

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

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

JUNE 30, 2015 AND 2014

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

JUNE 30, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 3, 2015

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

**STATEMENTS OF FINANCIAL POSITION
JUNE 30,**

	2015	2014
ASSETS		
Current Assets		
Cash - unrestricted	\$ 130,958	\$ 71,294
Cash - restricted	-	2,183
Accounts receivable	36,435	30,827
Inventory	523	-
Total Current Assets	167,916	104,304
Noncurrent Assets		
Investments - unrestricted	70,917	294,099
Investments - restricted	71,938	-
Total Noncurrent Assets	142,855	294,099
Total Assets	\$ 310,771	\$ 398,403
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 115,264	\$ 15,340
Funds held on behalf of others	67,500	-
Total Current Liabilities	182,764	15,340
NET ASSETS		
Unrestricted	(74,889)	184,067
Temporarily restricted	202,896	198,996
Total Net Assets	128,007	383,063
Total Liabilities and Net Assets	\$ 310,771	\$ 398,403

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,**

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 7,500	\$ 6,000	\$ 13,500
Donated salaries and benefits	22,806	-	22,806
Assets released from restrictions	2,100	(2,100)	-
Total Revenues	<u>32,406</u>	<u>3,900</u>	<u>36,306</u>
EXPENSES			
Operating expenses	248,033	-	248,033
Program expenses	47,143	-	47,143
Fundraising expenses	-	-	-
Total Expenses	<u>295,176</u>	<u>-</u>	<u>295,176</u>
OTHER INCOME (EXPENSE)			
Realized loss on sale of investments	(3,581)	-	(3,581)
Unrealized gain (loss)	(7,508)	-	(7,508)
Interest and dividends	14,903	-	14,903
Total Other Income (Expense)	<u>3,814</u>	<u>-</u>	<u>3,814</u>
CHANGE IN NET ASSETS	(258,956)	3,900	(255,056)
NET ASSETS, BEGINNING OF YEAR	<u>184,067</u>	<u>198,996</u>	<u>383,063</u>
NET ASSETS, END OF YEAR	<u><u>\$ (74,889)</u></u>	<u><u>\$ 202,896</u></u>	<u><u>\$ 128,007</u></u>

See the accompanying notes to financial statements.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 25,000	\$ 1,000	\$ 26,000
21,282	-	21,282
1,300	(1,300)	-
<u>47,582</u>	<u>(300)</u>	<u>47,282</u>
156,648	-	156,648
1,300	-	1,300
10,589	-	10,589
<u>168,537</u>	<u>-</u>	<u>168,537</u>
(7,114)	-	(7,114)
5,731	-	5,731
19,072	-	19,072
<u>17,689</u>	<u>-</u>	<u>17,689</u>
(103,266)	(300)	(103,566)
287,333	199,296	486,629
<u>\$ 184,067</u>	<u>\$ 198,996</u>	<u>\$ 383,063</u>

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

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (255,056)	\$ (103,566)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Contributions restricted for long-term purposes	(6,000)	(1,000)
Unrealized loss (gain)	7,508	(5,731)
Changes in Assets and Liabilities		
Increase in accounts receivable	(5,608)	-
Increase in inventory	(523)	-
Increase in accounts payable	99,924	8,251
Increase in amounts held on behalf of others	67,500	-
Decrease in deferred revenue	-	(5,932)
Net Cash Flows From Operating Activities	(92,255)	(107,978)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,264)	(47,600)
Proceeds on the sale of investments	150,000	99,254
Decrease (Increase) in restricted cash and cash equivalents	2,183	12,164
Net Cash Flows From Investing Activities	145,919	63,818
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	6,000	1,000
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	59,664	(43,160)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	71,294	114,454
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 130,958	\$ 71,294

See the accompanying notes to financial statements.

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

	2015		
	Operating	Program	Total
Donated salaries and benefits	\$ 22,806	\$ -	\$ 22,806
Contributions to college foundations	-	5,000	5,000
Foundation scholarships/Grants	-	2,100	2,100
Bank/Credit card use fees	15	-	15
Dues, memberships, and subscriptions	-	-	-
Professional fees	201,794	-	201,794
Travel and conferences	13,392	18,430	31,822
Community and public relations	-	21,613	21,613
Miscellaneous fundraising expenses	-	-	-
Investment expenses	2,695	-	2,695
Contracted services	-	-	-
Supplies	1,472	-	1,472
Miscellaneous	5,859	-	5,859
TOTAL EXPENSES	\$ 248,033	\$ 47,143	\$ 295,176

See the accompanying notes to financial statements.

2014

Operating	Program	Fundraising	Total
\$ 21,282	\$ -	\$ -	\$ 21,282
-	-	-	-
19,977	1,300	-	21,277
15	-	-	15
125	-	-	125
8,800	-	-	8,800
-	-	-	-
-	-	-	-
-	-	10,589	10,589
3,673	-	-	3,673
101,696	-	-	101,696
1,080	-	-	1,080
-	-	-	-
<u>\$ 156,648</u>	<u>\$ 1,300</u>	<u>\$ 10,589</u>	<u>\$ 168,537</u>

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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, 2015. 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, 2015 AND 2014**

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, 2012, 2013, and 2014, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2011, 2012, 2013, and 2014, 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.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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, 2015, 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, support services, and fundraising activities.

NOTE 2 - RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 171,654	\$ 167,754
Other	31,242	31,242
Total Temporarily Restricted Net Assets	<u>\$ 202,896</u>	<u>\$ 198,996</u>

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, 2015 AND 2014**

NOTE 4 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015 and 2014:

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>
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>

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

	2015	2014
Interest and dividends	\$ 14,903	\$ 19,072
Realized loss	(3,581)	(7,114)
Net unrealized gain	(7,508)	5,731
Total	<u>\$ 3,814</u>	<u>\$ 17,689</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.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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, 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

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

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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, 2015, \$67,500 of the amounts received for the District was still held by the Foundation.

NOTE 7 - 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, 2015, the Foundation did not owe the District any amounts.

NOTE 8 - DONOR DESIGNATED ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Temporarily Restricted
Donor-restricted endowment funds	<u>\$ 171,654</u>

Changes in endowment net assets as of June 30, 2015, are as follows:

	Temporarily Restricted
Endowment net assets, beginning of year	\$ 167,754
Contributions	6,000
Transfer to unrestricted	(2,100)
Endowment net assets, end of year	<u>\$ 171,654</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 3, 2015, 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.