

SANTIAGO CANYON 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**

**SANTIAGO CANYON COLLEGE FOUNDATION
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6



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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, 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 14, 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 Santiago Canyon College 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

SANTIAGO CANYON COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006
(with comparative totals as of June 30, 2005)

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 333,228	\$ 277,585
Accounts receivable	1,747	3,889
Investments, at fair value	493,699	471,678
Total assets	\$ 828,674	\$ 753,152
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 4,930	\$ 2,740
Due to organizations	16,951	18,378
Total liabilities	21,881	21,118
Net assets		
Unrestricted	344,125	324,194
Temporarily restricted:		
Scholarships	342,099	327,353
Programmatic support	111,525	73,235
Endowment	9,044	7,252
Total temporarily restricted	462,668	407,840
Total net assets	806,793	732,034
Total Liabilities and Net Assets	\$ 828,674	\$ 753,152

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

	2006			2005
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Support:				
Contributions	\$ 1,853	\$ 113,487	\$ 115,340	\$ 103,254
Special event (net of expenses of \$36,840)	15,630	20,461	36,091	37,587
Contributions from affiliated foundation	24,939	27,850	52,789	42,680
Donated services	87,240	-	87,240	83,809
Donated facilities	6,330	-	6,330	6,330
Total support	135,992	161,798	297,790	273,660
Revenue:				
Interest and dividends	11,932	8,113	20,045	17,511
Unrealized gains/(loss) on investments	1,524	1,989	3,513	(1,481)
Realized gain/(loss) on investments	9,281	(2,922)	6,359	4,195
Management fees	892	-	892	967
Other revenue	358	-	358	392
Total revenue	23,987	7,180	31,167	21,584
Total support and revenue before net assets released from restrictions	159,979	168,978	328,957	295,244
Net assets released from restrictions	114,150	(114,150)	-	-
Total support and revenue after net assets released from restrictions	274,129	54,828	328,957	295,244
Expenses				
Program services	201,029	-	201,029	138,253
Supporting services:				
Management and general	6,874	-	6,874	6,433
Fundraising	46,295	-	46,295	42,883
Total expenses	254,198	-	254,198	187,569
Increase in net assets	19,931	54,828	74,759	107,675
Net assets - beginning of year	324,194	407,840	732,034	624,359
Net assets - end of year	\$ 344,125	\$ 462,668	\$ 806,793	\$ 732,034

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

	2006				2005	
	Program Services	Management & General	Fundraising	Total	Total	
Salaries and benefits	\$ 49,436	\$ 5,816	\$ 31,988	\$ 87,240	\$ 83,809	
Scholarship payments	86,282	-	-	86,282	53,418	
Facilities	4,097	482	2,651	7,230	6,330	
Contracted services	20,038	325	1,789	22,152	4,270	
Program activities	19,562	-	-	19,562	10,710	
Public relations	-	-	8,578	8,578	8,606	
Supplies and printing	7,863	129	710	8,702	5,192	
Seminars and conferences	380	-	-	380	960	
Minor equipment	2,570	-	-	2,570	2,220	
Depreciation	-	-	-	-	318	
Hospitality	4,325	-	-	4,325	3,560	
Bad debt expenses	-	-	-	-	2,242	
General operating expenses	6,476	122	579	7,177	5,934	
Total operating expenses	\$ 201,029	\$ 6,874	\$ 46,295	\$ 254,198	\$ 187,569	

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

	2006	2005
Cash flows from operating activities		
Change in net assets	\$ 74,759	\$ 107,675
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	-	318
Provision for bad debts	-	2,242
Unrealized loss/(gain) on investments	(3,513)	1,481
Changes in operating assets and liabilities:		
Decrease/(Increase) in accounts receivable	2,142	(646)
Increase in accounts payable	2,190	130
Decrease in due to organizations	<u>(1,427)</u>	<u>(12,832)</u>
Net cash provided by operating activities	74,151	98,368
Cash flows from investing activities		
Proceeds on the sale of investments	30,993	16,777
Purchase of investments	(47,618)	(36,137)
Reinvested dividends and interest	<u>(1,883)</u>	<u>(14,755)</u>
Net cash used by investing activities	<u>(18,508)</u>	<u>(34,115)</u>
Net increase in cash	55,643	64,253
Cash and cash equivalents, beginning of year	<u>277,585</u>	<u>213,332</u>
Cash and cash equivalents, end of year	\$ 333,228	\$ 277,585

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, 2006**

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, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents consist of cash in interest bearing bank 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 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.

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.

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

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, 2005, 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, 2006 are as follows:

	<u>Cost</u>	<u>Fair value</u>
Money market funds	\$ 5,098	\$ 5,098
Mutual funds	37,146	30,626
Marketable securities:		
Equity	342,001	351,835
Debt	109,342	106,140
Total	<u>\$ 493,587</u>	<u>\$ 493,699</u>

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$114,150 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 5 – UNRESTRICTED NET ASSETS

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

Operational supplies and equipment	\$ 5,000
College program needs	14,000
Advancement office needs	21,000
Scholarships	15,000
Foundation sustainability	<u>9,000</u>
	<u><u>\$ 64,000</u></u>

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

NOTE 6 - 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 2006 were \$87,240 and \$6,330 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 \$15,000 to be for scholarships and \$11,850 is to be used to purchase text books. In addition, \$1,000 was provided by RSCCDF in fiscal year 2006 for scholarships. These amounts are reflected on the statement of activities as contribution from affiliated foundation.

NOTE 7 – INSURED DEPOSITS

As of June 30, 2006, the Foundation has cash deposits in aggregate of \$337,349 with two financial institutions. The National Credit Union Association (NCUA) and Federal Deposit Insurance Corporation limits each organization to a recovery of \$100,000 for all accounts at one financial institution. As of June 30, 2006, the Foundation is subject to the risk of loss for amounts of \$221,311. The Foundation's book balance is \$333,228.