

HISPANIC SCHOLARSHIP FUND

Independent Auditor's Report and Consolidated Financial Statements

March 31, 2015 and 2014

Hispanic Scholarship Fund

Independent Auditor's Report and Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hispanic Scholarship Fund

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hispanic Scholarship Fund (the Fund), which comprise the consolidated statement of financial position as of March 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hispanic Scholarship Fund as of March 31, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Fund's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 21 - 22 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

JLK Rosenberger, LLP

Irvine, California
July 9, 2015

Hispanic Scholarship Fund

Consolidated Statements of Financial Position

<i>March 31,</i>	2015	2014
Assets:		
Cash and cash equivalents	\$ 2,402,529	\$ 3,674,159
Investments	23,578,760	23,186,894
Contributions receivable, net	6,904,809	9,514,542
Contracts receivable	205,712	106,661
Property and equipment, net	1,186,082	48,604
Prepaid expenses and other assets	1,095,915	583,104
Total assets	\$ 35,373,807	\$ 37,113,964
Liabilities and Net Assets		
Liabilities:		
Scholarships payable	\$ 186,931	\$ 154,574
Accounts payable and accrued expenses	888,995	831,747
Deferred rent	463,599	114,922
Total liabilities	1,539,525	1,101,243
Net Assets:		
Unrestricted	167,638	45,175
Temporarily restricted	20,220,543	22,541,104
Permanently restricted	13,446,101	13,426,442
Total net assets	33,834,282	36,012,721
Total liabilities and net assets	\$ 35,373,807	\$ 37,113,964

The accompanying notes are an integral part of these consolidated financial statements.

Hispanic Scholarship Fund
Consolidated Statements of Activities

Year Ended March 31, 2015 (with comparative totals for 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues:					
Support:					
Grants and contributions	\$ 1,459,944	\$ 38,733,986	\$ 19,659	\$ 40,213,589	\$ 42,133,057
Government grants	1,233,453			1,233,453	1,327,890
Contribution received from HCF					343,317
Special events (net of direct expenses of \$438,036 for 2014)	757,026			757,026	1,015,107
Investment income, net	11,618	1,111,900		1,123,518	1,177,015
In-kind contributions	1,074,377			1,074,377	344,483
Other Revenue	13,725			13,725	6,148
Net assets released from restrictions	42,166,447	(42,166,447)		-	-
Total support and revenues	46,716,590	(2,320,561)	19,659	44,415,688	46,347,017
Expenses:					
Program services:					
Scholarships	38,217,740			38,217,740	39,481,871
Education and information	4,685,345			4,685,345	3,156,853
Total program services	42,903,085	-	-	42,903,085	42,638,724
Support services:					
Administration	3,013,547			3,013,547	2,646,488
Fund raising	677,495			677,495	533,156
Total support services	3,691,042	-	-	3,691,042	3,179,644
Total expenses	46,594,127	-	-	46,594,127	45,818,368
Change in Net Assets	122,463	(2,320,561)	19,659	(2,178,439)	528,649
Net Assets, beginning of year	45,175	22,541,104	13,426,442	36,012,721	35,484,072
Net Assets, end of year	\$ 167,638	\$ 20,220,543	\$ 13,446,101	\$ 33,834,282	\$ 36,012,721

The accompanying notes are an integral part of these consolidated financial statements.

Hispanic Scholarship Fund

Consolidated Statements of Functional Expenses

Year Ended March 31, 2015 (with comparative totals for 2014)

