

**AAA Scholarship Foundation, Inc.
and Subsidiary**

Consolidated Financial Statements,
Supplemental Information and
Independent Auditor's Report
June 30, 2021 and 2020

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Kerkering, Barberio & Co.
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
AAA Scholarship Foundation, Inc. and Subsidiary
Tampa, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AAA Scholarship Foundation, Inc. and Subsidiary (collectively "AAA"), a non-profit organization, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated financial position of AAA Scholarship Foundation, Inc. and Subsidiary as of June 30, 2021 and 2020, 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 Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by the State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of AAA Scholarship Foundation Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AAA Scholarship, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AAA Scholarship Foundation Inc. and Subsidiary's internal control over financial reporting and compliance.

Kukuing Barbanio & Co.

Sarasota, Florida
October 29, 2021

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2021 and 2020

Assets

	2021	2020
Current Assets:		
Cash & Cash Equivalents	\$ 18,654,992	\$ 23,300,415
Accounts Receivable (Net)	21,521,086	19,916,185
Other Current Assets	137,825	224,733
Investments, Short-Term	27,937,141	24,395,035
Total Current Assets	<u>68,251,044</u>	<u>67,836,368</u>
Non-Current Assets:		
Refundable Deposits	8,283	9,102
Investments, Long-Term	-	2,997,860
Right of Use Lease Asset	135,460	201,670
Fixed Assets (Net)	368,160	391,215
Total Non-Current Assets	<u>511,903</u>	<u>3,599,847</u>
Total Assets	<u>\$ 68,762,947</u>	<u>\$ 71,436,215</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts Payable	\$ 8,863	\$ 65,037
Accrued Expenses	543,385	474,043
Deferred Revenues	319,074	270,118
Loan Payable, Current Portion	51,994	54,203
Right of Use Lease Liability, Current Portion	81,890	77,371
Scholarships Payable	33,151,830	23,145,135
Total Current Liabilities	<u>34,157,036</u>	<u>24,085,907</u>
Long-Term Liabilities:		
Loan Payable	-	51,994
Right of Use Lease Liability	53,950	121,488
Scholarships Payable	6,066,525	7,233,508
Total Long-Term Liabilities	<u>6,120,475</u>	<u>7,406,990</u>
Total Liabilities	<u>40,277,511</u>	<u>31,492,897</u>
Net Assets:		
Without Donor Restrictions:		
Designated by Board for Scholarships	2,155,474	2,042,545
Undesignated	205,125	247,129
	<u>2,360,599</u>	<u>2,289,674</u>
With Donor Restrictions:		
Restricted for Scholarships	26,124,837	37,653,644
Total Net Assets	<u>28,485,436</u>	<u>39,943,318</u>
Total Liabilities and Net Assets	<u>\$ 68,762,947</u>	<u>\$ 71,436,215</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues:				
Contributions (Net of Allowance)	\$ -	\$ 60,594,055	\$ 60,594,055	\$ 43,709,473
Administrative Allowance	2,601,775	-	2,601,775	2,359,822
Other	2,150	-	2,150	29,830
Interest and Investments (Net)	154,003	-	154,003	648,528
Net Assets Released from Restrictions	72,122,862	(72,122,862)	-	-
Total Revenues	<u>74,880,790</u>	<u>(11,528,807)</u>	<u>63,351,983</u>	<u>46,747,653</u>
Expenses:				
Program Services:				
Scholarships	73,709,100	-	73,709,100	30,595,666
Total Program Services	<u>73,709,100</u>	<u>-</u>	<u>73,709,100</u>	<u>30,595,666</u>
Supporting Services:				
Management & General	170,730	-	170,730	193,528
Fundraising	916,703	-	916,703	757,099
Total Supporting Services	<u>1,087,433</u>	<u>-</u>	<u>1,087,433</u>	<u>950,627</u>
Total Expenses	<u>74,796,533</u>	<u>-</u>	<u>74,796,533</u>	<u>31,546,293</u>
Realized Gains (Losses)	(13,332)	-	(13,332)	51,765
Increase/(Decrease) in Net Assets	70,925	(11,528,807)	(11,457,882)	15,253,125
Beginning Net Assets	2,289,674	37,653,644	39,943,318	24,690,193
Ending Net Assets	<u>\$ 2,360,599</u>	<u>\$ 26,124,837</u>	<u>\$ 28,485,436</u>	<u>\$ 39,943,318</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2021 Total</u>
Revenues:				
Contributions (Net of Allowance)	\$ -	\$ 43,709,473	\$ 43,709,473	\$ 60,594,055
Administrative Allowance	2,359,822	-	2,359,822	2,601,775
Other	29,830	-	29,830	2,150
Interest and Investments (Net)	648,528	-	648,528	154,003
Net Assets Released from Restrictions	<u>29,288,783</u>	<u>(29,288,783)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>32,326,963</u>	<u>14,420,690</u>	<u>46,747,653</u>	<u>63,351,983</u>
Expenses:				
Program Services:				
Scholarships	<u>30,595,666</u>	<u>-</u>	<u>30,595,666</u>	<u>73,709,100</u>
Total Program Services	<u>30,595,666</u>	<u>-</u>	<u>30,595,666</u>	<u>73,709,100</u>
Supporting Services:				
Management & General	193,528	-	193,528	170,730
Fundraising	<u>757,099</u>	<u>-</u>	<u>757,099</u>	<u>916,703</u>
Total Supporting Services	<u>950,627</u>	<u>-</u>	<u>950,627</u>	<u>1,087,433</u>
Total Expenses	<u>31,546,293</u>	<u>-</u>	<u>31,546,293</u>	<u>74,796,533</u>
Realized Gains (Losses)	51,765	-	51,765	(13,332)
Increase/(Decrease) in Net Assets	832,435	14,420,690	15,253,125	(11,457,882)
Beginning Net Assets	<u>1,457,239</u>	<u>23,232,954</u>	<u>24,690,193</u>	<u>39,943,318</u>
Ending Net Assets	<u>\$ 2,289,674</u>	<u>\$ 37,653,644</u>	<u>\$ 39,943,318</u>	<u>\$ 28,485,436</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for 2020)

