

LINDA LORELLE SCHOLARSHIP FUND

FINANCIAL STATEMENTS

June 30, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Linda Lorelle Scholarship Fund
Houston, Texas

We have audited the accompanying financial statements of Linda Lorelle Scholarship Fund (the Fund), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and change in net assets, 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.

Auditors' 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 auditors' 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 Linda Lorelle Scholarship Fund as of June 30, 2013 and 2012, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses for the years ended June 30, 2013 and 2012 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tange, Mann + Garza

February 9, 2014

LINDA LORELLE SCHOLARSHIP FUND
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2013	2012
Cash and cash equivalents	\$ 600,980	\$ 826,390
Pledges receivable	-	2,546
Deposit refund receivable	1,500	-
Prepaid expenses	14,000	1,500
Office equipment, net of accumulated depreciation of \$5,221 in 2013, and \$3,572 in 2012	3,023	4,672
Deposit	-	1,500
Total assets	\$ 619,503	\$ 836,608

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,201	\$ -
Accrued liabilities	1,013	11,000
Unearned revenue	15,000	7,500
Scholarships payable	445,693	688,013
Total liabilities	462,907	706,513
Net assets:		
Unrestricted net assets	156,596	130,095
Total net assets	156,596	130,095
Total liabilities and net assets	\$ 619,503	\$ 836,608

The accompanying notes are an integral part of the financial statements.

LINDA LORELLE SCHOLARSHIP FUND
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2013	2012
Unrestricted net assets:		
Revenues:		
Annual events:		
Gross revenues from annual events	\$ -	\$ 353,810
Less cost of annual events	-	154,415
Net proceeds from annual events	-	199,395
Other revenues:		
Contributions - corporations and individuals	32,850	13,510
Fee for service	15,000	15,000
Investment and other income	1,611	2,632
Unclaimed scholarships and fellowships	177,682	20,637
Total other revenues	227,143	51,779
Total revenues	227,143	251,174
Expenses:		
Program services:		
Scholarships/programs	129,669	221,188
College preparatory seminars	-	20,031
Total program services	129,669	241,219
Supporting services:		
Administrative	55,925	55,490
Fundraising	15,048	13,200
Total supporting services	70,973	68,690
Total expenses	200,642	309,909
Increase (decrease) in unrestricted net assets	26,501	(58,735)
Net assets beginning of year	130,095	188,830
Net assets end of year	\$ 156,596	\$ 130,095

The accompanying notes are an integral part of the financial statements.

LINDA LORELLE SCHOLARSHIP FUND
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 26,501	\$ (58,735)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	1,649	1,648
Change in operating assets and liabilities:		
Pledges receivable	2,546	368
Prepayments	(12,500)	27,821
Accounts payable	1,201	-
Accrued liabilities	(9,987)	11,000
Scholarships payable	(242,320)	(30,440)
Fellowships payable	-	(2,444)
Unearned revenue	7,500	(2,450)
Total adjustments	(251,911)	5,503
Net cash used by operating activities	(225,410)	(53,232)
Net decrease in cash and cash equivalents	(225,410)	(53,232)
Cash and cash equivalents, beginning of year	826,390	879,622
Cash and cash equivalents, end of year	\$ 600,980	\$ 826,390

The accompanying notes are an integral part of the financial statements.

LINDA LORELLE SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and Purpose

The Linda Lorelle Scholarship Fund (the Fund) is a non-profit organization incorporated under the laws of the State of Texas in 1997. The Fund provides monthly seminars, college scholarships, training and support for Houston, Texas area high school students in need of financial and college access assistance. Inspired by Emmy Award winning journalist Linda Lorelle and her desire to help Houston's youth, the Fund targets students who wish to attend college, but may not consider it as a possibility, because of extraordinary circumstances in their lives.

Mission

The mission of the Linda Lorelle Scholarship Fund is to seek out Houston area high school students whose potential may be unfulfilled due to circumstances beyond their control, and provide them with support to enable them to access and complete a college education.

