

SANTIAGO CANYON COLLEGE FOUNDATION

**Financial Statements
And Independent Auditor's Report
For the Fiscal Year Ended June 30, 2005**

**SANTIAGO CANYON COLLEGE FOUNDATION
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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Independent Auditor's Report

To the Board of Directors
Santiago Canyon College Foundation

We have audited the accompanying statement of financial position of the Santiago Canyon College Foundation ("Foundation") as of June 30, 2005, 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 2004 financial statements and, in our report dated September 30, 2004, 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2005, 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 14, 2005

SANTIAGO CANYON COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005
(with comparative totals as of June 30, 2004)

| | <u>2005</u> | <u>2004</u> |
|---------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 277,585 | \$ 213,332 |
| Accounts receivable | 3,889 | 3,243 |
| Pledges receivable | - | 2,242 |
| Investments, at fair value | 471,678 | 439,044 |
| Total current assets | <u>753,152</u> | <u>657,861</u> |
| Fixed assets, net | - | 318 |
| Total assets | <u>\$ 753,152</u> | <u>\$ 658,179</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 2,740 | \$ 2,610 |
| Due to organizations | 18,378 | 31,210 |
| Total liabilities | <u>21,118</u> | <u>33,820</u> |
| Net assets | | |
| Unrestricted | 324,194 | 283,810 |
| Temporarily restricted: | | |
| Scholarships | 327,353 | 287,427 |
| Programmatic support | 73,235 | 47,235 |
| Endowment | 7,252 | 5,887 |
| Total temporarily restricted | <u>407,840</u> | <u>340,549</u> |
| Total net assets | <u>732,034</u> | <u>624,359</u> |
| Total Liabilities and Net Assets | <u>\$ 753,152</u> | <u>\$ 658,179</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, 2005
(with comparative totals for the fiscal year ended June 30, 2004)

| | <u>2005</u> | | | <u>2004</u> |
|--|---------------------|-----------------------------------|-------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Total</u> |
| Support and revenue | | | | |
| Support: | | | | |
| Contributions | \$ 1,390 | \$ 101,864 | \$ 103,254 | \$ 87,072 |
| Special event (net of expenses of \$39,540) | 17,050 | 20,537 | 37,587 | 41,263 |
| Contributions from affiliated foundation | 35,737 | 6,943 | 42,680 | 12,645 |
| Donated services | 83,809 | - | 83,809 | 156,617 |
| Donated facilities | 6,330 | - | 6,330 | 6,330 |
| Total support | <u>144,316</u> | <u>129,344</u> | <u>273,660</u> | <u>303,927</u> |
| Revenue: | | | | |
| Interest and dividends | 5,977 | 11,534 | 17,511 | 15,108 |
| Unrealized gains/(loss) on investments | (5,200) | 3,719 | (1,481) | 28,287 |
| Realized gain on investments | 4,195 | - | 4,195 | 268 |
| Management fees | 967 | - | 967 | 1,644 |
| Other revenue | 392 | - | 392 | 1,010 |
| Total revenue | <u>6,331</u> | <u>15,253</u> | <u>21,584</u> | <u>46,317</u> |
| Total support and revenue before net assets released from restrictions | 150,647 | 144,597 | 295,244 | 350,244 |
| Net assets released from restrictions | <u>77,306</u> | <u>(77,306)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue after net assets released from restrictions | 227,953 | 67,291 | 295,244 | 350,244 |
| Expenses | | | | |
| Program services | 138,253 | - | 138,253 | 124,355 |
| Supporting services: | | | | |
| Management and general | 6,433 | - | 6,433 | 108,344 |
| Fundraising | 42,883 | - | 42,883 | 25,943 |
| Total expenses | <u>187,569</u> | <u>-</u> | <u>187,569</u> | <u>258,642</u> |
| Increase in net assets | 40,384 | 67,291 | 107,675 | 91,602 |
| Net assets - beginning of year | <u>283,810</u> | <u>340,549</u> | <u>624,359</u> | <u>532,757</u> |
| Net assets - end of year | <u>\$ 324,194</u> | <u>\$ 407,840</u> | <u>\$ 732,034</u> | <u>\$ 624,359</u> |

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, 2005
(with comparative totals for the fiscal year ended June 30, 2004)

| | 2005 | | | 2004 | |
|----------------------------|-----------------------------|-------------------------------------|--------------------|-------------------|-------------------|
| | Program Services | Management & General | Fundraising | Total | Total |
| Salaries and benefits | \$ 47,492 | \$ 5,587 | \$ 30,730 | \$ 83,809 | \$ 156,616 |
| Scholarship payments | 53,418 | - | - | 53,418 | 51,805 |
| Facilities | 3,587 | 422 | 2,321 | 6,330 | 6,330 |
| Professional fees | 3,066 | 185 | 1,019 | 4,270 | 5,075 |
| Program activities | 10,710 | - | - | 10,710 | 11,477 |
| Public relations | 1,111 | - | 7,495 | 8,606 | 3,223 |
| Supplies and printing | 4,919 | 42 | 231 | 5,192 | 9,139 |
| Seminars and conferences | 544 | 64 | 352 | 960 | 110 |
| Minor equipment | 2,220 | - | - | 2,220 | 2,235 |
| Depreciation | 180 | 21 | 117 | 318 | 2,603 |
| Hospitality | 3,560 | - | - | 3,560 | 3,268 |
| Bad debt expenses | 2,242 | - | - | 2,242 | - |
| General operating expenses | 5,204 | 112 | 618 | 5,934 | 6,761 |
| Total operating expenses | <u>\$ 138,253</u> | <u>\$ 6,433</u> | <u>\$ 42,883</u> | <u>\$ 187,569</u> | <u>\$ 258,642</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, 2005
(with comparative totals for the fiscal year ended June 30, 2004)