Description	<u>Program Services</u> <u>Scholarships</u>	<u>Mgmt &</u> <u>General</u>	<u>Fundraising</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
Direct Program Costs	\$ 72,120,831	\$ -	\$ -	\$ 72,120,831	\$ 29,009,395
Accounting Fees	-	3,342	-	3,342	2,967
Audit Fees	-	19,540	-	19,540	19,390
Advertising/Marketing	63,362	-	250	63,612	79,894
Bank Service Fees	73,042	679	762	74,483	51,722
Business Registration Fees	542	6	3,696	4,244	4,629
Contractor Expenses	181,523	360	890,515	1,072,398	978,673
Depreciation and Amortization	18,537	2,259	2,259	23,055	17,194
Dues, Fees & Subscriptions	5,575	176	3,312	9,063	11,158
Equipment Rental and Maintenance	16,498	1,296	1,296	19,090	21,285
Facility Expenses	89,986	21,503	-	111,489	111,979
Insurance Expense	228,408	1,158	1,158	230,724	126,460
Interest Expense	3,951	9	10	3,970	11,031
Legal Fees	25,440	-	7,948	33,388	27,078
License - Software	23,259	1,151	1,151	25,561	23,027
Office Equipment	2,179	2	2	2,183	6,135
Postage, Mailing Service	13,462	874	1,150	15,486	13,918
Printing & Reproduction	6,523	-	52	6,575	6,403
Professional Development	501	63	63	627	791
Supplies	3,874	86	86	4,046	9,246
Telephone, Telecommunications	9,807	947	947	11,701	18,568
Travel & Meetings	23	-	300	323	16,291
Uncollectible School Receivable	115	-	-	115	20,947
Wages and Benefits	801,943	115,594	-	917,537	919,360
Web/Internet Hosting	19,719	1,685	1,746	23,150	38,752
Total	\$ <u>73,709,100</u>	\$ <u>170,730</u>	\$ <u>916,703</u>	\$ <u>74,796,533</u>	\$ <u>31,546,293</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for 2021)

