

**HFS CHICAGO SCHOLARS  
FINANCIAL STATEMENTS  
AS OF JUNE 30, 2013 AND 2012  
TOGETHER WITH AUDITOR'S REPORT**

# HFS CHICAGO SCHOLARS

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# ***RUZICKA & ASSOCIATES, LTD.***

*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors of  
HFS Chicago Scholars

We have audited the accompanying financial statements of HFS Chicago Scholars, which comprise the statements of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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.

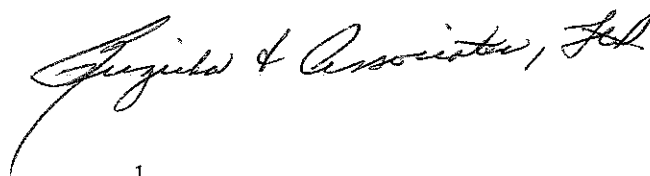
### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HFS Chicago Scholars as of June 30, 2013 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

The June 30, 2012 financial statements were audited by Filisha & Co. and in their report dated September 12, 2012, they issued an unqualified opinion on those financial statements.

Northbrook, IL  
October 26, 2013



**HFS CHICAGO SCHOLARS**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
Cash	\$ 431,498	\$ 285,622
Fixed assets, less accumulated depreciation of \$840 and \$722, respectively		118
Total assets	\$ 431,498	\$ 285,740

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 1,562	\$ 3,906
Total liabilities	1,562	3,906
Net assets, unrestricted	429,936	281,834
Total liabilities and net assets	\$ 431,498	\$ 285,740

See independent auditor's report and notes to financial statements.

**HFS CHICAGO SCHOLARS**

**STATEMENTS OF ACTIVITIES  
AND CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Support and revenue -		
Contributions	\$ 142,209	\$ 102,376
Special events		
Gross proceeds	358,024	312,933
Less direct expenses	(59,618)	(62,239)
Interest income	468	490
	<u>441,083</u>	<u>353,560</u>
Expenses -		
Program	278,677	270,460
Management and general	10,010	10,324
Fundraising	4,294	6,230
	<u>292,981</u>	<u>287,014</u>
Change in net assets	148,102	66,546
Net assets, beginning of year	<u>281,834</u>	<u>215,288</u>
Net assets, end of year	<u>\$ 429,936</u>	<u>\$ 281,834</u>

See independent auditor's report and notes to financial statements.

**HFS CHICAGO SCHOLARS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	Program Services	Management and General	Fundraising	Total
High school scholarships	\$ 168,548			168,548
Personnel expenses	92,096			92,096
Scholar events	10,616			10,616
Consulting		3,000		3,000
Professional fees		450		450
Insurance		1,214		1,214
Telephone and internet	2,961	562		3,523
Postage	561	819	413	1,793
Printing and publications		340	3,881	4,221
Rent	600			600
Supplies	2,651	611		3,262
Banking		2,986		2,986
Background checks	526			526
Filing fees		28		28
Depreciation	118			118
<b>Total expenses</b>	<b>\$ 278,677</b>	<b>10,010</b>	<b>4,294</b>	<b>292,981</b>

**HFS CHICAGO SCHOLARS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
High school scholarships	\$ 172,270			172,270
Personnel expenses	85,457			85,457
Scholar events	6,260			6,260
Consulting		2,150	250	2,400
Professional fees		450		450
Insurance		1,150		1,150
Telephone and internet	1,725	611		2,336
Postage	542	328	993	1,863
Printing and publications	654	93	4,987	5,734
Rent	800			800
Supplies	1,743	487		2,230
Banking		5,030		5,030
Background checks	730			730
Filing fees		25		25
Depreciation	279			279
<b>Total expenses</b>	<b>\$ 270,460</b>	<b>10,324</b>	<b>6,230</b>	<b>287,014</b>

See independent auditor's report and notes to financial statements.

