



SOUTH CENTRAL
SCHOLARS

(A NONPROFIT CALIFORNIA CORPORATION)

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

SOUTH CENTRAL SCHOLARS
(A NONPROFIT CALIFORNIA CORPORATION)
FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
South Central Scholars
(A Nonprofit California Corporation)

We have audited the accompanying financial statements of South Central Scholars (a nonprofit California organization) ("SCS" or the "Organization"), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Scholars as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



October 14, 2016
Long Beach, California

SOUTH CENTRAL SCHOLARS
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF FINANCIAL POSITION

<i>As of December 31,</i>	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 954,447	\$ 1,107,362
Contributions receivable	126,170	12,500
Prepaid expenses	-	5,381
Total current assets	1,080,617	1,125,243
Investments, at fair value	636,135	525,183
Property and equipment, net	3,257	813
Other assets	2,964	2,964
Total assets	\$ 1,722,973	\$ 1,654,203
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 26,924	\$ 20,700
Total current liabilities	26,924	20,700
Net assets:		
Unrestricted	1,169,174	1,433,503
Temporarily restricted	526,875	200,000
Total net assets	1,696,049	1,633,503
Total liabilities and net assets	\$ 1,722,973	\$ 1,654,203

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL SCHOLARS
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF ACTIVITIES

<i>For the year ended December 31, 2015</i>	Unrestricted	Temporarily restricted	Total
Support:			
Contributions - general	\$ 539,190	\$ 50,000	589,190
Contributions - in-kind	9,138	-	9,138
Grants and other support	801,798	600,000	1,401,798
Net assets released from restrictions:			
Satisfaction of program/donor restrictions	323,125	(323,125)	-
Total support	1,673,251	326,875	2,000,126
Net investment income:			
Net dividends and interest	9,714	-	9,714
Net loss on investments	(8,721)	-	(8,721)
Total net investment income	993	-	993
Total support and net investment income	1,674,244	326,875	2,001,119
Expenses:			
Program expenses	1,660,430	-	1,660,430
Fundraising expenses	128,216	-	128,216
General and administrative expenses	149,927	-	149,927
Total expenses	1,938,573	-	1,938,573
Change in net assets	(264,329)	326,875	62,546
Net assets, beginning of year	1,433,503	200,000	1,633,503
Net assets, end of year	\$ 1,169,174	\$ 526,875	\$ 1,696,049

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL SCHOLARS
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF ACTIVITIES

<i>For the year ended December 31, 2014</i>	Unrestricted	Temporarily restricted	Total
Support:			
Contributions - general	\$ 595,788	\$ 212,500	\$ 808,288
Contributions - in-kind	24,599	-	24,599
Grants and other support	639,028	100,000	739,028
Special event, net of \$66,267 direct cost	193,404	-	193,404
Net assets released from restrictions:			
Satisfaction of program/donor restrictions	512,500	(512,500)	-
Total support	1,965,319	(200,000)	1,765,319
Net investment income:			
Net dividends and interest	14,535	-	14,535
Net loss on investments	(8,111)	-	(8,111)
Total net investment income	6,424	-	6,424
Total support and net investment income	1,971,743	(200,000)	1,771,743
Expenses:			
Program expenses	1,424,929	-	1,424,929
Fundraising expenses	44,940	-	44,940
General and administrative expenses	138,155	-	138,155
Total expenses	1,608,024	-	1,608,024
Change in net assets	363,719	(200,000)	163,719
Net assets, beginning of year	1,069,784	400,000	1,469,784
Net assets, end of year	\$ 1,433,503	\$ 200,000	\$ 1,633,503

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SOUTH CENTRAL SCHOLARS
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES

<i>For the year ended December 31, 2015</i>	Program	Fundraising	General and administrative	Total
Scholarships	\$ 773,956	\$ -	\$ -	\$ 773,956
Seminars and workshops	438,686	-	-	438,686
Salaries and benefits	340,273	77,554	74,097	491,924
Office supplies and expenses	13,014	3,904	9,109	26,027
Rent	23,944	5,986	9,977	39,907
Database maintenance	12,284	3,071	5,119	20,474
Insurance	24,224	1,495	14,338	40,057
Taxes and licenses	19,046	4,341	5,237	28,624
Accounting fees	-	-	18,284	18,284
In-kind legal fees	-	-	9,138	9,138
Travel	15,003	-	-	15,003
Outside services	-	31,865	3,909	35,774
Depreciation	-	-	719	719
	\$ 1,660,430	\$ 128,216	\$ 149,927	\$ 1,938,573

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL SCHOLARS
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES

<i>For the year ended December 31, 2014</i>	Program	Fundraising	General and administrative	Total
Scholarships	\$ 656,892	\$ -	\$ -	\$ 656,892
Seminars and workshops	377,417	-	-	377,417
Salaries and benefits	275,635	21,000	57,586	354,221
Office supplies and expenses	20,987	6,296	14,691	41,974
Rent	24,991	6,248	10,413	41,652
Database maintenance	22,313	5,578	9,297	37,188
Insurance	18,150	1,410	10,697	30,257
Taxes and licenses	20,561	1,894	7,713	30,168
Accounting fees	-	-	16,792	16,792
In-kind legal fees			7,619	7,619
Telephone	3,636	485	727	4,848
Travel	4,347	-	-	4,347
Outside services	-	2,029	1,951	3,980
Depreciation	-	-	669	669
	\$ 1,424,929	\$ 44,940	\$ 138,155	\$ 1,608,024

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL SCHOLARS
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF CASH FLOWS

<i>For the years ended December 31,</i>	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 62,546	\$ 163,719
Adjustments to reconcile change in net assets to net cash flow provided by (used in) operating activities:		
Depreciation expense	719	669
Net losses on investments	8,722	8,111
Increase/decrease in assets and liabilities:		
(Increase) decrease in contributions receivable	(113,670)	150,400
Decrease (increase) in prepaid expenses	5,381	(3)
Increase in accounts payable and accrued expenses	6,224	7,569
Net cash (used in) provided by operating activities	(30,078)	330,465
Cash flows from investing activities:		
Acquisition of fixed assets	(3,163)	-
Acquisition of investments	(125,899)	(40,260)
Proceeds from sale of investments	6,225	25,231
Net cash used in investing activities	(122,837)	(15,029)
Net (decrease) increase in cash and cash equivalents	(152,915)	315,436
Cash and cash equivalents, beginning of year	1,107,362	791,926
Cash and cash equivalents, end of year	\$ 954,447	\$ 1,107,362
Supplemental disclosure of cash flow information:		
Non-cash transactions:		
Receipt of in-kind contributed goods and services and recognition of corresponding expenses	\$ 9,138	\$ 24,599

The accompanying notes are an integral part of these financial statements

For the years ended December 31, 2015 and 2014

NOTE 1

PURPOSE AND ACTIVITIES

South Central Scholars (“SCS” or the “Organization”) is managed by a group of successful professional volunteers who work with disadvantaged, highly motivated, inner city high school students to help them be successful in college and graduate school, develop their full potential, and become future leaders, both within SCS and the community. The Organization provides a wide range of support to the students including bridge scholarships, an opportunity fund, mentoring programs, job and internship programs and community support.

The Organization is supported by contributions from its board, corporations and the general public.

Bridge scholarships are intended to close the shortfall between the amount of money offered in the financial package from a college or university (grants, loans, and work study) and the actual cost of a student's college education. The Organization's opportunity fund provides students with resources and financial support for special academic opportunities including foreign study, computers, tutors, conferences and stipends for summer internships.

In the mentoring programs, the students are partnered with caring, educated adults who can provide encouragement, guidance, advice and friendship. The mentors are successful professionals who assist the students interested in their chosen fields.

In the jobs and internships program, the Organization provides students with unique summer job opportunities. These jobs not only supplement the income of the students but

provide them with opportunities to explore fields in which they have an interest.