	2015					2014 Total
	Scholarship	Education and Information	Administration	Fund Raising	Total	
Program Distributions:						
Scholarships awarded	\$ 35,125,027	\$ 20,503	\$ 18,185	\$ -	\$ 35,163,715	\$ 35,654,872
Grants and other awards	358,446				358,446	612,517
Total program distributions	35,483,473	20,503	18,185	-	35,522,161	36,267,389
Personnel Expenses:						
Salaries	1,065,821	925,558	1,564,760	583,265	4,139,404	3,793,358
Payroll taxes	83,599	73,288	119,253	40,057	316,197	278,698
Employee benefits	129,732	136,310	260,704	98,719	625,465	570,760
Recruiting and temporary workers	38,777	20,859	101,084		160,720	148,264
Honorariums and other expenses	65,236	5,350			70,586	149,955
Total personnel expenses	1,383,165	1,161,365	2,045,801	722,041	5,312,372	4,941,035
Other Expenses:						
Professional fees	149,470	283,051	911,570	27,401	1,371,492	1,276,376
Occupancy	211,423		273,655		485,078	244,142
Dues and subscriptions	4,782	3,262	30,535	3,842	42,421	68,064
Interest, fees and taxes	3,844		55,253	414	59,511	54,362
Newsletters, printing and postage	29,277	89,591	53,418	31,358	203,644	196,083
Office expense and equipment	63,215	49,260	245,807	36,393	394,675	486,045
Telephone	18,250	19,627	75,383	4,780	118,040	94,341
Insurance	1,000		39,946		40,946	16,305
Equipment rental and maintenance	14,125	5,326	50,509		69,960	37,552
Travel and conferences	130,548	212,023	106,418	58,880	507,869	425,703
Outreach events	43,306	331,839	67,800	17,620	460,565	312,170
Marketing	41,551	630,494	35,228	46,123	753,396	415,200
Bad debts	58,500	500,327	10,392		569,219	585,780
Legal			19,531		19,531	44,747
In-kind goods & services		25,212	391,073	170,842	587,127	344,483
Depreciation	16,449	18,508	33,934	7,229	76,120	8,591
Total other expenses	785,740	2,168,520	2,400,452	404,882	5,759,594	4,609,944
Overhead allocation	565,362	1,334,957	(1,450,891)	(449,428)	-	-
Total Expenses	\$ 38,217,740	\$ 4,685,345	\$ 3,013,547	\$ 677,495	\$ 46,594,127	\$ 45,818,368
Expense Allocation	82%	10%	6%	2%	100%	100%

The accompanying notes are integral part of these consolidated financial statements.

Hispanic Scholarship Fund

Consolidated Statements of Cash Flows

<i>Year Ended March 31,</i>	2015	2014
Operating Activities:		
Change in net assets	(2,178,439)	528,649
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation	76,120	8,591
Bond accretion amortization	136,103	148,718
Realized and unrealized gain on investment	(823,757)	(915,816)
Uncollectible pledges loss	569,219	585,780
Donated assets	(562,250)	
Changes in assets and liabilities:		
Contributions receivable	2,040,514	(1,042,784)
Contracts receivable	(99,051)	(106,661)
Prepaid expenses and other assets	(5,561)	59,265
Scholarships payable	32,357	(131,871)
Accounts payable and accrued expenses	57,248	29,778
Deferred rent	348,677	44,416
Net cash used by operating activities	(408,820)	(791,935)
Investing Activities:		
Purchase of investments	(11,287,579)	(11,128,444)
Proceeds from sale of investments	11,583,367	13,327,337
Proceeds from maturity of certificate of deposit		300,000
Purchase of equipment	(1,158,598)	
Net cash provided by investing activities	(862,810)	2,498,893
Increase (Decrease) in Net Cash	(1,271,630)	1,706,958
Cash and Cash Equivalents, beginning of year	3,674,159	1,967,201
Cash and Cash Equivalents, end of year	2,402,529	3,674,159
Supplemental Cash Flow Information:		
Interest paid	-	256
In-kind contributions	587,127	344,483

The accompanying notes are an integral part of these consolidated financial statements.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 1 - Organization:

The Hispanic Scholarship Fund (the Fund, HSF) is a non-profit, tax-exempt 501(c)(3) corporation established to provide college scholarships, and related educational outreach and support services, to members of the Hispanic community. It also promotes the importance of higher education to the Hispanic community, and to corporate and institutional donors, as well as a philosophy of each individual contributing what they can to this cause, throughout their lives.

The Fund is headquartered in Gardena, California and has a regional presence in New York, Texas, Georgia, and Washington DC. The majority of the Fund's revenue comes from donations by foundations, corporations, and individuals. The primary roles of the Fund are providing scholarships, services, training, and information.

The primary services provided by the Fund are:

Scholarships – The Fund administers scholarships funded by donations from foundations, corporations, and individuals.

