



SOUTH CENTRAL  
SCHOLARS

SOUTH CENTRAL SCHOLARS  
(A NONPROFIT CALIFORNIA CORPORATION)

---

AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009

**SOUTH CENTRAL SCHOLARS**  
(A NONPROFIT CALIFORNIA CORPORATION)  
FINANCIAL STATEMENTS



**CONTENTS**

---

*For the years ended December 31, 2010 and 2009*

**Page**

**Independent auditor's report**

1

**Financial statements:**

Statement of financial position as of December 31, 2010 and 2009

2

Statement of activities for the years ended December 31, 2010 and 2009

3

Statement of functional expenses for the years ended December 31, 2010 and 2009

4 - 5

Statement of cash flows for the years ended December 31, 2010 and 2009

6

Notes to financial statements

7 - 11



# ROSSI DOSKOCIL & FINKELSTEIN

LLP

*Certified Public Accountants & Consultants*

## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
**South Central Scholars**  
(A Nonprofit California Corporation)  
Los Angeles, California

We have audited the accompanying statement of financial position of South Central Scholars (a nonprofit California corporation) ("SCS" or the "Organization") as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits 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 accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Organization as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Rossi Doskocil & Finkelstein LLP*

November 15, 2011

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

<i>As of December 31,</i>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 279,354	\$ 406,171
Total current assets	279,354	406,171
<b>Property and equipment, net</b>	3,645	3,848
<b>Investments, at fair value</b>	541,928	201,397
<b>Other assets</b>	1,697	1,697
Total assets	\$ 826,624	\$ 613,113
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Other liabilities	\$ 7,114	\$ 3,018
Total current liabilities	7,114	3,018
<b>Net assets:</b>		
Unrestricted	819,510	610,095
Total liabilities and net assets	\$ 826,624	\$ 613,113

*The accompanying notes are an integral part of these financial statements*

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

<i>For the years ended December 31,</i>	<b>2010</b>	<b>2009</b>
<b>Support:</b>		
Contributions - general	\$ 795,863	\$ 564,728
Contributions - in-kind	55,801	72,086
Special event, net of direct benefit to donor costs of \$88,707 in 2010	145,639	-
Total support	997,303	636,814
<b>Net investment income:</b>		
Interest	-	175
Dividends	13,392	4,332
Realized and unrealized (loss) gain on sale of investments	(2,859)	7,978
Total investment income	10,533	12,485
Investment management expense	-	(1,077)
Net investment income	10,533	11,408
Total support and net investment income	1,007,836	648,222
<b>Expenses:</b>		
Program expenses	596,743	515,396
Fundraising expenses	51,666	500
General and administrative expenses	150,012	149,661
Total expenses	798,421	665,557
Change in net assets	209,415	(17,335)
<b>Unrestricted net assets, beginning of year</b>	610,095	627,430
<b>Unrestricted net assets, end of year</b>	<b>\$ 819,510</b>	<b>\$ 610,095</b>

*The accompanying notes are an integral part of these financial statements*

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

*For the year ended December 31, 2010*

	<b>Program</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
Accounting fees	\$ -	\$ -	\$ 32,585	\$ 32,585
Auto	4,948	-	-	4,948
Contract services	-	-	18,094	18,094
Database maintenance	-	-	18,000	18,000
Depreciation	-	-	1,581	1,581
Fundraising expenses	-	18,022	-	18,022
Insurance	7,139	2,093	2,057	11,289
Legal	-	-	9,286	9,286
Office supplies	14,439	1,000	13,439	28,878
Rent	-	-	22,103	22,103
Salaries	95,703	28,056	27,582	151,341
Scholarships	411,347	-	-	411,347
Seminars and workshops	39,687	-	-	39,687
Student travel	12,286	-	-	12,286
Taxes	8,512	2,495	2,603	13,610
Telephone	2,682	-	2,682	5,364
	<b>\$ 596,743</b>	<b>\$ 51,666</b>	<b>\$ 150,012</b>	<b>\$ 798,421</b>

*The accompanying notes are an integral part of these financial statements*

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

*For the year ended December 31, 2009*

	<b>Program</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
Accounting fees	\$ -	\$ -	\$ 36,754	\$ 36,754
Auto	2,328	-	-	2,328
Bank fees	-	-	110	110
Contract services	-	-	1,700	1,700
Database maintenance	-	-	31,000	31,000
Depreciation	-	-	1,396	1,396
Insurance	3,338	-	5,128	8,466
Legal fees	-	-	11,183	11,183
Office supplies	5,747	500	5,247	11,494
Rent	-	-	24,080	24,080
Salaries	98,469	-	28,604	127,073
Scholarships	352,982	-	-	352,982
Seminars and workshops	25,483	-	-	25,483
Student computers	15,133	-	-	15,133
Student travel	2,018	-	-	2,018
Taxes	7,874	-	2,436	10,310
Telephone	2,024	-	2,023	4,047
	<b>\$ 515,396</b>	<b>\$ 500</b>	<b>\$ 149,661</b>	<b>\$ 665,557</b>