In addition, the members of SCS (mentors, employers, volunteers and students) serve as a support community to students as they progress through and obtain their undergraduate and graduate degrees. Each year newly graduated college students will become members of this support community. This growing community is designed to keep these students involved with the Organization and to assist students newly accepted into the program. The Organization's goal is to instill a sense of social responsibility and dedication to academic success in the South Central Los Angeles community.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The Organization's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Financial Accounting Standards Board (“FASB”) has established the FASB Accounting Standards Codification (“ASC”) as the sole source of authoritative accounting to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

In preparing these financial statements, the Organization evaluated the period from December 31, 2015 through October 14, 2016, the date that the financial statements were made available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

For the years ended December 31, 2015 and 2014

Use of estimates:

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

Net assets:

In accordance with ASC 958-205, *Not-For-Profit Entities – Presentation of Financial Statements*, the Organization's net assets, revenues, gains, expenses, and losses are classified as unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor-imposed restrictions. These classifications are defined as follows:

- *Unrestricted net assets* – Net assets that do not contain donor restrictions or the donor-imposed restrictions have expired due to the Organization's fulfillment of the restrictions and/or by the passage of time.
- *Temporarily restricted net assets* – Net assets that contain donor-imposed restrictions that permit the Organization to use or expend the donated net assets as specified and are satisfied either by the passage of time and/or by the actions of the Organization.
- *Permanently restricted net assets* – Net assets that contain donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or

otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of December 31, 2015 or 2014.

Revenues and support:

Contributions and grants are recorded in the period pledged or granted. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that specify the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

At December 31, 2015 and 2014, the Organization had \$126,170 and \$12,500 respectively, in contributions receivable from various donors. At December 31, 2015, 90% and 80% of the contributions receivable were due from one donor, respectively. Management believes that all contributions receivable are fully collectible and therefore has not recorded an allowance for uncollectible contributions receivable.

In-kind contributions and services:

Contributions of donated non-cash assets and services are recorded at their fair values in the period received.

Contributed services are recognized as contributions in accordance with ASC 958-605 and subsections, *Not-for-profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require licensed skills, are performed by people with

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For the years ended December 31, 2015 and 2014

those skills, and would otherwise be purchased by the Organization.

Members of the Board of Directors and certain other volunteers provided services to SCS without compensation. The value of these services is not recorded in the financial statements since the services would not have been purchased if not provided by donation.

In-kind contributions are recorded at fair market value. Total in-kind donations and services received consisted of the following:

<i>For the years ended December 31,</i>	2015	2014
Legal services	\$ 9,138	\$ 24,599
Total	\$ 9,138	\$ 24,599

Fair value of financial instruments:

The Organization's financial instruments consist of cash and cash equivalents, contributions receivable, investments, and accounts payable. All of these with the exception of investments are stated at historical cost or settlement value which approximates fair value. The Organization's investments are recorded at market value based upon readily available market quotations.

Concentrations of risk:

In 2015 and 2014, SCS derived 32% and 36% of the Organization's total public support from three donors, respectively.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents (which are federally insured up to certain limits), and investments. Management believes the Organization maintains deposit relationships with financially sound, high quality financial institutions.

The Organization maintains its cash balances with securities brokerage firms and financial institutions. The Organization, at various times, maintains financial instruments in excess of the Federal Deposit Insurance Corporation maximum insured deposit limit at financial institutions. However, the Organization has not experienced any loss in such accounts to date and does not anticipate non-performance by any of the institutions.

Cash and cash equivalents:

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

Investments:

The Organization records its investments at their fair market value. Investment earnings available for distribution are recorded as unrestricted net assets. Gains and losses are included in the statement of activities.