Outreach Programs – The Fund provides educational outreach services to Hispanics, other minority parents, and their children from kindergarten through twelfth grade. HSF's staff conducts evening and weekend workshops for students and parents that address how to prepare for college, college selection, the college application process, and how to apply for scholarships and financial aid. Additional programs are offered to HSF Scholars and Alumni that provide leadership training and networking opportunities.

College Programs – The Fund offers programs to HSF Scholars and other Hispanic students enrolled in college, as well as for students and families in nearby communities. These include on-campus student groups designed to increase a students' connection with his/her college, as well as academic support services for scholarship recipients.

Government Programs – Through Hispanic Scholarship Fund Institute (the Institute, HSFI), the Fund administers two NASA grants and one Department of Energy grant which provide scholarships, academic support, and internships to underserved students pursuing Science, Technology, Engineering, and Math (STEM) careers.

Information – Through its online portal, HSF provides free information to visitors, including potential scholarship applicants and their parents, current Scholars, and Alumni, on a range of topics related to college and the transition from college to profession.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies:

a. Principles of Consolidation

The consolidated financial statements include the Fund and the Institute, since the Fund is the sole member of HSFI. All inter-entity transactions have been eliminated upon consolidation.

b. Basis of Presentation and Description of Net Assets

The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Accordingly, the Fund presents information regarding its net assets and activities according to three classes of net assets:

Unrestricted Net Assets - The portion of net assets that are not subject to donor imposed restriction or the donor imposed restriction has expired. These assets are neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets - The portion of net assets that are subject to donor-imposed restrictions. The use by the Fund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Fund. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - The portion of net assets that are subject to donor-imposed restrictions that they be maintained permanently. These assets consist of the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds where the donor indicated that a portion of the donation be retained permanently.

c. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include the Fund's operating and checking accounts, exclusive of cash and cash equivalents held as part of the Fund's investments.

d. Contributions and Contract Receivables

Contributions and grants are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value. Restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

Long term contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market interest rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributed income.

The Fund reviews the individual receivable balances at year end to evaluate the appropriate allowance for uncollectible receivables and contributions.

The Fund receives funding under grants and contracts from federal agencies for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreement.

e. Investments

Investments in debt and equity securities are carried at fair value based upon quoted market prices, with changes in unrealized gain and losses reflected in the consolidated statement of activities. Alternative investments are valued at net asset value per unit or percentage of ownership as reported by the funds at March 31, 2015.

Realized gains and losses resulting from sales of securities are calculated on an adjusted cost based on the trade date for publicly traded investments or upon closing of the transaction for private investments. Dividend and interest income are accrued when earned.

For purposes of reporting cash flows, purchases of investments represent the total additions to the portfolio from revenues received during the year.

f. Fair Value Measurements

The Fund carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Property and Equipment

Furniture and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the useful lives of the assets, ranging from three to five years. The Fund capitalizes property and equipment with cost or donated fair value over \$5,000.

h. Scholarships Payable

The Fund reports scholarship awards payable at the total value of the awards granted to the identified scholars. The Fund records the payable based on the value of the award that is due in the current year to be paid in the subsequent year.

i. Endowment Funds

The Fund follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 “Endowments of Not-for Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.” The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its State Prudent Management of Institutional Funds Act (“SPMIFA”).

Interpretation of relevant law

The Board of Directors of the Funds, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under SPMIFA. As a result of this interpretation, the Fund classifies as permanently restricted net assets both the original value of the gifts donated plus all subsequent gifts to the donor restricted endowment funds. Appropriation for expenditure for endowed funds is made in a manner consistent with the standards of prudence prescribed by SPMIFA, which include: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investment, (6) Other resources of the Fund, (7) The investment policies of the Fund.

