



SOUTH CENTRAL  
SCHOLARS

SOUTH CENTRAL SCHOLARS  
(A NONPROFIT CALIFORNIA CORPORATION)

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010

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



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# 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, 2011 and 2010, 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 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 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 South Central Scholars as of December 31, 2011 and 2010, 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 13, 2012

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

<i>As of December 31,</i>	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 649,302	\$ 279,354
Contributions receivable	35,750	-
Total current assets	685,052	279,354
<b>Property and equipment, net</b>	3,873	3,645
<b>Investments, at fair value</b>	247,761	541,928
<b>Other assets</b>	1,697	1,697
Total assets	\$ 938,383	\$ 826,624
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Other liabilities	\$ 7,536	\$ 7,114
Total current liabilities	7,536	7,114
<b>Net assets:</b>		
Unrestricted	930,847	819,510
Total liabilities and net assets	\$ 938,383	\$ 826,624

*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>2011</b>	<b>2010</b>
<b>Support:</b>		
Contributions - general	\$ 938,668	\$ 795,863
Contributions - in-kind	72,260	55,801
Special event, net of direct benefit to donor costs of \$88,707 in 2010	-	145,639
Total support	1,010,928	997,303
<b>Net investment income:</b>		
Net dividends and interest	12,744	13,392
Realized and unrealized gains (losses) on sale of investments	(3,869)	(2,859)
Total net investment income	8,875	10,533
Total support and net investment income	1,019,803	1,007,836
<b>Expenses:</b>		
Program expenses	706,402	596,743
Fundraising expenses	23,598	51,666
General and administrative expenses	178,466	150,012
Total expenses	908,466	798,421
Change in net assets	111,337	209,415
<b>Unrestricted net assets, beginning of year</b>	819,510	610,095
<b>Unrestricted net assets, end of year</b>	<b>\$ 930,847</b>	<b>\$ 819,510</b>

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

*For the year ended December 31, 2011*

	<b>Program</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
Accounting fees	\$ -	\$ -	\$ 34,632	\$ 34,632
Auto	24,168	-	-	24,168
Contract services	-	-	6,088	6,088
Database maintenance	-	-	41,050	41,050
Depreciation	-	-	1,738	1,738
Insurance	4,221	366	2,296	6,883
Legal	-	-	3,694	3,694
Office supplies	13,290	1,000	12,289	26,579
Rent	-	-	24,080	24,080
Salaries	117,309	19,688	46,572	183,569
Scholarships	478,981	-	-	478,981
Seminars and workshops	41,807	-	-	41,807
Student travel	13,778	-	-	13,778
Taxes	10,174	2,544	3,353	16,071
Telephone	2,674	-	2,674	5,348
	<b>\$ 706,402</b>	<b>\$ 23,598</b>	<b>\$ 178,466</b>	<b>\$ 908,466</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 fees	-	-	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 CASH FLOWS

<i>For the years ended December 31,</i>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 111,337	\$ 209,415
Adjustments to reconcile change in net assets to net cash flow provided by operating activities:		
Depreciation expense	1,738	1,581
Net realized and unrealized (gains) losses on investments	3,869	2,859
Increase/decrease in assets and liabilities:		
Increase in contributions receivable	(35,750)	-
Increase in other liabilities	422	4,096
Net cash provided by operating activities	81,616	217,951
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	(1,967)	(1,378)
Acquisition of investments	(12,486)	(463,375)
Proceeds from sale of investments	302,785	119,985
Net cash provided by (used in) investing activities	288,332	(344,768)
<b>Net change in cash and cash equivalents</b>	<b>369,948</b>	<b>(126,817)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>279,354</b>	<b>406,171</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 649,302</b>	<b>\$ 279,354</b>
<b>Supplemental disclosure of cash flow information:</b>		
Non-cash transactions:		
Receipt of in-kind contributed goods and services and recognition of corresponding expenses and inventory	\$ 72,260	\$ 127,021

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



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

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*For the years ended December 31, 2011 and 2010*

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**NOTE 1**

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**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 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.

The aggregate of the board members' contributions to the Organization exceeded the non-scholarship expenses of the Organization during 2011 and 2010, and accordingly, all non-board members' contributions directly benefited the students.

**NOTE 2**

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**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, 2011 through November 13, 2012, 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, 2011 and 2010***

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***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, 2011 and 2010, all support and 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, 2011 and 2010.

***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 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:

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NOTES TO FINANCIAL STATEMENTS

*For the years ended December 31, 2011 and 2010*

<i>For the years ended December 31,</i>	<b>2011</b>	<b>2010</b>
Accounting services	\$ 27,516	\$ 25,327
Contract services	-	3,188
Legal services	3,694	9,286
Technology services	41,050	18,000
Sub-total	72,260	55,801
Donated auction items	-	71,220
Total	\$ 72,260	\$ 127,021

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

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.

***Fair value of financial instruments:***

The Organization’s financial instruments consist of cash and cash equivalents, contributions receivable, investments, and other liabilities. 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.

***Concentration of risk:***

In 2011, SCS derived 54% of the Organization’s total public support from four donors. In 2010, SCS derived 40% of the Organization’s total public support from four donors.

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 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

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

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***For the years ended December 31, 2011 and 2010***

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incurred. At the time property and equipment are retired or otherwise disposed of, the cost and 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 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.

A number of the Organization's tax returns remain subject to examination by taxing authorities. These include U.S. federal returns for 2008 and later years and State of California tax returns for 2007 and later years.

***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, 2010.

**NOTE 3**

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**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.

**SOUTH CENTRAL SCHOLARS**  
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NOTES TO FINANCIAL STATEMENTS

***For the years ended December 31, 2011 and 2010***

**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>	<b>2011</b>	<b>2010</b>
Bond mutual funds	\$ 247,761	\$ 541,928
Total investments	\$ 247,761	\$ 541,928

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

<i>For the years ended December 31,</i>	<b>2011</b>	<b>2010</b>
Dividends & interest	\$ 12,744	\$ 13,392
Net realized & unrealized gains (losses)	(3,869)	(2,859)
Total	\$ 8,875	\$ 10,533

**NOTE 4**

**PROPERTY AND EQUIPMENT, NET**

Property and equipment, net is summarized as follows:

<i>As of December 31,</i>	<b>2011</b>	<b>2010</b>
Computer equipment	\$ 10,330	\$ 8,363
Less: accumulated depreciation	(6,457)	(4,718)
Total	\$ 3,873	\$ 3,645

Depreciation expense for the years ended December 31, 2011 and 2010 was \$1,738 and \$1,581, respectively.

**NOTE 5**

**COMMITMENTS**

***Operating leases:***

On May 1, 2008 the Organization entered into a non-cancelable operating lease for its facility which expired on April 30, 2011, with an option to lease the facility for an additional three years. The Organization did not renew the lease and now pays rent on a month-to-month basis.

Rent expense under the operating leases was \$24,080 and \$22,103 in 2011 and 2010, respectively.

**NOTE 6**

**RELATED PARTY TRANSACTIONS**

The Board Chair and Board Secretary, co-founders of the Organization, made contributions of approximately \$96,785 and \$113,400 in 2011 and 2010, respectively.