

SANTA ANA COLLEGE FOUNDATION

**Financial Statements
And Independent Auditor's Report
For the Fiscal Year Ended June 30, 2004**

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And Independent Auditor's Report
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Independent Auditor's Report

To the Board of Directors
Santa Ana College Foundation
Santa Ana, California

We have audited the accompanying statement of financial position of the Santa Ana College Foundation ("Foundation") as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the 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 2003 financial statements and, in our report dated October 31, 2003, we expressed an unqualified opinion on those financial 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 Foundation as of June 30, 2004, 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.

Macias, Gini & Company LLP

Certified Public Accountants

Los Angeles, California
October 29, 2004

SANTA ANA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2004
(with comparative totals as of June 30, 2003)

	2004	2003
ASSETS		
Cash and cash equivalents	\$ 1,257,268	\$ 1,183,773
Accounts receivable	500	14,350
Note receivable	-	50,000
Prepaid assets	-	1,000
Investments, at fair value	874,197	794,471
Total assets	\$ 2,131,965	\$ 2,043,594
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,865	\$ 2,484
Due to organizations	66,113	66,551
Total liabilities	68,978	69,035
Net Assets		
Unrestricted	232,115	348,382
Temporarily restricted:		
Scholarships	696,896	737,399
Programmatic support	988,420	819,473
Endowment	145,556	69,305
Total temporarily restricted	1,830,872	1,626,177
Total net assets	2,062,987	1,974,559
Total liabilities and net assets	\$ 2,131,965	\$ 2,043,594

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

SANTA ANA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004
(with comparative totals for the fiscal
year ended June 30, 2003)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Support and revenue				
Support:				
Contributions	\$ 37,819	\$ 346,061	\$ 383,880	\$ 821,179
Contribution from affiliated foundation	10,845	2,100	12,945	1,800
Fundraising (net of expenses of \$40,661)	-	44,790	44,790	15,645
Donated services	208,104	-	208,104	185,498
Donated facilities	5,532	-	5,532	5,532
Total support	<u>262,300</u>	<u>392,951</u>	<u>655,251</u>	<u>1,029,654</u>
Revenue:				
Interest and dividends	17,019	17,479	34,498	34,850
Realized (loss) gain on investments	(934)	707	(227)	(3,758)
Unrealized (loss) gain on investments	33,556	14,636	48,192	(12,612)
Total revenue	<u>49,641</u>	<u>32,822</u>	<u>82,463</u>	<u>18,480</u>
Total support and revenue before net assets released from restrictions	311,941	425,773	737,714	1,048,134
Net assets released from restrictions	<u>221,078</u>	<u>(221,078)</u>	<u>-</u>	<u>-</u>
Total support and revenue	533,019	204,695	737,714	1,048,134
Expenses				
Program services	465,753	-	465,753	410,897
Supporting services:				
Management and general	81,343	-	81,343	71,192
Fundraising	102,190	-	102,190	89,486
Total expenses	<u>649,286</u>	<u>-</u>	<u>649,286</u>	<u>571,575</u>
Change in net assets	(116,267)	204,695	88,428	476,559
Net assets				
Beginning, July 1	<u>348,382</u>	<u>1,626,177</u>	<u>1,974,559</u>	<u>1,498,000</u>
Ending, June 30	<u>\$ 232,115</u>	<u>\$ 1,830,872</u>	<u>\$ 2,062,987</u>	<u>\$ 1,974,559</u>

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

SANTA ANA COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Fiscal Ended June 30, 2004
(with comparative totals for the fiscal year ended June 30, 2003)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2004</u>	<u>2003</u>
Salaries and benefits	\$ 43,702	\$ 72,836	\$ 91,566	\$ 208,104	\$ 185,498
Scholarship payments	201,734	-	-	201,734	244,945
Facilities	1,162	1,936	2,434	5,532	5,532
Professional fees	62,407	1,040	2,307	65,754	26,007
Program activities	57,750	-	-	57,750	45,054
Printing	21,852	-	-	21,852	19,470
Public relations	21,993	18	22	22,033	19,079
Supplies	41,663	3,094	3,284	48,041	20,203
Seminars and conferences	5,161	-	-	5,161	246
Equipment	930	-	-	930	-
General operating expenses	7,399	2,419	2,577	12,395	5,541
	<u>\$ 465,753</u>	<u>\$ 81,343</u>	<u>\$ 102,190</u>	<u>\$ 649,286</u>	<u>\$ 571,575</u>

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

SANTA ANA COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2004
(with comparative totals for the fiscal year ended June 30, 2003)