Fiscal 2013 Operations

During fiscal 2013, the Fund's leadership spent a substantial amount of time pursuing a joint venture with another non-profit organization that also helps economically disadvantaged high school students, with the intent of offering more training and services to the students while generating some economies of scale. However, after numerous meetings and discussions, a workable operating agreement could not be agreed to by both parties and, as a result, discussions were terminated.

Leadership's time was further diverted by an internal reorganization which included evaluating personnel needs and capabilities, and making personnel changes, to include, outsourcing certain duties that were previously performed by Fund personnel. All the while, the Fund was in the process of relocating its corporate offices.

The aforementioned time demands contributed to various fund raising events either being cancelled or delayed, resulting in no events revenue being generated in fiscal 2013. With many of the "unproductive" issues having been resolved, the Fund's leadership is looking forward to a significant increase in fiscal 2014 revenues and related scholarship activity.

Tax exempt status

On September 23, 1997, the Fund received a ruling from the Internal Revenue Service granting exemption from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Management is not aware of any uncertain tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

LINDA LORELLE SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. The Fund is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions. The classes are as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted contributions, the restriction of which is met in the year the contribution is received, are reported as unrestricted support.

As of June 30, 2013 and 2012, the Fund had no temporarily restricted or permanently restricted net assets.

Revenues

The major source of revenue is the Linda Lorelle Scholarship Fund Awards Dinner. This event in the past has included a banquet and live auction. Additional monies are raised by contributions, the College Preparatory Conference and other functions. The Fund has made a concerted effort to gain the support of prominent local companies, foundations and individuals. These efforts have increased the support base and provided the first steps toward increasing and broadening the fundraising activities. In fiscal 2013, none of the aforementioned revenue generating events were held.

Cash and cash equivalents

For purposes of the statement of cash flows, the Fund considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Pledges receivable

There was no pledges receivable balance as of June 30, 2013. The Fund considered pledges receivable at June 30, 2012 to be fully collectible; accordingly, no allowance for uncollectible pledges was required. If amounts were to become uncollectible, they would be charged to operations when that determination is made.

Unearned revenue

Unearned revenue represents sponsorship monies received prior to the occurrence of the event that is being sponsored.

LINDA LORELLE SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Donated services

Donated services are recognized when the services received: a) create or enhance non-financial assets, or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Fund receives contributions from numerous unpaid volunteers; however, no amounts have been recognized as they do not meet the criteria.

Functional allocation of expenses

The expenses incurred by the various programs and other activities of the Fund have been summarized on a functional basis according to the purpose for which the expenses were paid. Certain expenses that pertain to more than one purpose were allocated among the various functions based upon their estimated use.

Fair values of financial instruments

The Fund estimated that the fair value of all financial instruments did not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The carrying values approximate fair values because of the short maturities of the financial instruments.

Property and equipment

Property and equipment are recorded at cost or at estimated fair value at the date of gift. Donations with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long property and equipment must be maintained, the Fund reports expirations of donor restrictions when the donated or acquired property and equipment are placed in service or purchased.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The costs of ordinary maintenance and repairs are charged to expense.

LINDA LORELLE SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Concentration of credit risk

The Fund maintains its cash and cash equivalents accounts at high quality financial institutions with balances, at times, in excess of federally insured limits. As of June 30, 2013 and 2012, the Fund had no cash and cash equivalent balances with banks in excess of the federally insured limit. The Fund also has substantial cash equivalent balances which are invested in institutional money market funds. As of June 30, 2013 and 2012, the Fund had cash equivalent balances of approximately \$326,000 and \$473,000, respectively, invested in excess of the Securities Investors Protection Corporation ("SIPC") limit of \$250,000.

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

New Accounting Pronouncements

The Fund's management is not aware of any new pronouncements that have been released and not yet effective, which will have a significant impact to its financial position or results of operations in future periods.