Description	<u>Program Services</u> <u>Scholarships</u>	<u>Mgmt &</u> <u>General</u>	<u>Fundraising</u>	<u>2020</u> <u>Total</u>	<u>2021</u> <u>Total</u>
Direct Program Costs	\$ 29,009,395	\$ -	\$ -	\$ 29,009,395	\$ 72,120,831
Accounting Fees	-	2,967	-	2,967	3,342
Audit Fees	-	19,390	-	19,390	19,540
Advertising/Marketing	59,785	-	20,109	79,894	63,612
Bank Service Fees	50,928	390	404	51,722	74,483
Business Registration Fees	578	9	4,042	4,629	4,244
Contractor Expenses	270,557	1,566	706,550	978,673	1,072,398
Depreciation and Amortization	13,848	1,673	1,673	17,194	23,055
Dues, Fees & Subscriptions	7,104	296	3,758	11,158	9,063
Equipment Rental and Maintenance	17,613	1,836	1,836	21,285	19,090
Facility Expenses	92,658	19,321	-	111,979	111,489
Insurance Expense	124,304	1,078	1,078	126,460	230,724
Interest Expense	10,983	24	24	11,031	3,970
Legal Fees	14,946	5,143	6,989	27,078	33,388
License - Software	21,271	878	878	23,027	25,561
Office Equipment	4,933	601	601	6,135	2,183
Postage, Mailing Service	12,023	547	1,348	13,918	15,486
Printing & Reproduction	6,208	-	195	6,403	6,575
Professional Development	553	69	169	791	627
Supplies	11,508	(1,131)	(1,131)	9,246	4,046
Telephone, Telecommunications	16,016	1,212	1,340	18,568	11,701
Travel & Meetings	9,551	2,290	4,450	16,291	323
Uncollectible School Receivable	20,947	-	-	20,947	115
Wages and Benefits	786,756	132,604	-	919,360	917,537
Web/Internet Hosting	33,201	2,765	2,786	38,752	23,150
Total	\$ <u>30,595,666</u>	\$ <u>193,528</u>	\$ <u>757,099</u>	\$ <u>31,546,293</u>	\$ <u>74,796,533</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ <u>(11,457,882)</u>	\$ <u>15,253,125</u>
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	23,055	17,194
Amortization of Investment Discounts	46,097	(249,212)
Net Unrealized Loss from Investing	14,154	22,234
Net Change in Right of Use Asset Amortization	3,191	(2,811)
Change in Operating Assets:		
Accounts Receivable (Net)	(1,604,901)	2,758,445
Other Current Assets	86,908	18,937
Refundable Deposits	819	6,084
Change in Operating Liabilities:		
Accounts Payable	(56,174)	33,732
Accrued Expenses	69,342	(171,604)
Deferred Revenues	48,956	(14,976)
Scholarships Payable	8,839,712	(4,433,615)
Net Cash Provided by (Used in) Operating Activities	<u>(3,986,723)</u>	<u>13,237,533</u>
Cash Flows from Investing Activities:		
(Purchase) of Fixed Assets	-	(26,214)
(Purchase) of Investments	(50,604,497)	(30,770,138)
Maturity of Investments	50,000,000	35,750,000
Net Cash Provided by (Used in) Investing Activities	<u>(604,497)</u>	<u>4,953,648</u>
Cash Flows from Financing Activities:		
Proceeds from Borrowings	-	100,000
Repayment of Debt	(54,203)	(314,562)
Net Cash Used in Financing Activities	<u>(54,203)</u>	<u>(214,562)</u>
Change in Cash & Cash Equivalents	<u>(4,645,423)</u>	<u>17,976,619</u>
Cash & Cash Equivalents - Beginning of Year	<u>23,300,415</u>	<u>5,323,796</u>
Cash & Cash Equivalents - End of Year	\$ <u><u>18,654,992</u></u>	\$ <u><u>23,300,415</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ <u><u>3,970</u></u>	\$ <u><u>9,789</u></u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

I. Description of Organization

AAA Scholarship Foundation, Inc. ("AAA") is a Georgia not-for-profit organization incorporated March 26, 2010. Effective November 24, 2020, AAA expanded its mission to: 1) promoting relief to the poor and underprivileged and 2) promoting the advancement of education. Prior to that, its mission was limited to providing economic and other assistance to low-income families to enable them to select the best schools for their children.

