

SANTA ANA COLLEGE FOUNDATION
(A Component Unit of the Rancho Santiago
Community College District)

Financial Statements
And Independent Auditor's Report
For the Fiscal Year Ended June 30, 2006

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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, 2006, 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 2005 financial statements and, in our report dated October 28, 2005, 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 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 combined 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 Foundation as of June 30, 2006, 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 & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 30, 2006

SANTA ANA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2006
(with comparative totals as of June 30, 2005)

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 1,407,781	\$ 1,290,495
Grant receivable	72,790	-
Investments, at fair value	1,331,322	1,119,044
Total assets	\$ 2,811,893	\$ 2,409,539
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 7,753	\$ 2,994
Trust accounts	67,671	63,379
Total liabilities	75,424	66,373
Net Assets		
Unrestricted	248,394	242,968
Temporarily restricted:		
Scholarships	1,104,775	964,921
Programmatic support	1,122,410	954,977
Endowment	260,890	180,300
Total temporarily restricted	2,488,075	2,100,198
Total net assets	2,736,469	2,343,166
Total liabilities and net assets	\$ 2,811,893	\$ 2,409,539

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, 2006
(with comparative totals for the fiscal
year ended June 30, 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
Support and revenue				
Support:				
Contributions	\$ 8,179	\$ 517,655	\$ 525,834	\$ 402,409
Contribution from affiliated foundation	24,939	27,850	52,789	42,680
Fundraising (net of expenses of \$32,805)	-	46,844	46,844	41,155
Donated services	180,186	-	180,186	126,191
Donated facilities	5,532	-	5,532	5,532
Total support	<u>218,836</u>	<u>592,349</u>	<u>811,185</u>	<u>617,967</u>
Revenue:				
Interest and dividends	29,680	22,514	52,194	43,552
Realized gain on investments	2,555	8,573	11,128	5,794
Unrealized (loss)/gain on investments	(15,641)	22,008	6,367	18,306
Total revenue	<u>16,594</u>	<u>53,095</u>	<u>69,689</u>	<u>67,652</u>
Total support and revenue before net assets released from restrictions	235,430	645,444	880,874	685,619
Net assets released from restrictions	<u>257,567</u>	<u>(257,567)</u>	<u>-</u>	<u>-</u>
Total support and revenue	492,997	387,877	880,874	685,619
Expenses				
Program services	310,958	-	310,958	287,402
Supporting services:				
Management and general	97,642	-	97,642	51,887
Fundraising	78,971	-	78,971	66,151
Total expenses	<u>487,571</u>	<u>-</u>	<u>487,571</u>	<u>405,440</u>
Change in net assets	5,426	387,877	393,303	280,179
Net assets				
Beginning, July 1	242,968	2,100,198	2,343,166	2,062,987
Ending, June 30	<u>\$ 248,394</u>	<u>\$ 2,488,075</u>	<u>\$ 2,736,469</u>	<u>\$ 2,343,166</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, 2006
(with comparative totals for the fiscal year ended June 30, 2005)

	Program Services	Management and General	Fundraising	Totals	
				2006	2005
Salaries and benefits	\$ 30,381	\$ 86,148	\$ 63,656	\$ 180,185	\$ 126,191
Scholarship payments	240,100	-	-	240,100	193,558
Facilities	1,162	1,936	2,434	5,532	5,532
Professional fees	330	553	1,695	2,578	3,606
Program activities	16,243	-	-	16,243	17,186
Printing	1,425	-	-	1,425	3,074
Public relations	9,703	3,471	4,363	17,537	14,558
Supplies	10,061	3,226	4,055	17,342	19,251
Seminars and conferences	311	1,768	2,222	4,301	7,723
Dues and memberships	-	-	-	-	150
Equipment	-	-	-	-	9,327
General operating expenses	1,242	540	546	2,328	5,284
	<u>\$ 310,958</u>	<u>\$ 97,642</u>	<u>\$ 78,971</u>	<u>\$ 487,571</u>	<u>\$ 405,440</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, 2006
(with comparative totals for the fiscal year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ 393,303	\$ 280,179
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(6,367)	(18,306)
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	(72,790)	500
Increase in accounts payable	4,759	129
Increase/(decrease) in trust accounts	4,292	(2,734)
Net cash provided by operating activities	<u>323,197</u>	<u>259,768</u>
Cash flows from investing activities		
Reinvested interests and dividends	(52,194)	(37,923)
Proceeds on the sale of investments	49,141	80,139
Purchase of investments	(202,858)	(268,757)
Net cash used by investing activities	<u>(205,911)</u>	<u>(226,541)</u>
Net increase in cash and cash equivalents	117,286	33,227
Cash and cash equivalents, beginning of year	<u>1,290,495</u>	<u>1,257,268</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,407,781</u></u>	<u><u>\$ 1,290,495</u></u>

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, 2006**

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.

SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 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 of facilities for the year. 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.

**SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2006, from which the summarized information was derived.

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$257,567 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 4 – INVESTMENTS

The Foundation adopted a statement of investment policy to protect and preserve the purchasing power of the Foundation's assets by earning a total return for each fund which is appropriate in light of each fund's time horizon, liquidity needs and risk tolerance, and to maximize total return with reasonable and acceptable levels of risk. 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, certificated deposits, marketable equity and debt securities.

The cost and fair values at June 30, 2006 are as follows:

	<u>Cost</u>	<u>Fair value</u>
Money market fund	\$ 306,059	\$ 295,871
Certificates of deposit	338,268	338,268
Equity securities	494,634	541,399
Fixed income securities	152,218	155,784
Total	<u>\$ 1,291,179</u>	<u>\$ 1,331,322</u>

**SANTA ANA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - 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 2006 were \$180,186 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 \$51,789 of which \$16,000 to be used for scholarships and \$11,850 is to be used to purchase text books. In addition, \$1,000 was provided by RSCCDF for scholarships. These amounts are reflected on the statement of activities as contribution from affiliated foundation.

NOTE 6 – INSURED DEPOSITS

As of June 30, 2006, the Foundation has cash deposits in aggregate of \$1,438,782 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. The Foundation's book balance is \$1,407,781.

NOTE 7 – 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. The Foundation contributed matching funds of \$75,000 in fiscal year 2006. 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, 2006, the fair value of the endowment grant is \$260,890.