

JUNE 30, 2006

INDEPENDENT AUDITORS' REPORT
with
FINANCIAL STATEMENTS

DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

**DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

JUNE 30, 2006

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

Board of Directors
Delta College Foundation
Stockton, California

Dear Board Members:

We have completed our audit of Delta College Foundation's (the Foundation) financial records for the year ended June 30, 2006, and have issued our report dated November 3, 2006. In planning and performing our audit of the financial statements, we have considered the internal control structure of the Foundation in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements as a whole and not to provide assurance on the internal control structure.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated November 3, 2006, on the financial statements of the Foundation. We will review the status of these matters during our next engagement.

Operating Agreement

Comment

An operating agreement between the San Joaquin Delta Community College District (the District) and the Foundation currently has not been Board approved. It is, however, in the process of being approved.

Recommendation

We recommend that the Foundation finalize the agreement with the District, which would detail the relationship between the entities, as well as the services provided to and received by each other.

Comment

The Foundation has not finalized and received Board approval on various written accounting policies and procedures.

Recommendation

The Foundation should finalize their accounting policies and procedures. These policies and procedures should be approved by the Board of Directors.

This letter does not affect our report on the financial statements of the Foundation.

We appreciate the time and assistance the staff of the Foundation and the San Joaquin Delta Community College District Business Office has provided during our audit. We will follow up each of the areas noted above during the early stages of our fieldwork for the 2006-2007 fiscal year.

This report is intended solely for the information and use of the Board, management, and others within the Foundation and is not intended to be, used by anyone other than these specified parties.

Vernon, Tina, Day & Co., LLP

Rancho Cucamonga, California
November 3, 2006



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

Independent Auditors' Report

To the Board of Directors
Delta College Foundation
Stockton, California

We have audited the accompanying statements of financial position of the Delta College Foundation (a California Nonprofit Corporation) (the Foundation), a component unit of San Joaquin Delta Community College District, as of June 30, 2006, and the related statements of activities, cash flows, and functional expenses 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.

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 overall 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 Delta College Foundation as of June 30, 2006, and the changes in its net assets, its cash flows, and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 3, 2006

DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

	ASSETS
	Current Assets
	Cash and Cash Equivalents
	Restricted cash
	Due from San Joaquin Delta Community College District
	Total Current Assets
	Noncurrent Assets
	Unrestricted investments
	Restricted investments
	Total Assets
\$ 139,225	
131,684	
<u>270,909</u>	
10,244	
2,335,453	
<u>\$ 2,616,606</u>	
	LIABILITIES AND NET ASSETS
	Current Liabilities
	Deficit cash
	Accounts payable
	Total Current Liabilities
	Noncurrent Liabilities
	Liability under split interest agreement
	Total Liabilities
37,701	
<u>189,942</u>	
	NET ASSETS
	Unrestricted
	Temporarily restricted
	Permanently restricted
	Total Net Assets
57,979	
2,334,001	
34,684	
<u>2,426,664</u>	
<u>\$ 2,616,606</u>	

See the accompanying notes to financial statements.

DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	\$ 22,353	\$ 274,114	\$ 15,172	\$ 311,639
Special events	-	134,787	-	134,787
In Memory contribution	-	84,701	-	84,701
Memberships	-	1,805	-	1,805
Interest and dividends	359	73,346	1,924	75,629
Miscellaneous income	-	825	-	825
Net assets released from restrictions	395,031	(390,293)	(4,738)	-
Total Revenues	417,743	179,285	12,358	609,386
Expenses				
Program expenses	344,420	-	-	344,420
Operating expenses	18,421	-	-	18,421
Fundraising expenses	44,685	-	-	44,685
Total Expenses	407,526	-	-	407,526
Other Gains and Losses				
Realized and unrealized gain/(loss) on investments	-	(12,935)	1,005	(11,930)
CHANGE IN NET ASSETS	10,217	166,350	13,363	189,930
NET ASSETS, BEGINNING OF YEAR	47,762	2,167,651	21,321	2,236,734
NET ASSETS, END OF YEAR	\$ 57,979	\$ 2,334,001	\$ 34,684	\$ 2,426,664

See the accompanying notes to financial statements.

DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	CASH FLOWS FROM OPERATING ACTIVITIES
	Change in Net Assets
	Adjustments to Reconcile Change in Net Assets
	to Net Cash Provided by Operating Activities
	Change in operating assets and liabilities
	Increase in due from San Joaquin Delta Community College District
	Decrease in accounts receivable
	Decrease in accounts payable
	Increase in deficit cash liability
	Decrease in liability under split-interest agreement
	Net Cash Flows Provided by Operating Activities
	108,023
	<hr/>
	(89,246)
	806
	(7,334)
	23,239
	(9,372)
	<hr/>
	189,930
	\$
	<hr/>
	CASH FLOWS FROM INVESTING ACTIVITIES
	Purchase of investments
	Sales of investments
	Net Cash Flows Used by Investing Activities
	(100,240)
	<hr/>
	7,783
	NET INCREASE IN CASH AND CASH EQUIVALENTS
	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR
	131,442
	<hr/>
	\$ 139,225
	<hr/>

See the accompanying notes to financial statements.

DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	Program	Operating	Fundraising	Total
Materials and supplies	\$ 21,185	\$ -	\$ -	\$ 21,185
Other operating expenses	38,758	13,924	44,685	97,367
Classroom support equipment	65,516	-	-	65,516
Investment management fees	-	538	-	538
Legal	-	3,959	-	3,959
Contracted services	83,564	-	-	83,564
Student training programs	118,166	-	-	118,166
Meetings	506	-	-	506
Staff travel	1,333	-	-	1,333
Beneficiary payment	4,200	-	-	4,200
Field trips	11,192	-	-	11,192
Total Expenses	\$ 344,420	\$ 18,421	\$ 44,685	\$ 407,526

See the accompanying notes to financial statements.

**DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The San Joaquin Delta Community College Foundation (the Scholarship Foundation) originated in September 1973 as a private, nonprofit corporation. The Auxiliary Foundation of San Joaquin Delta Community College District (the Auxiliary Foundation) was established in 1984 and consisted of two operational components: an instructional support component and a commercial operations component. The instructional components were composed of individual councils for respective instructional programs. The Boards of Directors of the Scholarship Foundation and the Auxiliary Foundation approved a merger of the two separate foundations into one foundation in May of 2003. Additionally, the Boards of Directors approved renaming of the newly merged foundation to the Delta College Foundation (the Foundation). This merger took place on July 1, 2003. All assets, liabilities, and net asset balances of the Scholarship Foundation, as well as the Auxiliary Foundation at June 30, 2003, were transferred to the newly named Delta College Foundation in total.

The Foundation is organized around the goals of advancing education and the charitable purposes related to education. The Foundation solicits and raises money for the purpose of supporting programs and services of the San Joaquin Delta Community College District (the District) including awarding scholarships to assist students to pursue their education. The Foundation is considered a component unit of, and is included in, the San Joaquin Delta Community College District's financial statements as a discretely presented component unit because the District has ultimate responsibility over the Foundation's operations.

B. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The statement of activities is a statement of financial activities related to the current reporting period. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

C. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

In accordance with Statement of Financial Accounting Standard (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," donated materials and equipment are recorded as contributions based on the estimated fair value at the date of donation. Donated services are recorded as contributions at their estimated fair value only in those instances where the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

D. Use of Estimates in the Preparation of Financial Statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of short maturities of those financial instruments.

F. Investments

The Foundation has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

G. Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Foundation annually files information returns (Forms 990, 199, and RRF-1) with the appropriate agencies. There was no unrelated business activity income.

H. Statement of Functional Expenses

The costs of providing the various programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the functional categories based upon management's estimates.

NOTE 2 - CONCENTRATION

The Foundation maintains its accounts at two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$100,000. As of June 30, 2006, no deposits exceeded the FDIC limit.

DELTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE #6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2006:

Restricted for the use of campus councils for respective instructional programs	\$ 773,230
Restricted for scholarships	1,560,771
Total Temporarily Restricted Net Assets	<u>\$ 2,334,001</u>

During the year ended June 30, 2006, temporarily restricted assets totaling \$390,293 were released to the unrestricted fund which records the restricted programs' expense.

Permanently restricted net assets consist of the following as of June 30, 2006:

Charitable Gift Annuity	<u>\$ 34,684</u>
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During the year ended June 30, 2006, permanently restricted assets totaling \$4,738 were released to the unrestricted fund which records the restricted programs' expense.