

REPORT ON THE AUDIT OF  
DONORS ENRICHING STUDENTS' KNOWLEDGE

FOR THE YEAR ENDING DECEMBER 31, 2014

PREPARED BY  
DENISE A. WILL, CPA

DONORS ENRICHING STUDENTS' KNOWLEDGE

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# Denise A. Will, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Donors Enriching Students' Knowledge  
Columbia, South Carolina

I have audited the accompanying financial statements of Donors Enriching Students' Knowledge (a nonprofit organization), which comprise the statement of assets, liabilities and net assets-cash basis as of December 31, 2014 and the related statements of support, expenses and changes in net assets-cash basis, and functional expenses-cash basis 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 the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets arising from cash transactions of Donors Enriching Students' Knowledge as of December 31, 2014 and its support and expenses for the year then ended in accordance with the **cash basis of accounting as described in Note A.**

## Denise A. Will, CPA

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### **Basis of Accounting**

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

### **Other Matter**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of scholarship and grants awarded-cash basis on page 9 is presented for purposes of additional analysis and is 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Denise A. Will, CPA  
Leesville, South Carolina  
June 24, 2015

**DONORS ENRICHING STUDENTS' KNOWLEDGE  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS-CASH BASIS  
AS OF DECEMBER 31, 2014**

<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Cash &amp; Cash Equivalents</b>	
<b>Checking/Savings</b>	<u>\$ 214,613</u>
<b>Total Current Assets</b>	<u>214,613</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 214,613</u></u>
 <b>NET ASSETS</b>	
<b>Unrestricted Net Assets</b>	<u>\$ 214,613</u>
<b>Total Net Assets</b>	<u>214,613</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ 214,613</u></u>

**DONORS ENRICHING STUDENTS' KNOWLEDGE**  
**STATEMENT OF SUPPORT, EXPENSES AND CHANGES IN NET ASSETS-CASH BASIS**  
For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT</b>			
Contributions			
Contributions	\$ 219,600	\$ -	\$ 219,600
Total Contributions	219,600	-	219,600
<b>Total Revenues and Other Support</b>	<b>219,600</b>	<b>-</b>	<b>219,600</b>
<b>EXPENSES</b>			
Program Services			
Scholarships	5,160	-	5,160
Supporting Services			
Management and General	4,319	-	4,319
<b>Total Expenses</b>	<b>9,479</b>	<b>-</b>	<b>9,479</b>
<b>Change in Net Assets</b>	<b>210,121</b>	<b>-</b>	<b>210,121</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,492</b>	<b>-</b>	<b>4,492</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 214,613</b>	<b>\$ -</b>	<b>\$ 214,613</b>

**DONORS ENRICHING STUDENTS' KNOWLEDGE**  
**STATEMENT OF FUNCTIONAL EXPENSES-CASH BASIS**  
For the Year ended December 31, 2014

	Support Services		Program Services	Total Expenses
	Management and General	Fund Raising	Scholarships	
Bank Service Charges	334	-	-	334
Outside Services	-	-	160	160
D & O Liability Insurance	625	-	-	625
Business Registration Costs	10	-	-	10
Penalties	3,350	-	-	3,350
Scholarships	-	-	5,000	5,000
<b>Total Functional Expenses</b>	<b>\$ 4,319</b>	<b>\$ -</b>	<b>\$ 5,160</b>	<b>\$ 9,479</b>

**Donors Enriching Students' Knowledge**  
**Notes to Financial Statements**  
**For the year ending December 31, 2014**

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Donors Enriching Students' Knowledge (DESK) was originally incorporated as a South Carolina nonprofit corporation in November of 2005 as SCRG Foundation. In 2014 due to the new Educational Credits for Exceptional Needs Children (ECENC)- South Carolina State Budget Proviso 1.85 SCRG Foundation changed its mission to serve as a Scholarship Funding Organization and decided to change the name of the corporation to Donors Enriching Students' Knowledge. The mission of DESK is to seek to inform and educate South Carolinians to restore a more responsible government by promoting limited government ideas and support families who choose non-government classroom alternatives for their children's primary and secondary education, through the issuance of grants under the terms of the Educational Credits for Exceptional Needs Children(ECENC) Proviso, and any subsequent, similar programs.

