

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

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

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**JUNE 30, 2016 AND 2015**

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

**JUNE 30, 2016 AND 2015**

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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, 2016 and 2015, 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. 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, 2016 and 2015, 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.

*Vavrinich, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2016

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

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30,**

	2016	2015
<b>ASSETS</b>		
Current Assets		
Cash - unrestricted	\$ 44,111	\$ 54,443
Cash - restricted	120,515	76,515
Accounts receivable	34,916	36,435
Inventory	523	523
Total Current Assets	200,065	167,916
Noncurrent Assets		
Investments	-	142,855
Total Assets	\$ 200,065	\$ 310,771
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 187	\$ 115,264
Funds held on behalf of others	112,500	67,500
Total Current Liabilities	112,687	182,764
<b>NET ASSETS</b>		
Unrestricted	54,469	90,165
Temporarily restricted	32,909	37,842
Total Net Assets	87,378	128,007
Total Liabilities and Net Assets	\$ 200,065	\$ 310,771

See the accompanying notes to financial statements.

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
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**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Contributions	\$ 25,500	\$ 23,500	\$ 49,000
Donated salaries and benefits	23,616	-	23,616
Assets released from restrictions	28,433	(28,433)	-
Total Revenues	<u>77,549</u>	<u>(4,933)</u>	<u>72,616</u>
<b>EXPENSES</b>			
Operating expenses	102,918	-	102,918
Program expenses	11,162	-	11,162
Total Expenses	<u>114,080</u>	<u>-</u>	<u>114,080</u>
<b>OTHER INCOME (EXPENSE)</b>			
Realized gain (loss) on sale of investments	719	-	719
Unrealized loss	-	-	-
Interest and dividends	116	-	116
Total Other Income (Expense)	<u>835</u>	<u>-</u>	<u>835</u>
<b>TRANSFERS</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(35,696)	(4,933)	(40,629)
<b>NET ASSETS, BEGINNING OF YEAR</b>	90,165	37,842	128,007
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 54,469</u>	<u>\$ 32,909</u>	<u>\$ 87,378</u>

See the accompanying notes to financial statements.

2015

Unrestricted	Temporarily Restricted	Total
\$ 7,500	\$ 6,000	\$ 13,500
22,806	-	22,806
2,100	(2,100)	-
<u>32,406</u>	<u>3,900</u>	<u>36,306</u>
248,033	-	248,033
47,143	-	47,143
<u>295,176</u>	<u>-</u>	<u>295,176</u>
(3,581)	-	(3,581)
(7,508)	-	(7,508)
14,903	-	14,903
<u>3,814</u>	<u>-</u>	<u>3,814</u>
<u>165,054</u>	<u>(165,054)</u>	<u>-</u>
(93,902)	(161,154)	(255,056)
184,067	198,996	383,063
<u>\$ 90,165</u>	<u>\$ 37,842</u>	<u>\$ 128,007</u>

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

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (40,629)	\$ (255,056)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Contributions restricted for long-term purposes	(23,500)	(6,000)
Unrealized loss	-	7,508
Changes in Assets and Liabilities		
Accounts receivable	1,519	(5,608)
Inventory	-	(523)
Accounts payable	(115,077)	99,924
Amounts held on behalf of others	45,000	67,500
Net Cash Flows From Operating Activities	(132,687)	(92,255)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(6,264)
Proceeds on the sale of investments	142,855	150,000
Increase in restricted cash and cash equivalents	(44,000)	(74,332)
Net Cash Flows From Investing Activities	98,855	69,404
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of contributions restricted for long-term purposes	23,500	6,000
<b>NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	(10,332)	(16,851)
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	54,443	71,294
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 44,111	\$ 54,443

See the accompanying notes to financial statements.



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

	2016		
	Operating	Program	Total
Donated salaries and benefits	\$ 23,616	\$ -	\$ 23,616
Contributions to college foundations	-	-	-
Foundation scholarships/Grants	-	10,000	10,000
Bank/Credit card use fees	213	-	213
Professional fees	64,226	-	64,226
Travel and conferences	1,586	-	1,586
Community and public relations	-	1,162	1,162
Investment expenses	-	-	-
Contracted services	6,972	-	6,972
Supplies	230	-	230
Write-off of bad debt	5,933	-	5,933
Miscellaneous	142	-	142
TOTAL EXPENSES	<u>\$ 102,918</u>	<u>\$ 11,162</u>	<u>\$ 114,080</u>

See the accompanying notes to financial statements.

2015

Operating	Program	Total
\$ 22,806	\$ -	\$ 22,806
-	5,000	5,000
-	2,100	2,100
15	-	15
201,794	-	201,794
13,392	18,430	31,822
-	21,613	21,613
2,695	-	2,695
-	-	-
1,472	-	1,472
-	-	-
5,859	-	5,859
<u>\$ 248,033</u>	<u>\$ 47,143</u>	<u>\$ 295,176</u>

**RANCHO SANTIAGO  
COMMUNITY COLLEGE DISTRICT FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

***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 enhance the economic development of their region and to generate revenue to supplement the resources of the District and its two colleges, Santa Ana College and Santiago Canyon College.

**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, 2016. In addition, the Foundation is required to present a statement of cash flows. 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.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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.

**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, 2013, 2014, and 2015, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2012, 2013, 2014, and 2015, 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. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016, 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.

**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 and operating activities.

**NOTE 2 - RESTRICTED NET ASSETS**

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

	2016	2015
Scholarships	\$ 11,600	\$ 11,600
Other	21,309	26,242
Total Temporarily Restricted Net Assets	\$ 32,909	\$ 37,842

**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.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 - INVESTMENTS**

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015:

	Adjusted Cost	Fair Market Value	Unrealized Loss
Exchange traded funds	\$ 114,671	\$ 108,945	\$ (5,726)
Mutual funds	35,692	33,910	(1,782)
Total	<u>\$ 150,363</u>	<u>\$ 142,855</u>	<u>\$ (7,508)</u>

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

	2016	2015
Interest and dividends	\$ 116	\$ 14,903
Realized gain (loss)	719	(3,581)
Unrealized loss	-	(7,508)
Total	<u>\$ 835</u>	<u>\$ 3,814</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.

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.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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 Foundation did not have any assets or liabilities measured at fair value on a recurring basis as of June 30, 2016.

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2015. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2015.

	Level 1
Assets	
Exchange traded funds	\$ 108,945
Mutual funds	33,910
Total	\$ 142,855

***NOTE 6 - FUNDS HELD FOR OTHERS***

The Foundation solicits donations and contributions for the District. These monies are received by the Foundation and then passed through to the District. At June 30, 2016, \$112,500 of the amounts received for the District was still held by the Foundation.

***NOTE 7 - TRANSFERS BETWEEN FUNDS***

During the year ended June 30, 2015, temporarily restricted funds in the amount of \$165,054 were transferred to unrestricted funds based on management analysis and donor authorizations.

***NOTE 8 - DONOR DESIGNATED ENDOWMENTS***

Endowment net asset composition by type of fund as of June 30, 2016, is as follows:

	Temporarily Restricted
Donor-restricted endowment funds	\$ 32,909

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

Changes in endowment net assets as of June 30, 2016, are as follows:

	<u>Temporarily Restricted</u>
Endowment net assets, beginning of year	\$ 37,842
Contributions	23,500
Transfer to unrestricted	<u>(28,433)</u>
Endowment net assets, end of year	<u><u>\$ 32,909</u></u>

***NOTE 9 - 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 December 5, 2016, 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.