant amounts of time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. The Foundation records the value of donated services when there is an objective basis available to measure their fair value. Donated services are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value.

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 4 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2014 and 2013:

2014	Adjusted Cost	Fair Market Value	Unrealized Gain
Exchange traded funds	\$ 48,465	\$ 49,428	\$ 963
Mutual funds	239,903	244,671	4,768
Total	<u>\$ 288,368</u>	<u>\$ 294,099</u>	<u>\$ 5,731</u>
2013	Adjusted Cost	Fair Market Value	Unrealized Gain
Exchange traded funds	\$ 67,685	\$ 108,179	\$ 40,494
Mutual funds	145,061	231,843	86,782
Total	<u>\$ 212,746</u>	<u>\$ 340,022</u>	<u>\$ 127,276</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30:

	2014	2013
Interest and dividends	\$ 19,072	\$ 19,308
Realized gain (loss)	(7,114)	32,778
Net unrealized gain	5,731	127,276
Total	<u>\$ 17,689</u>	<u>\$ 179,362</u>

NOTE 5 - INVESTMENT SECURITIES

Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2014. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2014.

	Level 1
Assets	
Exchange traded funds	\$ 49,428
Mutual funds	244,671
Total	\$ 294,099

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2013. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2013.

	Level 1	Level 2	Total
Assets			
Exchange traded funds	\$ 108,179	\$ -	\$ 108,179
CDs and mutual funds	-	231,843	231,843
Total	\$ 108,179	\$ 231,843	\$ 340,022

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 6 - RELATED PARTY TRANSACTIONS

Rancho Santiago Community College District

Rancho Santiago Community College District charges administrative services to the Foundation. Salaries and benefits for the administrative staff and other services are paid by the District and reimbursed by the Foundation. Accordingly, at June 30, 2014, the Foundation did not owe the District any amounts.

NOTE 7 - DONOR DESIGNATED ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2014, is as follows:

	Temporarily Restricted
Donor-restricted endowment funds	\$ 167,754

Changes in endowment net assets as of June 30, 2014, are as follows:

	Temporarily Restricted
Endowment net assets, beginning of year	\$ 168,054
Contributions	1,000
Transfer to unrestricted	(1,300)
Endowment net assets, end of year	\$ 167,754

NOTE 8 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 29, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



**INDEPENDENT AUDITOR'S 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***

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

We have audited, in accordance with the 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, the financial statements of Rancho Santiago Community College District Foundation (the Foundation) (a California nonprofit corporation) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Rancho Santiago Community College District Foundation's basic financial statements, and have issued our report thereon dated November 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Rancho Santiago Community College District Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rancho Santiago Community College District Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Rancho Santiago Community College District Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rancho Santiago Community College District Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 audits 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rancho Santiago Community College District Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rancho Santiago Community College District Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vainich, Tine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2014