Note 3 - Programs

Scholarships

The Fund awards scholarships, following an in-depth and personal application process. Applicants must have demonstrated at least average ability in their scholastic achievements and show qualities of strong character and determination. When selecting a Linda Lorelle Scholar, the Scholarship Committee considers all circumstances provided by the applicant, the school, and his or her family resources. Students must be a current Junior attending a high school within Fort Bend or Harris Counties, including private and charter schools.

Scholarship winners sign an agreement that requires them to comply with certain standards and that all scholarship monies are to be used within a specific period. If these standards and time periods are not met any unfunded scholarships are considered unclaimed scholarships and are taken back to be used for future scholarships.

LINDA LORELLE SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS

Note 3 – Programs (continued)

Unclaimed scholarships are recorded as “other revenue” and the liability is reversed.

Seminars

All new scholarship recipients are required to attend a series of seminars during their high school Junior and Senior years to help them prepare for college. Topics include how to fill out college applications, where to find additional financial support, and what to expect on campus. Students are given access to computer training, SAT prep courses, college counseling, and other opportunities to give them the skills they need to be successful.

Note 4 - Commitments and Contingencies

Each year, the Fund commits funds for future scholarships. These amounts are expensed in the year that the scholarships are awarded, even though the amounts will be received by the recipient over an extended period of time. The entire amount of the awards is classified as a liability on the statement of financial position.

The Fund leases office space. Monthly base rental payments of \$1,500 plus allocated property costs were paid through June 2013. In mid June 2013, the Fund leased new office space on a month to month basis. The monthly base rental payments of \$850 includes telephone usage and is due the first day of each month. In addition, the Fund has non-cancellable operating leases for office equipment that have future minimum base rental payments of \$3,060 and \$1,576 due for years ending June 30, 2014 and 2015, respectively

Rental expense for the years ended June 30, 2013 and 2012 was \$24,595 and \$25,050, respectively.

Note 5 - Subsequent Events

On July 10, 2013, the Fund entered into an agreement with PDV Special Events, LLC for event management from July 10, 2013 to January 10, 2014. The agreement may be terminated upon 60 days written notice by either party to the other party. The Fund shall pay PDV Special Events, LLC for services a non-refundable fee in the amount of \$4,500 per month from July 10, 2013 to January 10, 2014. The Board of Directors has agreed to extend the contract for an additional six months.

Subsequent events were evaluated through the date of the independent auditors’ report, the date that the financial statements were available to be issued.

LINDA LORELLE SCHOLARSHIP FUND
 Schedule of Functional Expenses
 For The Year Ended June 30, 2013

Expenses	Total Expense Before Allocation	Cost of Annual Events	Program Services			Supporting Services	
			Scholarships /Programs	College Preparatory Seminars	Administrative	Fundraising	
Direct program expense:							
Staff support - programs	\$ 23,113	-	\$ 78,100	-	\$ 23,113	-	\$ 58
Scholarships	78,100	-	-	-	-	-	-
Mentor and volunteer expense	-	-	-	-	-	-	-
Scholarship Committee expense	-	-	-	-	-	-	-
Student relations/other expense	-	-	-	-	-	-	-
Workshops, seminars, orientation/college tour	58	-	-	-	-	-	-
Total direct program expense	101,271	\$ -	78,100	\$ -	23,113	-	58
Direct events expense - events expense	2,330	-	-	-	-	-	2,330
Total direct events expense	2,330	-	-	-	-	-	2,330
Direct fundraising expense - office supplies/expense	3,285	-	-	-	-	-	3,285
Total direct fundraising expense	3,285	-	-	-	-	-	3,285
Indirect expenses:							
Advertising	1,090	-	600	-	381	-	109
Bank/credit card fees	1,104	-	607	-	387	-	110
Computer repair/maintenance	1,281	-	705	-	448	-	128
Conference and training	-	-	-	-	-	-	-
Contract employment-development	8,850	-	4,868	-	3,097	-	885
Contract employment-G&A	6,629	-	3,646	-	2,320	-	663
Misc expense	5,206	-	2,863	-	1,822	-	521
Depreciation expense	1,649	-	907	-	577	-	165
Development/Board meetings/lunch	934	-	514	-	327	-	93
Dues and subscriptions	-	-	-	-	-	-	-
Equipment rental/expense	3,334	-	1,834	-	1,167	-	333
Insurance	2,036	-	1,120	-	712	-	204
Interest expense	-	-	-	-	-	-	-
Office Move	-	-	-	-	-	-	-
Postage/Delivery	624	-	343	-	219	-	62
Printing/PR expenses	750	-	413	-	262	-	75
Professional fees/legal/accounting	11,800	-	6,490	-	4,130	-	1,180
Rent (Cullen Continental II Co., LP)	18,340	-	10,087	-	6,419	-	1,834
Seminars/meeting expense	636	-	350	-	222	-	64
Staff support - administration	12,610	-	6,936	-	4,413	-	1,261
Staff support - development	13,329	-	7,331	-	4,665	-	1,333
Telephone communications	3,554	-	1,955	-	1,244	-	355
Total indirect expenses	93,756	-	51,569	-	32,812	-	9,375
Total expenses	\$ 200,642	\$ -	\$ 129,669	\$ -	\$ 55,925	\$ -	\$ 15,048