AAA works to ensure economically disadvantaged families and families of children with disabilities have equal access to the customized K-12 learning options they need to effectively educate their children. AAA believes that educational option programs spur improvements by equipping parents with the tools to seek the best education for their children. AAA's primary focus is in providing access to learning options for children from low-income to working-class families and for children with disabilities.

AAA Scholarship Foundation - FL, LLC ("AAA-FL") is a wholly-owned subsidiary of AAA that commenced operation in December 2013.

AAA is an approved Scholarship Organization ("SO") in Georgia, Arizona, and Nevada. AAA-FL is an approved SO in Florida. As an SO, AAA and AAA-FL (together, referred to as "AAA") may receive re-directed taxes from taxpayers, which are then distributed to qualified students in the form of scholarships so they may attend the qualified private school of their parent's choice. Below are tables summarizing the five state tax credit programs administered by AAA during the twelve months ended June 30, 2021:

	Arizona Income-Based	Georgia Income-Based	Arizona Disabled-Displaced
Cap for Current Year	\$123,042,188	\$100,000,000	\$5,000,000
Year for Cap Purposes	July 1 - June 30	January 1 - December 31	July 1 - June 30
Taxes Available for Redirection	Corporate income tax & insurance premium tax	Corporate and individual income tax	Corporate income tax & insurance premium tax
Percentage of Tax Available for Redirection	100% for both taxes	75% for companies; Individuals filing as single or head of household can redirect up to \$1,000 per tax year. Individuals filing jointly can redirect up to \$2,500 per tax year	100% for both taxes
Value of Tax Credit	Dollar-for-dollar	Dollar-for-dollar	Dollar-for-dollar
State Mandated Maximum Annual Scholarship Value	\$5,600 for K-8 th grade \$6,900 for 9 th -12 th grade	\$10,957	90% of the amount of state aid that would otherwise have been computed for the student in Title 15, Chapter 9, Article 15
Scholarship Term	3 years	1 year	3 years
Administrative Allowance	10 percent	8% for first \$1.5 million; 6% for \$1.5 million – 10 million; 5% for \$10 million – 20 million; 4% over \$20 million	10 percent

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

I. Description of Organization (Continued)

	Nevada Income-Based	Florida Income-Based
Cap for Current Year	\$11,400,000	\$873,565,674
Year for Cap Purposes	July 1 - June 30	Income Tax: January 1 – Corp FYE Insurance Premium Tax: January 1 – December 31 Alcoholic beverage excise tax, direct pay sales and use tax, oil and/or gas production tax and commercial lease sales tax: July 1 – June 30
Taxes Available for Redirection	Modified Business tax	Income tax, insurance premium tax, alcoholic beverage excise tax, direct pay sales and use tax, oil and/or gas production tax and commercial lease sales tax
Percentage of Tax Available for Redirection	100% for taxes	100% for income tax, insurance premium, direct pays sales and use tax and commercial lease sales tax 90% for alcoholic beverage excise tax 50% for oil and/or gas production tax
Value of Tax Credit	Dollar-for-dollar	Dollar-for-dollar
State Mandated Maximum Annual Scholarship Value	\$8,262	95% of the FEFP value + all categorical except ESE Students who remained active in the program since 2018-19 school year will be awarded the greater of the value above or: \$6,519 for Kindergarten – 5 th grade \$6,815 for 6 th – 8 th grade 7,112 9 th – 12 th grade -or- \$750 transportation to public school outside of the one assigned.
Scholarship Term	1 year	1 year
Administrative Allowance	5 percent	Zero percent for first 3 years then 3 percent

AAA is an approved administrator of the Florida Gardiner Scholarship Program (formerly known as the Florida Personal Learning Account or PLSA). The Florida Gardiner Scholarship Program was established in 2014 to provide parents the option to better meet the individual needs of their disabled children. Parents of eligible Florida children may use the accounts to purchase approved education related goods or services. The Gardiner Scholarship Program is funded by a direct appropriation from the Legislature, with the money disbursed to the various scholarship organizations based on the scholarship amounts awarded to each of their approved students. For the 2020-21 fiscal year, the state appropriation for the Florida Gardiner Scholarship Program was \$190,371,985.

2. Summary of Significant Accounting Policies

Accounts Receivable

Accounts receivable consists primarily of pledges receivable. Pledges receivable represent unconditional promises to give and are recorded as receivable and revenue at fair value when received. Management evaluates the collectability of its pledges receivable and records an allowance for estimated uncollectible amounts, if necessary.