**HFS CHICAGO SCHOLARS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 148,102	\$ 66,546
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	\$ 118	279
Decrease in accounts payable	(2,344)	(237)
	145,876	66,588
Net cash provided by operations		
Cash flows from investing activities:		
Cash flows from financing activities:		
Net increase in cash	145,876	66,588
Cash, beginning of year	285,622	219,034
Cash, end of year	\$ 431,498	\$ 285,622

See independent auditor's report and notes to financial statements.



**HFS CHICAGO SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**1. ORGANIZATION:**

HFS Chicago Scholars (HFS) helps economically disadvantaged Chicago inner-city high school students, who show academic and leadership promise, achieve their educational goals by providing financial support and one-on-one mentoring.

HFS focuses on low-income youth in grades 8-12 from public schools throughout the City of Chicago because they are at the greatest disadvantage of full participation in our global economy. All of our student scholars are low-income and our ethnic makeup is 50 percent Hispanic, 45 percent African American and African, and five percent Asian and other. Although the selection process is very competitive and meeting the requirements to receive a HFS scholarship are difficult, the success of our approach has created a demand for our program. This year we received over 300 applications for 30 scholarships.

HFS exists to prepare our scholars for long-term success. The primary objective of the HFS program is to provide approximately 100 scholars, including 28 new scholars during the 2013/2014 program year, with financial assistance and the mentoring needed to be accepted into college and achieve long-term success. At HFS, we walk hand-in-hand with our students to produce drastically different results. We have retained over 90 percent of the scholars that join the program at the end of their 8th grade year. Nearly 95 percent make the honor roll at top private high schools in the city each year. Our students respond to the opportunity by working hard to achieve success and unlock their long-term potential as evidenced by our scholars:

- Becoming school leaders, class officers, team captains and club presidents;
- Giving over 3,000 hours to community service annually; and
- Achieving combined grade point averages of 3.48/4.00.

Since our inception, 100 percent of our graduates have been accepted to colleges and universities. During fiscal years 2013 and 2012, HFS provided partial high school scholarships to 81 and 87 students, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Presentation

The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with generally accepted accounting principles. Financial statement presentation follows the Financial Accounting Standards Board Statement (FASB) Accounting Standards Codification (ASC) No. 958 "Not-for-Profit Entities." Under ASC 958, HFS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Contributions

HFS accounts for contributions in accordance with FASB's ASC 958-605 "Not-for-Profit Entities – Revenue Recognition." Under ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Once the related donor restriction is met, such assets are transferred to unrestricted assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. HFS had no restricted assets as of June 30, 2013 or 2012.

### Cash and Cash Equivalents

HFS considers all highly liquid investments, with an original maturity of three months or less to be cash and cash equivalents. Credit risk for cash is limited in that HFS places its cash and cash equivalents with creditworthy, high-quality, financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. HFS performs an ongoing evaluation of the commercial banks to limit its concentration of credit risk exposure.

### Investments

Investments consist of certificates of deposit with a maturity of less than 12 months and are carried at fair value.

### Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donations provided for specific scholarships. Restrictions on certain of these donations have been met, and therefore the related assets have been transferred to unrestricted net assets. There are no remaining restrictions as of June 30, 2013 or 2012.

### Donated Services

No amounts have been reflected in the financial statements for donated services as HFS pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks. Such volunteer time is not reflected in the accompanying financial statements.

### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program, management and fund-raising expense based on the type of cost and approximate use.

### Depreciation and Amortization

Capital equipment, which consists of computer equipment, is recorded at cost and depreciated using the straight-line method over its estimated useful life, generally three years. Depreciation expense for the years ended June 30, 2013 and 2012 was \$118 and \$279, respectively.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **3. INCOME TAXES:**

HFS has been granted tax exempt status as a public charity under Section 501(c)(3) of the Internal Revenue Code. HFS believes that it is designed and operated in a manner that qualifies it for tax exempt status. Accordingly, no taxes have been provided for in the accompanying financial statements. Management does not believe its financial statements include uncertain tax positions. Tax returns filed during the past three years are subject to examination by taxing authorities. There are no examinations being currently conducted.

### **4. SUBSEQUENT EVENTS:**

HFS Chicago Scholars has evaluated subsequent events for potential recognition and/or disclosure through October 26, 2013, the date the financial statements were available to be issued.