From time to time, the fair value of the assets associated with individual donor restricted net endowment funds may fall below the level classified as permanently restricted net assets.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

Investment and spending policies

The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. The Fund's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current return objective is to return a percentage in excess of the annual rate of inflation, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term return objective, the Fund relies on a total return strategy, in which investment returns are achieved through both capital appreciation of equity securities (realized and unrealized) and current yield (dividends and interest). The Fund uses a diversified asset allocation to support the long-term return objective within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Fund's endowed funds for scholarships and administration. The current scholarship spending policy is to distribute an amount equal to 5% of the average of the closing market value of the preceding twelve quarters, provided that accumulated total returns are sufficient to allow expenditures without drawing upon the principle of the original contributions, including any matching funds. This is consistent with the Fund's objective of maintaining purchasing power of endowed assets as well as to provide additional real growth through new gifts and investment returns.

j. Functional Allocation of Expenses

The Fund's expense allocations are based on the amount of unfunded activities (development, operations, etc.) and pooled occupancy related costs less all revenues that cover these activities (interest, unrestricted funds, etc.). The remaining balance is called "unfunded overhead". This "unfunded overhead" is allocated across all funded employees (outreach, regions, etc.) in order to allocate the overhead of supporting these funded employees. Certain costs have been allocated among programs on a direct cost basis specified by donors.

k. Estimates

The preparation of consolidated 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 and disclosure. Actual results may differ from those estimates.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

l. Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the years ended March 31, 2015 and 2014, the Fund recorded in-kind donations, consisting primarily of legal services and airline vouchers. In addition, in-kind donations of artwork and software were received during the year ended March 31, 2015. These contributions are reflected in the consolidated financial statements as both in-kind donations and expenses or contributed assets, as applicable.

m. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Fund's consolidated financial statements for the year ended March 31, 2014, from which the summarized information is derived.

Certain reclassifications have been made to the prior year consolidated financial statements in order for them to conform to current year presentation. These reclassifications had no effect on net assets or change in net assets.

n. Income Taxes

The Fund and Institute are tax-exempt organizations under the Internal Revenue Code, Section 501(c) (3).

The Fund follows the guidance on accounting for uncertainty in income taxes issued by FASB ASC Topic 740. As of March 31, 2015, management evaluated the Fund's tax positions and concluded that the Fund had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

o. Subsequent Events

Management of the Fund has evaluated subsequent events for the period of time from its fiscal year ended March 31, 2015 through July 9, 2015, the date the consolidated financial statements were available to be issued. There are no adjustments or additional disclosures in the accompanying consolidated financial statements.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements:

Investments:

Investments are summarized below as of March 31, 2015:

	Cost	Fair Value	Unrealized Gain (loss)
Money market accounts	\$ 1,206,021	\$ 1,206,021	\$
Corporate bonds	4,404,397	4,404,543	146
US government agency bonds	2,425,669	2,425,658	(11)
Fixed income	2,388,195	2,360,099	(28,096)
Domestic equities	393,713	505,053	111,340
International equities	273,025	268,414	(4,611)
Mutual funds	9,767,596	11,207,674	1,440,078
Alternative investments	893,171	1,201,298	308,127
	<u>\$ 21,751,787</u>	<u>\$ 23,578,760</u>	<u>\$ 1,826,973</u>

Investments are summarized below as of March 31, 2014:

	Cost	Fair Value	Unrealized Gain (loss)
Money market accounts	\$ 1,451,621	\$ 1,451,621	\$
Corporate bonds	6,070,453	6,072,028	1,575
US government agency bonds	1,204,406	1,205,729	1,323
Fixed income	2,332,885	2,284,475	(48,410)
Domestic equities	309,198	386,565	77,367
International equities	268,681	304,163	35,482
Mutual Funds	9,435,041	10,597,058	1,162,017
Alternative Investments	948,452	885,255	(63,197)
	<u>\$ 22,020,737</u>	<u>\$ 23,186,894</u>	<u>\$ 1,166,157</u>

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements (continued):

Net investment income consists of the following at March 31, 2015 and 2014:

	2015	2014
Interest and dividends	\$ 489,500	\$ 462,683
Bond accretion amortization	(136,103)	(148,718)
Realized gain	164,195	166,641
Unrealized gain	659,562	749,175
Less: investment fees	(53,636)	(52,766)
	\$ 1,123,518	\$ 1,177,015

Fair Value Measurements:

The table below presents investments measured at fair value on a recurring basis at March 31, 2015:

	Total	Level 1	Level 2	Level 3
Money market accounts	\$ 1,206,021	\$ 1,206,021	\$	\$
Corporate bonds	4,404,543		4,404,543	
US government agency bonds	2,425,658		2,425,658	
Domestic equities:				
Financials	505,053	505,053		
International equities:				
Energy	70,120	70,120		
Material/industrials	122,000	122,000		
Consumer	46,613	46,613		
Health care	9,115	9,115		
Financials	20,566	20,566		
Mutual funds:				
International equity	2,408,450	2,408,450		
US equity	6,734,051	6,734,051		
Fixed income	4,133,983	4,133,983		
Commodity	291,289	291,289		
Alternative investments:				
SelectInvest ARV Ltd.	69,185			69,185
ACL Alternative Fund	1,132,113		1,132,113	
	\$ 23,578,760	\$ 15,547,261	\$ 7,962,314	\$ 69,185

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements (continued):

Fair Value Measurements:

The table below presents investments measured at fair value on a recurring basis at March 31, 2014:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market accounts	\$ 1,451,621	\$ 1,451,621	\$	\$
Corporate bonds	6,072,028		6,072,028	
US government agency bonds	1,205,729		1,205,729	
Domestic equities:				
Financials	386,565	386,565		
International equities:				
Energy	97,017	97,017		
Material/industrials	131,280	131,280		
Consumer	48,181	48,181		
Health care	7,900	7,900		
Financials	19,784	19,784		
Mutual funds:				
International equity	2,480,025	2,480,025		
US equity	6,111,314	6,111,314		
Fixed income	4,016,179	4,016,179		
Commodity	274,018	274,018		
Alternative investments:				
SelectInvest ARV Ltd.	157,776			157,776
ACL Alternative Fund	727,477		727,477	
	<u>\$ 23,186,894</u>	<u>\$ 15,023,884</u>	<u>\$ 8,005,234</u>	<u>\$ 157,776</u>

SelectInvest ARV, Ltd. is a fund of hedge funds that allocates capital to a select group of investment managers. These funds specialize on event driven arbitrage and relative value strategies. SelectInvest ARV, Ltd. is in the process of liquidating and the redemption is expected to be complete in 2014-2015.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements (continued):

The ACL Alternative Fund ("ACL" or the "Fund") is a segregated account of ACL Alternative Fund SAC Limited. ACL Alternative Fund SAC Limited is registered as an open ended segregated accounts company under the Segregated Accounts Companies Act 2000 of Bermuda (the "Act"). Under the Act, persons investing in and dealing with a segregated account of ACL Alternative Fund SAC Limited shall only have recourse to that segregated account and their interest shall be limited to the assets from time to time attributable to that segregated account. The provisions of the Act have not yet been tested by a Court. As of March 31, 2015, ACL allocated in excess of 80% of its assets to 21 underlying managers with a total of 23 programs. The investment objective of ACL is to seek long-term capital appreciation for its Shareholders. ACL offers daily liquidity upon receipt of all documentation as outlined in the Fund's Private Placement Memorandum.

The changes in investments classified as Level 3 are as follows for the years ended March 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	\$ 157,776	\$ 281,620
Redemptions	(88,592)	(130,914)
Realized gain	33,311	45,392
Unrealized (loss) gain	(33,310)	(38,322)
Balance, end of year	\$ 69,185	\$ 157,776

Note 4 - Contributions Receivable:

Contributions receivable consisted primarily of commitments made by corporations and foundations. Contributions receivable are due as follows at March 31, 2015 and 2014:

	2015	2014
Receivable in less than one year	\$ 4,842,427	\$ 5,631,641
Receivable in more than one year	2,503,486	4,452,385
Less discounts to net present value	(337,587)	(415,759)
Allowance for doubtful accounts	(103,517)	(153,725)
	\$ 6,904,809	\$ 9,514,542

The present value of estimated future cash flows on unconditional pledges was determined using a discount rate of 1.8% for the years ended March 31, 2015 and 2014.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 4 - Contributions Receivable (continued):

As of March 31, 2015 and 2014, the Fund had one and two conditional grants of \$260,000 and \$1,087,500, respectively, contingent on the Fund meeting the grantor's satisfactory review of program activities.

Note 5 - Property and Equipment:

Property and equipment consists of the following at March 31, 2015 and 2014:

	2015	2014
Equipment and furniture	\$ 360,395	\$ 61,595
Software	822,367	99,274
Leasehold improvement	191,704	
	1,374,466	160,869
Less: accumulated depreciation and amortization	(188,384)	(112,265)
	\$ 1,186,082	\$ 48,604

Depreciation and amortization expense was \$76,120 and \$8,591 for the years ended March 31, 2015 and 2014, respectively.