Advertising Costs

Advertising costs are expensed as incurred. The amount charged for advertising expense for the twelve months ended June 30, 2021 and 2020 was \$63,612 and \$79,894, respectively.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The consolidated financial statements of AAA have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. AAA is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of AAA and/or the passage of time. When a restriction is met or expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

AAA considers currency held in demand deposits with financial institutions to be cash and cash equivalents. AAA maintains its cash accounts at a commercial institution. Deposits on account at commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. At June 30, 2021 and 2020, cash on deposit at a commercial bank exceeded the \$250,000 FDIC limit by \$46,796,878 and \$24,817,410, respectively.

Change in Accounting Principles

AAA implemented the Financial Accounting Standards Board (FASB) ASU. 2019-04 as of July 1, 2020. The new standard exempts entities other than public business entities from fair value disclosure requirements for financial instruments not measured at fair value on the statement of financial position.

Contributions

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor imposed stipulations.

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial 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, are recorded at their fair values in the period received. AAA recognized \$0 and \$4,770 of donated services during the twelve months ended June 30, 2021 and 2020, respectively.

Estimates

The presentation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Fair Value

ASC 820 defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities AAA has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs would be developed based on the best information available in the circumstances and may include AAA's own data).

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

AAA is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, AAA is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. AAA has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The tax years from 2015 through 2020 remain subject to examination by the Internal Revenue Service.

Investments

AAA invests cash in excess of its immediate needs in Prime and Treasury money market funds, Fixed Income mutual funds and U.S. government securities, corporate bonds, municipal bonds, asset backed securities and sweep bank deposits. Investments are reported at fair value, with the related gains and losses recorded in the consolidated statement of activities, unless they are classified as held to maturity and reported at amortized cost.

Principles of Consolidation

The consolidated financial statements include the accounts of AAA Scholarship Foundation, Inc. and its wholly-owned subsidiary, AAA Scholarship Foundation-FL, LLC. All significant intercompany transactions have been eliminated in consolidation.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

AAA records property and equipment additions over \$2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

AAA reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the twelve months ended June 30, 2021 and 2020.

Funds Held for Others

Funds administered for students participating in the Gardiner Scholarship Program are recorded to scholarships payable and cash or other financial assets in order to reflect the agency-type nature of the program under ASC 958. As parents/guardians use the funds in accordance with State of Florida guidelines, the corresponding asset and liability accounts are reduced accordingly.

3. Liquidity and Financial Asset Availability

AAA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. AAA has various sources of liquidity at its disposal, including cash and cash equivalents, short-term investments, and a bank line of credit of \$500,000 to help manage unanticipated liquidity needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, AAA considers all expenditures related to its ongoing program activities, as well as the services undertaken to fund and support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, AAA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

When practicable, AAA invests cash in excess of daily requirements in short-term investments. Effective July 1, 2016, AAA's governing board designated unrestricted interest and investment income earned on tax credit contributions to be used for any reasonable and appropriate purpose as determined by the President and approved by the board. Prior to that date, unrestricted earnings on tax credit contributions were designated for funding additional scholarships only. Although AAA does not intend to spend these board-designated funds on any general expenditures other than scholarships; if needed, these funds would become available with board approval.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

3. Liquidity and Financial Asset Availability (Continued)

As of June 30, the following table shows the total financial assets held by AAA that could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

Financial assets available to meet general expenditures over the next twelve months:

	2021	2020
Cash & Cash Equivalents	\$ 18,654,992	\$ 23,300,415
Accounts Receivable (Net)	21,521,086	19,916,185
Other Current Assets	61,209	66,639
Investments, Short-Term	27,937,141	24,395,035
Total	<u>\$ 68,174,428</u>	<u>\$ 67,678,274</u>

4. Cash on Deposit for Scholarships

At June 30, cash on deposit for scholarships was as follows:

	2021	2020
Georgia Private School Tax Credit Scholarship Program	\$ 180,921	\$ 194,344
Arizona Low-Income Corporate Tax Credit Scholarship Program	6,613,797	1,972,095
Arizona Disabled-Displaced Tax Credit Scholarship Program	100,913	301,630
Florida Tax Credit Scholarship Program	7,709,883	18,118,851
Florida Gardiner Scholarship Program	2,934,088	1,272,199
Nevada Educational Choice Scholarship Program	467,726	876,060
Total	<u>\$ 18,007,328</u>	<u>\$ 22,735,179</u>

5. Accounts Receivable

Accounts receivable at June 30 consists of the following:

	2021	2020
Pledges Receivable	\$ 21,510,325	\$ 19,886,448
School Refunds Receivable (Net)	10,761	29,737
Accounts Receivable (Net)	<u>\$ 21,521,086</u>	<u>\$ 19,916,185</u>

At June 30, all pledges receivable are expected to be collected during the next year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible pledges is considered necessary at June 30, 2021 and 2020.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

6. Investments

AAA determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each consolidated statement of financial position date. Securities are classified as held to maturity when the holder has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded as either short or long-term on the amortized cost. Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are stated at fair value on the consolidated statement of financial position, with unrealized gains and losses reported as investment returns.

Trading Securities

The following table presents AAA's marketable debt securities that were classified as trading securities and their fair value hierarchy as of June 30, 2021:

Description	Fair Market Value	Level 1	Level 2	Level 3
Sweep Bank Deposits	\$ 55,069	\$ 55,069	\$ -	\$ -
Asset Backed Securities	50,623	50,623	-	-
Corporate Bonds	2,962,510	2,962,510	-	-
Municipal Bonds	750,879	750,879	-	-
U.S. Government Securities	1,162,842	1,162,842	-	-
Fixed Income Mutual Funds	4,025,960	4,025,960	-	-
U.S. Treasury Money Market Fund	3,412,023	3,412,023	-	-
Total Investments- Trading	<u>\$ 12,419,906</u>	<u>\$ 12,419,906</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents AAA's investments and fair value hierarchy as of June 30, 2020:

Description	Fair Market Value	Level 1	Level 2	Level 3
Fixed Income Mutual Fund	\$ 535,513	\$ 535,513	\$ -	\$ -
U.S. Treasury Money Market-Fund	8,389,709	8,389,709	-	-
Total	<u>\$ 8,925,222</u>	<u>\$ 8,925,222</u>	<u>\$ -</u>	<u>\$ -</u>

Held to Maturity Securities

At June 30, AAA held investments in marketable securities that were classified as held to maturity and consisted of the following:

	2021 Amortized/Net Carrying Cost	2020 Amortized/Net Carrying Cost
Short-Term		
U.S. Government Securities	\$ 15,517,235	\$ 15,469,812
Long-Term		
U.S. Government Securities	-	2,997,860
Total Held to Maturity Securities	<u>\$ 15,517,235</u>	<u>\$ 18,467,672</u>
Maturities		
Due in one year or less	\$ 15,517,235	15,469,812
Due after one year through five years	\$ -	2,997,860

AAA recognized no other-than-temporary impairment in the consolidated statement of activities for the 12 months ended June 30, 2021 and 2020.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

7. Fixed Assets

At June 30, fixed assets consisted of the following:

	2021	2020
Computers	\$ 28,150	\$ 28,150
Computer Software	339,963	339,963
Furniture and Equipment	21,082	21,082
Intangible Asset	28,764	28,764
Leasehold Improvements	4,900	4,900
	<u>422,859</u>	<u>422,859</u>
Less accumulated depreciation and amortization	<u>(54,699)</u>	<u>(31,643)</u>
Net property and equipment	\$ <u>368,160</u>	\$ <u>391,215</u>

Depreciation and amortization expense was \$23,056 and \$17,194 for the twelve months ended June 30, 2021 and 2020, respectively.

8. Debt

AAA has established an open-ended \$500,000 line of credit with a commercial bank. Interest on draws is charged at a variable rate and therefore is subject to increases or decreases without prior notice. The rate is equal to the Prime Rate plus 2.25% per annum. As of June 30, 2021 and 2020, AAA had no outstanding balance.

AAA has one note payable for software development for \$51,994 and \$106,197 as of June 30, 2021 and 2020, respectively, financed directly with the vendor. The nominal interest rate is 4.75% compounded monthly. Payments were \$20,000 per month through 5/31/2020 and then reduced to \$4,840 for the remainder of the loan period from 6/30/2020 through 5/31/2022.