Property and equipment:

Property and equipment are stated at cost, if purchased, or at donated fair market value at the date of acquisition, if contributed, with depreciation provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture	7 years

Expenditures for additions and major improvements are capitalized at cost, whereas the cost of maintenance and repairs are charged to expense as incurred. At the time property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the respective

For the years ended December 31, 2015 and 2014

asset and accumulated depreciation accounts, and the gain or loss on such dispositions is recorded in the statement of activities.

Income tax status:

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from State of California franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. The Organization does not believe that during the years ended December 31, 2015 and 2014 that it had unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization follows the provisions of FASB ASC 740, *Income Taxes* and related subsections. Accordingly, the Organization accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

Functional allocation of expenses:

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have

been allocated among the programs and supporting services benefited.

Special events:

The Organization conducts special fundraising events in which a portion of the gross proceeds paid by the attendees represents payment for the direct cost of the benefits received at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of the meals and entertainment provided at special events is measured at the actual cost to the Organization.

The Organization's fundraising event is held once every two years. The Organization held its Gala event during the year ended December 31, 2014.

Reclassifications:

Certain reclassifications have been made so that the December 31, 2014 financial statement amounts conform to the December 31, 2015 financial statement classifications. These reclassifications had no effect on the change in net assets for the year ended December 31, 2014.

NOTE 3

INVESTMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by ASC 820. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-

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specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities held in the name of the Organization, and exclude listed equities and other securities held indirectly through commingled funds.

Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Investments that are included in this category generally include privately held investments and partnership interests.

Investments, recorded at fair value using Level I inputs, consists of the following:

<i>As of December 31,</i>	2015	2014
Fixed income mutual funds	\$ 636,135	\$ 525,183
Total investments	\$ 636,135	\$ 525,183

Net investment income and net realized and unrealized gains (losses) consisted of the following:

<i>For the years ended December 31,</i>	2015	2014
Dividends & interest	\$ 9,714	\$ 14,535
Net realized & unrealized losses	(8,721)	(8,111)
Total	\$ 993	\$ 6,424

NOTE 4

PROPERTY AND EQUIPMENT, NET

Property and equipment, net is summarized as follows:

<i>As of December 31,</i>	2015	2014
Computer equipment	\$ 13,493	\$ 10,330
Less: accumulated depreciation	(10,236)	(9,517)
Total	\$ 3,257	\$ 813

Depreciation expense for the years ended December 31, 2015 and 2014 was \$719 and \$669, respectively.

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NOTE 5

COMMITMENTS

Operating leases:

The Organization occupies its office facilities under a lease accounted for as an operating lease. In July 2013, the Organization signed a three-year lease expiring in June 2016. Monthly rent under the lease is \$2,964. Future minimum rental payments under this lease agreement all payable in 2016 is \$17,784.

On April 8, 2016, the Organization signed a new lease agreement for its new office facility. The lease commences on July 1, 2016 for sixty months. Monthly rent under the agreement is \$4,705.

Total rent expense incurred under operating leases was \$39,907 and \$41,652 in 2015 and 2014, respectively.

NOTE 6

RELATED PARTY TRANSACTIONS

Individual members of the Organization's Board of Directors made contributions of approximately \$267,200 and \$212,300 in 2015 and 2014, respectively.

NOTE 7

TEMPORARILY RESTRICTED NET ASSETS

Amounts received from grants and contributions, whose purpose was restricted for the purpose of student programs and scholarships, are designated as temporarily restricted net assets as follows:

As of December 31,	2015	2014
Scholarships	\$ 302,500	\$ 200,000
Azage scholarships	49,375	-
Others	50,000	-
Time restrictions	125,000	-
Total	\$ 526,875	\$ 200,000

NOTE 8

RETIREMENT PLAN

Effective January 1, 2015, the Organization sponsored the South Central Gifted Scholars Foundation 401k Plan ("Plan"). The Plan covers all employees who are at least age 21. The Organization may make discretionary matching contribution equal to 100% of the employee's elective deferral up to 3%. In addition, the Organization may also make nonelective contribution to the Plan. The Organization contributed \$4,700 during the year ended December 31, 2015.