| | 2005 | 2004 |
|--|-------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 107,675 | \$ 91,602 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 318 | 2,603 |
| Provision for bad debts | 2,242 | - |
| Unrealized loss (gain) on investments | 1,481 | (28,287) |
| Changes in operating assets and liabilities: | | |
| (Increase) in accounts receivable | (646) | (1,375) |
| Decrease in pledges receivable | - | 702 |
| Increase (decrease) in accounts payable | 130 | (235) |
| (Decrease) increase in due to organizations | (12,832) | 6,466 |
| Net cash provided by operating activities | 98,368 | 71,476 |
| Cash flows from financing activities | | |
| Repayment of note | - | 30,000 |
| Net cash provided for financing activities | - | 30,000 |
| Cash flows from investing activities | | |
| Proceeds on the sale of investments | 16,777 | 1,300 |
| Purchase of investments | (36,137) | (35,173) |
| Reinvested dividends and interest | (14,755) | (13,288) |
| Net cash (used) by investing activities | (34,115) | (47,161) |
| Net increase in cash | 64,253 | 54,315 |
| Cash and cash equivalents, beginning of year | 213,332 | 159,017 |
| Cash and cash equivalents, end of year | \$ 277,585 | \$ 213,332 |

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, 2005**

NOTE 1 - ORGANIZATION

The Santiago Canyon College Foundation (“Foundation”) is a nonprofit organization, organized 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

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.

SANTIAGO CANYON COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents consist of cash in interest bearing bank accounts.

Pledges Receivable

Pledges receivable are recorded at their present value, provide for annual payments and are collectable in full over a specified period of time.

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 is computed on a straight-line basis over an estimated useful life of three to five years. The Foundation capitalizes all expenditures for equipment in excess of \$1,000.

Due to Organizations

The Foundation acts as a fiscal agent for organizations and groups of Santiago Canyon College.

Donated Assets, 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 of facilities for the year. Donated services are recorded at fair value when a specialized skill is provided that would have otherwise been purchased. Donated assets are not reflected in the accompanying statements since all donated assets are accepted by the Foundation on behalf of the SCC.

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.

**SANTIAGO CANYON COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to fiscal year 2004 amounts to conform to the fiscal year 2005 presentation.

Income Taxes

The Foundation is a non-profit foundation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

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, 2004, from which the summarized information was derived.

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements at their aggregate fair value. The fair values of the marketable securities are based on quoted market prices. Investments are comprised of money market funds and marketable equity and debt securities. The cost and fair values at June 30, 2005 are as follows:

| | <u>Cost</u> | <u>Fair value</u> |
|------------------------|-------------------|-------------------|
| Money market funds | \$ 66,910 | \$ 66,910 |
| Marketable securities: | | |
| Equity | 352,968 | 382,770 |
| Debt | 22,620 | 21,998 |
| Total | <u>\$ 442,498</u> | <u>\$ 471,678</u> |

NOTE 4 - FIXED ASSETS

A summary of fixed assets at June 30, 2005 is as follows:

| | |
|-------------------------------|-----------------|
| Computer equipment | \$ 7,104 |
| Office furniture | 1,933 |
| Other equipment | <u>2,355</u> |
| | 11,392 |
| Less accumulated depreciation | <u>(11,392)</u> |
| Total | <u>\$ -</u> |

Depreciation expense for the period was \$318.

**SANTIAGO CANYON COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$77,306 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 6 – UNRESTRICTED NET ASSETS

The Foundation has designated a portion of their unrestricted net assets for the following purposes:

| | |
|------------------------------------|------------------|
| Operational supplies and equipment | \$ 9,000 |
| College program needs | 9,000 |
| Advancement office needs | 18,000 |
| Scholarships | 15,000 |
| Foundation sustainability | 9,000 |
| | <u>\$ 60,000</u> |

NOTE 7 - RELATED PARTIES

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

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 2005 were \$83,809 and \$6,330 respectively and have been reflected in the financial statements as donated services and facilities. The total donated assets on behalf of the Santiago Canyon College were \$2,049 and have not been recorded by the Foundation.

During the fiscal year 2005, the Rancho Santiago Community College District Foundation (RSCCDF) contributed the partial proceeds from a special event in the amount of \$40,680 of which \$4,943 is to be used to purchase text books. In addition, \$2,000 was provided for scholarships. These amounts are reflected on the statement of activities as contribution from affiliated foundation.

NOTE 8 – INSURED DEPOSITS

As of June 30, 2005, the Foundation has cash deposits in aggregate of \$263,019 with one financial institution. The National Credit Union Association (NCUA) 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.