*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>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 209,415	\$ (17,335)
Adjustments to reconcile change in net assets to net cash flow provided by operating activities:		
Depreciation expense	1,581	1,396
Net realized and unrealized losses (gains) on investments	2,859	(7,978)
Increase/decrease in assets and liabilities:		
Decrease in contribution receivable	-	100,000
Decrease in inventory	-	15,133
Decrease in other assets	-	1,697
Increase in other liabilities	4,096	3,017
Net cash provided by operating activities	217,951	95,930
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	(1,378)	-
Acquisition of investments	(463,375)	(244,269)
Proceeds from sale of investments	119,985	251,381
Net cash (used in) provided by investing activities	(344,768)	7,112
<b>Net change in cash and cash equivalents</b>	<b>(126,817)</b>	<b>103,042</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>406,171</b>	<b>303,129</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 279,354</b>	<b>\$ 406,171</b>
<b>Supplemental disclosure of cash flow information:</b>		
Non-cash transactions:		
Receipt of in-kind contributed services and contributions and recognition of corresponding expenses and inventory	\$ 127,021	\$ 72,086

*The accompanying notes are an integral part of these financial statements*



**SOUTH CENTRAL SCHOLARS**  
(A NONPROFIT CALIFORNIA CORPORATION)  
NOTES TO FINANCIAL STATEMENTS

---

*For the years ended December 31, 2010 and 2009*

---

**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, 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 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.

The aggregate of the board members' contributions to the Organization exceeded the non-scholarship expenses of the Organization during 2010 and 2009, and accordingly, all non-board members' contributions directly benefited the students.

**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, 2010 through the date that the financial statements were made available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

**SOUTH CENTRAL SCHOLARS**  
(A NONPROFIT CALIFORNIA CORPORATION)  
NOTES TO FINANCIAL STATEMENTS

---

***For the years ended December 31, 2010 and 2009***

---

***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 are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Organization or may otherwise be limited by contractual agreements with outside parties.
- *Temporarily restricted net assets* – Net assets that are subject to donor-imposed restrictions that permit the Organization to use or expend the contributed funds as specified and are satisfied either by the passage of time or by actions of the Organization.

- *Permanently restricted net assets* – Net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

During the years ended December 31, 2010 and 2009, all revenue of the Organization was classified as unrestricted as there were no donor-imposed restrictions on its use.

***Contributions and contributions receivable:***

Contributions and grants are recorded when received. Contributions receivable are recognized as contributions when the underlying promises are received by the Organization. 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. There were no restricted contributions during the years ended December 31, 2010 and 2009.

***In-kind contributions and services:***

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

**SOUTH CENTRAL SCHOLARS**  
(A NONPROFIT CALIFORNIA CORPORATION)  
NOTES TO FINANCIAL STATEMENTS

***For the years ended December 31, 2010 and 2009***

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In-kind contributions are recorded at fair market value. Total in-kind donations and services received consisted of the following:

<b><i>For the years ended December 31,</i></b>	<b>2010</b>	<b>2009</b>
Accounting services	\$ 25,327	\$ 29,903
Contract services	3,188	-
Legal services	9,286	11,183
Website design	18,000	31,000
Sub-total	55,801	72,086
Donated auction items	71,220	-
Total	\$ 127,021	\$ 72,086

In 2010, \$71,220 of the donated auction items were sold at the special event and is included in special event support in the statement of activities.

The Chief Executive Officer, the Chief Financial Officer, the Board of Directors and certain Organization administrative staff 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.

***Concentration of risk:***

In 2010, SCS derived 40% of the Organization's total public support from four donors. In 2009, SCS derived 52% of the Organization's total public support from two donors.

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

The Organization maintains 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, and the maximum insured limit at the securities brokerage firms that are insured by the Securities Investors Protection Corporation ("SIPC"). However, the Organization has not experienced any loss in such accounts to date and does not anticipate non-performance by 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

*For the years ended December 31, 2010 and 2009*

---

accumulated depreciation are removed from the respective 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 exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code. Therefore, the Organization has made no provision for federal or California income taxes.

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes* and 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 participants represents payment for the direct cost of the benefits received by participants 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, 2010.

---

**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. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-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.

**SOUTH CENTRAL SCHOLARS**  
(A NONPROFIT CALIFORNIA CORPORATION)  
NOTES TO FINANCIAL STATEMENTS

*For the years ended December 31, 2010 and 2009*

**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>	<b>2010</b>	<b>2009</b>
Bond mutual funds	\$ 541,928	\$ 201,397
Total investments	\$ 541,928	\$ 201,397

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

<i>For the years ended December 31,</i>	<b>2010</b>	<b>2009</b>
Dividends & interest	\$ 13,392	\$ 4,507
Net realized & unrealized gains (losses)	(2,859)	7,978
Investment management fees	-	(1,077)
Total	\$ 10,533	\$ 11,408

**NOTE 4**

**PROPERTY AND EQUIPMENT, NET**

Property and equipment, net is summarized as follows:

<i>As of December 31,</i>	<b>2010</b>	<b>2009</b>
Computer equipment	\$ 8,363	\$ 6,985
Less: accumulated depreciation	(4,718)	(3,137)
Total	\$ 3,645	\$ 3,848

Depreciation expense for the years ended December 31, 2010 and 2009 was \$1,581 and \$1,396, respectively.

**NOTE 5**

**COMMITMENTS**

*Operating leases:*

On May 1, 2008 the Organization entered into a non-cancelable operating lease for its facility which expires on April 30, 2011, with an option to lease the facility for an additional three years.

Rent expense for this facility for the years ended December 31, 2010 and 2009 was \$19,631 and \$21,608, respectively.

Future minimum non-cancelable lease commitments are as follows:

<i>For the year ending December 31,</i>	
2011	\$ 7,199
Total	\$ 7,199

**NOTE 6**

**RELATED PARTY TRANSACTIONS**

The co-founders of the Organization made contributions of approximately \$113,400 and \$187,000 in 2010 and 2009, respectively.