LINDA LORELLE SCHOLARSHIP FUND
 Schedule of Functional Expenses
 For The Year Ended June 30, 2012

	Total Expense Before Allocation	Cost of Annual Events	Subtotal	Program Services		Supporting Services	
				Scholarships /Programs	College Preparatory Seminars	Administrative	Fundraising
Expenses							
Direct program expense:							
Staff support - programs	\$ 48,892		\$ 48,892			\$ 48,892	
Scholarships and fellowships	148,600		148,600	\$ 148,600	\$ 236		
Workshops, seminars, orientation/college tour	236		236				
Total direct program expense	197,728	-	197,728	148,600	236	48,892	-
Direct events expense -							
events expense	133,394	133,394					
Total direct events expense	133,394	133,394					
Direct fundraising expense -							
office supplies/expense	1,229	1,229					
Total direct fundraising expense	1,229	1,229					
Indirect expenses:							
Advertising	420	63	357	231	63	21	42
Bank/credit card fees	2,029	304	1,725	1,116	304	102	203
Computer repair/maintenance	1,487	223	1,264	818	223	74	149
Conference and training	-	-	-	-	-	-	-
Contract employment-G&A	14,489	2,173	12,316	7,969	2,173	725	1,449
Contract employment-development	8,256	1,238	7,018	4,541	1,238	413	826
Misc expense	3,043	455	2,588	1,675	457	151	305
Depreciation expense	1,649	247	1,402	907	247	83	165
Development/Board meetings/lunch	174	26	148	96	26	9	17
Dues and subscriptions	35	5	30	19	5	2	4
Equipment rental/expense	3,701	555	3,146	2,036	555	185	370
Insurance	3,511	527	2,984	1,931	527	175	351
Interest expense	-	-	-	-	-	-	-
Office Move	-	-	-	-	-	-	-
Postage/Delivery	1,603	240	1,363	882	240	81	160
Printing/PR expenses	665	100	565	366	100	32	67
Professional fees/legal/accounting	13,500	2,025	11,475	7,425	2,025	675	1,350
Rent (Cullen Continental II Co., LP)	18,000	2,700	15,300	9,900	2,700	900	1,800
Seminars/meeting expense	1,146	172	974	630	172	57	115
Staff support - administration	26,676	4,001	22,675	14,672	4,001	1,334	2,668
Staff support - development	28,239	4,236	24,003	15,531	4,236	1,412	2,824
Telephone communications	3,350	502	2,848	1,843	503	167	355
Total indirect expenses	131,973	19,792	112,181	72,588	19,795	6,598	13,200
Total expenses	\$ 464,324	\$ 154,415	\$ 309,909	\$ 221,188	\$ 20,031	\$ 55,490	\$ 13,200