Note 6 - Commitments:Office agreement and equipment leases

The Fund maintains lease agreements for office space, copiers and office equipment. Future aggregate lease payments are as follows:

Fiscal Year Ending	Operating Leases
2016	\$ 527,881
2017	514,126
2018	521,807
2019	536,540
2020	553,115
Thereafter	2,971,432
Total future minimum lease commitments	\$ 5,624,901

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 7 - Endowments:

Changes in Endowment Net Asset for the years ended March 31, 2015 and 2014 are as follows:

	2015			2014
	Temporary Restricted	Permanently Restricted	Total	Total
Endowment Net Assets, beginning of year	\$ 3,756,471	\$ 13,426,442	\$ 17,182,913	\$ 16,340,498
Investment return:				
Income	328,227		328,227	287,608
Investment fees	(42,847)		(42,847)	(40,294)
Realized and unrealized gain on investments	826,520		826,520	915,216
Total investment return	1,111,900	-	1,111,900	1,162,530
Contributions				250,000
NPV adjustment		19,659	19,659	28,912
Transfer to release donor endowment	(502,285)		(502,285)	(599,027)
Change in endowment net assets	(502,285)	19,659	(482,626)	(320,115)
Endowment Net Assets, End of year	\$ 4,366,086	\$ 13,446,101	\$ 17,812,187	\$ 17,182,913

Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or periods as of March 31, 2015 and 2014:

	2015	2014
Gates Millennium Scholars	\$ 445,272	\$ 609,724
HSF Scholarships	13,774,610	14,688,170
Programs and other	6,000,661	7,243,210
	\$ 20,220,543	\$ 22,541,104

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 8 - Temporarily Restricted Net Assets (continued):

Net assets were released in accordance with the donors' intent by incurring expenses satisfying the restricted purposes; the releases were as follows in 2015 and 2014:

	<u>2015</u>		<u>2014</u>
Gates Millennium Scholars	\$ 28,525,695	\$	27,908,908
HSF Scholarships	6,724,780		7,983,503
Programs and other	6,915,972		6,930,889
	<u>\$ 42,166,447</u>	<u>\$</u>	<u>42,823,300</u>

Note 9 - Permanently Restricted Net Assets:

Permanently restricted net assets of \$13,446,101 and \$13,426,442 are restricted to investment in perpetuity, the income from which supports scholarships of the Fund as of March 31, 2015 and 2014, respectively.

Note 10 - Retirement Plans:

The employees of the Fund participate in a simplified Employee Pension Plan established under the Section 401(k) of the Internal Revenue Code. The contributions made by the Fund are matched to a maximum of 4% of the annual salary of eligible employees up to a maximum salary of \$245,000. For the years ended March 31, 2015 and 2014, the Fund's contribution to the plan totaled \$82,240 and \$58,336, respectively.

Note 11 - Contingencies:

The Fund is involved from time to time in routine matters of litigation or other claims. Management does not believe there are any such matters that could materially affect its financial position.

Note 12 - Concentrations of Risk:

The Fund has defined its financial instruments which are potentially subject to risk as cash, contributions receivable, and investments.

In order to mitigate credit and market risk, the Fund maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the individual investment manager's performance. The investment custodian is Morgan Stanley.

One and two donors comprise approximately 67% and 75% of the contribution revenue for the years ended March 31, 2015 and 2014, respectively. Three and two donors comprise approximately 58% and 66% of the contributions receivable for the years ended of March 31, 2015 and 2014, respectively.

Hispanic Scholarship Fund

Notes to the Consolidated Financial Statements

Note 13 - Related Parties:

Certain board members and their employers made contributions on an individual basis as well as through corporations by whom they are employed. For the years ended March 31, 2015 and 2014, such total contributions were approximately \$5,870,000 and \$8,964,000, respectively.

In March 2014, the Fund entered into a ten year lease agreement with Toyota Motor Sales, the employer of a member of the Board of Directors. Over the term of the lease, monthly payments range between \$40,107 and \$53,818. The lease agreement is in relation to the relocation of the Fund from San Francisco to the Los Angeles area.

