



SOUTH CENTRAL  
SCHOLARS

SOUTH CENTRAL SCHOLARS  
(A NONPROFIT CALIFORNIA CORPORATION)

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011

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



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# ROSSI DOSKOCIL & FINKELSTEIN

LLP

## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

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, 2012 and 2011, 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 SCS as of December 31, 2012 and 2011, 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.

*Rossi Doskocil & Finkelstein LLP*

November 15, 2013  
Long Beach, California

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

<i>As of December 31,</i>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 568,071	\$ 649,302
Contributions receivable	54,150	35,750
Total current assets	622,221	685,052
<b>Investments, at fair value</b>	494,774	247,761
<b>Property and equipment, net</b>	2,482	3,873
<b>Other assets</b>	1,697	1,697
Total assets	\$ 1,121,174	\$ 938,383
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 53,044	\$ 7,536
Total current liabilities	53,044	7,536
<b>Net assets:</b>		
Unrestricted	668,130	930,847
Temporarily restricted	400,000	-
Total net assets	1,068,130	930,847
Total liabilities and net assets	\$ 1,121,174	\$ 938,383

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

**SOUTH CENTRAL SCHOLARS**  
(A NONPROFIT CALIFORNIA CORPORATION)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

<i>For the years ended December 31, 2012</i>	Unrestricted	Temporarily Restricted	Total
<b>Support:</b>			
Contributions - general	\$ 759,343	\$ 460,000	\$ 1,219,343
Contributions - in-kind	5,665	-	5,665
Grants and other support	15,382	-	15,382
Special event, net of direct benefit to donor costs of \$103,704 in 2012	33,350	-	33,350
<b>Net assets released from restrictions:</b>			
Satisfaction of program/donor restrictions	60,000	(60,000)	-
Total support	873,740	400,000	1,273,740
<b>Net investment income:</b>			
Net dividends and interest	14,077	-	14,077
Gains (losses) on sale of investments	(1,956)	-	(1,956)
Total net investment income	12,121	-	12,121
Total support and net investment income	885,861	400,000	1,285,861
<b>Expenses:</b>			
Program expenses	919,552	-	919,552
Fundraising expenses	53,236	-	53,236
General and administrative expenses	175,790	-	175,790
Total expenses	1,148,578	-	1,148,578
Change in net assets	(262,717)	400,000	137,283
<b>Net assets, beginning of year</b>	930,847	-	930,847
<b>Net assets, end of year</b>	\$ 668,130	\$ 400,000	\$ 1,068,130

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

**SOUTH CENTRAL SCHOLARS**  
 (A NONPROFIT CALIFORNIA CORPORATION)  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

<i>For the years ended December 31,</i>	<b>2011</b>
<b>Support:</b>	
Contributions - general	\$ 938,668
Contributions - in-kind	72,260
Total support	1,010,928
<b>Net investment income:</b>	
Net dividends and interest	12,744
Gains (losses) on investments	(3,869)
Total net investment income	8,875
Total support and net investment income	1,019,803
<b>Expenses:</b>	
Program expenses	706,402
Fundraising expenses	23,598
General and administrative expenses	178,466
Total expenses	908,466
Change in net assets	111,337
<b>Unrestricted net assets, beginning of year</b>	819,510
<b>Unrestricted net assets, end of year</b>	<b>\$ 930,847</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, 2012*

	<b>Program</b>	<b>Fundraising</b>	<b>General and administrative</b>	<b>Total</b>
Scholarships	\$ 527,393	\$ -	\$ -	\$ 527,393
Salaries	203,478	21,887	74,373	299,738
Seminars and workshops	145,868	-	-	145,868
Office supplies	-	-	28,910	28,910
Rent	-	-	26,479	26,479
Taxes	16,081	1,655	6,338	24,074
Fundraising expenses	-	18,976	-	18,976
Outside services	-	10,226	7,734	17,960
Travel	15,113	-	-	15,113
Insurance	7,945	492	3,868	12,305
Accounting fees	-	-	11,115	11,115
Telephone	3,674	-	3,675	7,349
Database maintenance	-	-	6,242	6,242
Legal fees	-	-	5,665	5,665
Depreciation	-	-	1,391	1,391
	<b>\$ 919,552</b>	<b>\$ 53,236</b>	<b>\$ 175,790</b>	<b>\$ 1,148,578</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, 2011*