	2004	2003
Cash flows from operating activities		
Change in net assets	\$ 88,428	\$ 476,559
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Unrealized (gain) loss on investments	(48,192)	12,612
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	13,850	(12,749)
Decrease (increase) in prepaid assets	1,000	(1,000)
Increase in accounts payable	381	224
(Decrease) in due to organizations	(438)	(14,033)
Net cash provided by operating activities	55,029	461,613
Cash flows from investing activities		
Repayment of note	50,000	-
Reinvested interests and dividends	(34,498)	(20,836)
Proceeds on the sale of investments	2,964	-
Purchase of investments	-	(30,748)
Net cash (used) by investing activities	18,466	(51,584)
Net increase in cash and cash equivalents	73,495	410,029
Cash and cash equivalents, beginning of year	1,183,773	773,744
Cash and cash equivalents, end of year	\$ 1,257,268	\$ 1,183,773

The accompanying notes are an integral part of these financial statements

**SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - ORGANIZATION

The Santa Ana College Foundation (“Foundation”) is a nonprofit organization founded in 1968 to assist in the achievement and maintenance of a superior program of public education and community participation with the Rancho Santiago Community College District (District) by receiving contributions from the public, raising funds and making contributions to educational and community programs of Santa Ana College (SAC), and by developing, conducting and financing programs and projects designed to benefit the students enrolled in the educational and community programs of the Rancho Santiago Community College District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

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.

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 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.

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.

Contributions

Contributions, including unconditional promises to give, are recorded as 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 the present value of 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.

**SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking and savings accounts.

Investments

Investments are recorded at fair value.

Fixed Assets and Depreciation

Purchased assets are recorded at cost and donated assets are recorded at their fair market value when donated. Depreciation for equipment and leasehold improvements are computed on a straight-line basis over an estimated useful life of three to five years. The Foundation capitalizes all expenditures for computers in excess of \$1,000.

Due to Organizations

The Foundation acts as a fiscal agent for organizations and groups of Santa Ana College.

Donated Services and Facilities

The Foundation records the value of services 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 fair market value.. Donated services are recorded at fair value when a specialized skill is provided that would have otherwise been purchased or paid.

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 and California income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

**SANTA ANA COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Financial Information of the Prior Year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$221,078 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 4 - NOTE RECEIVABLE

The Foundation provided an interest-free loan to the Rancho Santiago Community College District Foundation in the amount of \$50,000 in fiscal year ending 2002. The loan was repaid in December 2003.

NOTE 5 - FIXED ASSETS

A summary of fixed assets at June 30, 2004 is as follows:

Computer equipment	\$ 1,786
Less accumulated depreciation	<u>(1,786)</u>
Total	<u><u>\$ -</u></u>

Depreciation expense for the period is zero.

NOTE 6 – 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 and marketable equity and debt securities. The cost and fair values at June 30, 2004 are as follows:

	<u>Cost</u>	<u>Fair value</u>
Money market funds	\$ 99,943	\$ 99,943
Marketable securities:		
Equity	458,731	447,312
Debt	<u>322,024</u>	<u>326,942</u>
Total	<u><u>\$ 880,698</u></u>	<u><u>\$ 874,197</u></u>

**SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 7 - RELATED PARTIES

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

To assist the Foundation in carrying out this purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, secretary and accountant. In addition, working space for employees who perform administrative services for the Foundation are provided by the District at no charge. The donated services and facilities for fiscal year 2004 were \$208,104 and \$5,532 respectively and have been reflected in the financial statements as donated services and facilities.

During the current fiscal year, the Rancho Santiago Community College District Foundation (RSCCDF) contributed the partial proceeds from a special event in the amount of \$10,845 and scholarship funds in the amount of \$2,100. These amounts are reflected on the statement of activities as contribution from affiliated foundation.

The Foundation made an interest free loan of \$50,000 in fiscal year ending 2002 to RSCCDF and was repaid in December 2003. See Note 4, note receivable.

NOTE 8 – INSURED DEPOSITS

As of June 30, 2004, the Foundation has cash deposits in aggregate of \$1,246,868 with two financial institutions. The National Credit Union Association (NCUA) and the Federal Depository Insurance Corporation (FDIC) limits each corporation to a recovery of \$100,000 for all accounts at one financial institution. Therefore, the Foundation is subject to the risk of loss for amounts in excess of this limit.

NOTE 9 – ENDOWMENT GRANT

The District provided the Foundation with an endowment grant which was awarded by the U.S. Department of Education in fiscal year ended June 30, 2003. This grant is a Title V, Hispanic Serving Institution Grant and the purpose is to expand educational opportunities for, and improve the academic attainment of Hispanic students; and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation shall receive \$251,524 through September 2006 upon certification that matching funds from acceptable resources are met. In fiscal year 2003, the Foundation contributed matching funds of \$58,594 and in fiscal year 2004 they contributed \$28,041. The corpus of the endowment is to be invested over a period of twenty years and the Foundation may not spend more than fifty percent of the aggregate income earned for allowable expenditures. At the end of twenty years, the Foundation may use the corpus for any educational purpose. At June 30, 2004, the fair value of the endowment grant is \$145,556.