Consolidating Statement of Financial Position

Consolidating Statement of Financial Position
(See Independent Auditor's Report)

Schedule 1

March 31, 2015

	Hispanic Scholarship Fund			Hispanic Scholarship Fund Institute			Total			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	
Assets:										
Cash and cash equivalents	\$ (755,102)	\$ 3,101,473	\$	\$ 56,158	\$	\$	\$ (698,944)	\$ 3,101,473	\$	\$ 2,402,529
Investments		11,195,360	12,383,400					11,195,360	12,383,400	23,578,760
Contributions receivable, net	244,678	5,597,430	1,062,701				244,678	5,597,430	1,062,701	6,904,809
Contracts receivable				205,712			205,712			205,712
Property and equipment, net	1,186,082						1,186,082			1,186,082
Prepaid expenses and other assets	963,915	326,280				(194,280)	769,635	326,280		1,095,915
Total assets	\$ 1,639,573	\$ 20,220,543	\$ 13,446,101	\$ 261,870	\$ -	\$ (194,280)	\$ 1,707,163	\$ 20,220,543	\$ 13,446,101	\$ 35,373,807
Liabilities and Net Assets:										
Liabilities:										
Scholarships payable	\$ 186,931	\$	\$	\$	\$	\$	\$ 186,931	\$	\$	\$ 186,931
Accounts payable and accrued expenses	803,141			280,134		(194,280)	888,995			888,995
Deferred rent	463,599						463,599			463,599
Total liabilities	1,453,671	-	-	280,134	-	(194,280)	1,539,525	-	-	1,539,525
Net assets:	185,902	20,220,543	13,446,101	(18,264)	-	-	167,638	20,220,543	13,446,101	33,834,282
Total liabilities and net assets	\$ 1,639,573	\$ 20,220,543	\$ 13,446,101	\$ 261,870	\$ -	\$ (194,280)	\$ 1,707,163	\$ 20,220,543	\$ 13,446,101	\$ 35,373,807

Hispanic Scholarship Fund

Consolidating Statement of Activities (See Independent Auditor's Report)

Schedule 2

Year Ended March 31, 2015

	Hispanic Scholarship Fund			Hispanic Scholarship Fund Institute		Consolidated Totals			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenues:									
Support:									
Grants and contributions	\$ 1,459,944	\$ 38,733,986	\$ 19,659			\$ 1,459,944	\$ 38,733,986	\$ 19,659	\$ 40,213,589
Government grants				1,233,453		1,233,453			1,233,453
Special events (net of direct expenses of \$438,036 for 2015)	757,026					757,026			757,026
Investment income, net	11,614	1,111,900		4		11,618	1,111,900		1,123,518
In-kind contributions	1,074,377					1,074,377			1,074,377
Other Revenue	13,725					13,725			13,725
Net assets released from restrictions	42,166,447	(42,166,447)				42,166,447	(42,166,447)		-
Total support and revenues	45,483,133	(2,320,561)	19,659	1,233,457	-	46,716,590	(2,320,561)	19,659	44,415,688
Expenses and Losses:									
Program services:									
Scholarships	37,399,988			817,752		38,217,740			38,217,740
Education and information	4,269,641			415,704		4,685,345			4,685,345
Total program services	41,669,629	-	-	1,233,456	-	42,903,085	-	-	42,903,085
Support services:									
Administration	3,016,087			(2,540)		3,013,547			3,013,547
Fund raising	677,495					677,495			677,495
Total support services	3,693,582	-	-	(2,540)	-	3,691,042	-	-	3,691,042
Total expenses	45,363,211	-	-	1,230,916	-	46,594,127	-	-	46,594,127
Change in Net Assets	119,922	(2,320,561)	19,659	2,541	-	122,463	(2,320,561)	19,659	(2,178,439)
Net Assets, beginning of year	65,980	22,541,104	13,426,442	(20,805)		45,175	22,541,104	13,426,442	36,012,721
Net Assets, end of year	\$ 185,902	\$ 20,220,543	\$ 13,446,101	\$ (18,264)	\$ -	\$ 167,638	\$ 20,220,543	\$ 13,446,101	\$ 33,834,282