	<b>Program</b>	<b>Fundraising</b>	<b>General and administrative</b>	<b>Total</b>
Scholarships	\$ 478,981	\$ -	\$ -	\$ 478,981
Salaries	117,309	19,688	46,572	183,569
Seminars and workshops	41,807	-	-	41,807
Database maintenance	-	-	41,050	41,050
Travel	37,946	-	-	37,946
Accounting fees	-	-	34,632	34,632
Office supplies	13,290	1,000	12,289	26,579
Rent	-	-	24,080	24,080
Taxes	10,174	2,544	3,353	16,071
Insurance	4,221	366	2,296	6,883
Contract services	-	-	6,088	6,088
Telephone	2,674	-	2,674	5,348
Legal	-	-	3,694	3,694
Depreciation	-	-	1,738	1,738
	<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 CASH FLOWS

<i>For the years ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 137,283	\$ 111,337
Adjustments to reconcile change in net assets to net cash flow provided by operating activities:		
Depreciation expense	1,391	1,738
Net (gains) losses on investments	1,956	3,869
Increase/decrease in assets and liabilities:		
Increase in contributions receivable	(18,400)	(35,750)
Increase in other liabilities	45,508	422
Net cash provided by operating activities	167,738	81,616
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	-	(1,967)
Acquisition of investments	(598,969)	(12,486)
Proceeds from sale of investments	350,000	302,785
Net cash provided by (used in) investing activities	(248,969)	288,332
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(81,231)</b>	<b>369,948</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>649,302</b>	<b>279,354</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 568,071</b>	<b>\$ 649,302</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	\$ 5,665	\$ 72,260

*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, 2012 and 2011*

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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, 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**

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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, 2012 through November 15, 2013, the date that the financial statements were made available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

***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

**SOUTH CENTRAL SCHOLARS**  
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 NOTES TO FINANCIAL STATEMENTS

***For the years ended December 31, 2012 and 2011***

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.

***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, 2012 and 2011, the Organization had \$54,150 and \$35,750 respectively, in contributions receivable from various donors. Management believes that all contribution receivables 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 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:

<b><i>For the years ended December 31,</i></b>	<b>2012</b>	<b>2011</b>
Accounting services	\$ -	\$ 27,516
Legal services	5,665	3,694
Technology services	-	41,050
<b>Total</b>	<b>\$ 5,665</b>	<b>\$ 72,260</b>

**SOUTH CENTRAL SCHOLARS**  
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NOTES TO FINANCIAL STATEMENTS

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*For the years ended December 31, 2012 and 2011*

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***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 2012 and 2011, SCS derived 49% and 54% of the Organization's total public support from five donors and four 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, 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 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 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, 2012 and 2011 that it had unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

*For the years ended December 31, 2012 and 2011*

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A number of the Organization's tax returns remain subject to examination by taxing authorities. These include U.S. federal returns for 2009 and later years and State of California tax returns for 2008 and later years.

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, 2012.

**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. 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-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.

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

***For the years ended December 31, 2012 and 2011***

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

<i>As of December 31,</i>	<b>2012</b>	<b>2011</b>
Fixed income mutual funds	\$ 494,774	\$ 247,761
Total investments	\$ 494,774	\$ 247,761

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

<i>For the years ended December 31,</i>	<b>2012</b>	<b>2011</b>
Dividends & interest	\$ 14,077	\$ 12,744
Net realized & unrealized gains (losses)	(1,956)	(3,869)
Total	\$ 12,121	\$ 8,875

**NOTE 4**

**PROPERTY AND EQUIPMENT, NET**

Property and equipment, net is summarized as follows:

<i>As of December 31,</i>	<b>2012</b>	<b>2011</b>
Computer equipment	\$ 10,330	\$ 10,330
Less: accumulated depreciation	(7,848)	(6,457)
Total	\$ 2,482	\$ 3,873

Depreciation expense for the years ended December 31, 2012 and 2011 was \$1,391 and \$1,738, respectively.

**NOTE 5**

**COMMITMENTS**

***Operating leases:***

The Organization leases its office facilities and other equipment on a month to month basis. Total rent expense under the operating leases was \$26,479 and \$24,080 in 2012 and 2011, respectively.

In 2013, the Organization committed to a three year lease agreement for a monthly rent of \$2,964 per month.

**NOTE 6**

**RELATED PARTY TRANSACTIONS**

The Organization's Board of Directors made contributions of approximately \$479,600 and \$449,900 in 2012 and 2011, respectively.

**NOTE 7**

**TEMPORARILY RESTRICTED NET ASSETS**

During the year ended December 31, 2012, 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:

<i>As of December 31,</i>	<b>2012</b>	<b>2011</b>
Purpose and time restrictions:	\$ 400,000	\$ -
Total	\$ 400,000	\$ -