Donors Enriching Students' Knowledge is a State of South Carolina approved Scholarship Funding Organization("SFO") as defined under the terms of the Proviso. Activities of DESK are limited to accepting contributions eligible for as tax credit under the Proviso and issuing scholarships to eligible children in accordance with the Proviso and in maintenance of DESK's status as an approved SFO.

Basis of Accounting

The financial statements of DESK have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). This method differs from generally accepted accounting principles in that revenues are recognized when they are received and expenses are recognized when they are paid, rather than when the obligation is incurred. It also differs, in that long-term assets are not capitalized, so there is no depreciation expense recorded. Both long-term and short-term liabilities are also not recorded under this method of accounting. Management has determined that the cash basis of accounting is an acceptable basis for the preparation of DESK financial statements, and the opinion in our Independent Auditor's Report is not modified with respect to the matter.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Financial Statement Presentation

DESK's financial statements are presented in accordance with FASB Accounting Standards Codification Topic 958, Not-For-Profit Entities, DESK reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. DESK has no temporarily nor permanently restricted net assets as of December 31, 2014.

Contributions received are reported as unrestricted, temporarily restricted and permanently restricted support, depending on the existence and nature of any donor restrictions. Support that

**Donors Enriching Students' Knowledge**  
**Notes to Financial Statements**  
**For the year ending December 31, 2014**

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-  
CONTINUED**

is temporarily restricted by the donor is reclassified to unrestricted net assets when the time restriction, if any, expires and/or the purpose of the restriction is accomplished.

Income Taxes

DESK is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). However, any unrelated business income would be subject to unrelated business income tax. DESK currently has no obligation for any unrelated business income tax and therefore has made no provision for federal income taxes in the accompanying financial statements. Currently the statute of limitations remains open subsequent to and including 2011; however no examinations are in process or anticipated.

Educational Credit for Exceptional Needs Children (ECENC)

The 2013-2014 South Carolina State Budget Proviso 1.85, allowed for the creation of nonprofit Scholarship Funding Organization that can solicit contributions and issue scholarship grants in an amount not exceeding \$10,000 or the total cost of tuition (whichever is less) for eligible children with "exceptional needs" to attend an approved South Carolina independent school. These funds may be used to tuition, travel or textbook expenses for eligible "exceptional needs" children attending approved South Carolina independent schools. The Proviso also limits Scholarship Funding Organizations to administrative expense of not more than 5% of its annual contributions and revenue after its first year of operation as an SFO.

Donor-Imposed Restrictions

DESK limits any donor-imposed restrictions on contributions to those allowed by the Proviso so that the contribution will be eligible for a tax credit. In order for contributions to be eligible for a tax credit, the Proviso prohibits donors from designating a specific child or school as the beneficiary of the contributions. DESK does not accept contributions designated for the benefit of a specific child or school.

**NOTE B - CASH**

DESK considers all investments with a maturity of three months or less to be cash and cash equivalents.

**NOTE C – COMMITMENTS AND CONTINGENCIES**

The 2013-2014 South Carolina State Budget Proviso 1.85 provided for \$8 million of SC tax credits to be available for contributions made between January 1, 2014 and June 30, 2014. The program was legislatively renewed as part of the 2014-2015 South Carolina State Budget Proviso 1.80. Another \$8 million in SC tax credits were made available for contributions between July 1, 2014 and June 30, 2015.

DESK is dependent on future renewals of this program as a budget proviso, or potentially codification as a permanent law. The 2015-2016 South Carolina State Budget Proviso 1.68 renewing the program has currently passed both chambers, but could be vetoed by the governor.

**Donors Enriching Students' Knowledge  
Notes to Financial Statements  
For the year ending December 31, 2014**

**NOTE D – SUBSEQUENT EVENTS**

No subsequent events were found that would have an impact on the financial statements. Subsequent events were evaluated through June 24, 2015 which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**DONORS ENRICHING STUDENTS' KNOWLEDGE  
SUPPLEMENTAL SCHEDULE OF SCHOLARSHIP AND GRANTS AWARDED-CASH BASIS  
For the Initial Year Ended December 31, 2014**

<u>Attended Institution</u>	<u>City</u>	<u>Number of Awards</u>	<u>Amount Awarded</u>
Glenforest School	West Columbia, South Carolina	1	\$ 5,000
Sandhills School	Columbia, South Carolina	-	- *
		<u>1</u>	<u>\$ 5,000</u>

\* \$5,000 Scholarship approved by scholarship panel but child had already received \$10,000 from another SFO