Note payable at June 30 is comprised as follows:

	2021	2020
Unsecured Note Payable	\$ 51,994	\$ 106,197
Less Current Maturities	<u>(51,994)</u>	<u>(54,203)</u>
Note Payable, Long Term	\$ <u>-</u>	\$ <u>51,994</u>

Principal payments on note payable are due as follows:

Years Ended June 30	Amount
2022	\$ <u>51,994</u>
Total future annual loan payments	\$ <u>51,994</u>

Interest expense year to date as of June 30, 2021 and 2020 was \$3,970 and \$11,031.

9. Leases

On July 1, 2019, AAA adopted ASC 842, Leases ("Topic 842") using the modified retrospective transition method. Topic 842 requires the recognition of lease assets and liabilities for operating and finance leases. Beginning on July 1, 2019, AAA's consolidated financial statements are presented in accordance with the revised policies.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

9. Leases (Continued)

Management elected to utilize the practical expedients permitted under the transition guidance within Topic 842, which allowed AAA to carry forward prior conclusions about lease identification, classification and initial direct costs for leases entered prior to adoption of Topic 842. Additionally, management elected not to separate lease and non-lease components for all of AAA's leases. For leases with a term of 12 months or less, management elected the short-term lease exemption, which allowed AAA to not recognize right-of-use assets ("ROU") or lease liabilities for qualifying leases existing at transition and new leases AAA may enter into in the future.

AAA leases certain office space, mailboxes, furniture and equipment under operating leases which expire at various dates through February 2023.

As a result of the adoption of ASU 2016-02, AAA recorded operating right-of-use assets and lease liabilities of \$284,464. AAA's incremental borrowing rate is used in determining the present value of future payments at the commencement date of the lease, or for the adoption of ASU 2016-02, at July 1, 2019. Balances related to operating leases are included in ROU assets and lease liabilities in the consolidated statements of financial position.

The following table provides the components of lease cost recognized in the consolidated statement of activities and changes in net assets for the year ended June 30, 2021 and June 30, 2020, respectively:

	June 30, 2021	June 30, 2020
Lease Expense:		
Finance lease expense:		
Amortization of ROU assets	\$ -	\$ -
Interest on lease liabilities	-	-
Operating lease expense	96,411	96,409
Short-term lease expense	-	-
Variable lease expense	2,736	2,736
Sublease income	-	-
Total	\$ 99,147	\$ 99,145
Other Information	June 30, 2021	June 30, 2021
(Gains) losses on sale-leaseback transactions net	\$ -	\$ -
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases (i.e. interest)	-	-
Financing cash flows from finance leases (i.e. principal portion)	-	-
Operating cash flows from operating leases	92,220	91,868
ROU assets obtained in exchange for new finance lease liabilities	-	-
ROU assets obtained in exchange for new operating lease liabilities	21,317	280,039
Weighted-average remaining lease term in years for finance leases	-	-
Weighted-average remaining lease term in years for operating leases	1.67	2.61
Weighted-average discount rate for finance leases	-	-
Weighted-average discount rate for operating leases	4.85%	4.85%

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

9. Leases (Continued)

Maturity Analysis

Years Ended June 30

	Finance Lease	Operating Lease
2022	\$ -	\$ 86,308
2023	-	54,825
2024	-	-
2025	-	-
Thereafter	-	-
Total undiscounted cash flows	-	141,133
Less: present value discount	-	(5,293)
Total lease liabilities	\$ -	\$ 135,840

Rent expense for the twelve months ended June 30, 2021 and 2020 was \$98,280 and \$100,068, respectively.

10. Scholarships Awarded and Payable

AAA scholarships are awarded to qualified students for multi-year periods in Arizona and for a one-year period in Georgia, Florida and Nevada. To qualify for a scholarship, a student and the parents or guardian of that student must meet certain state and AAA requirements and agree to comply with certain other responsibilities.

For multi-year scholarships the parents or guardian must return a completed School Commitment Form by the specified deadline for subsequent years in order to remain eligible.

During the twelve months ended June 30, 2021, AAA recorded the following net scholarship awards/ (forfeits):

Georgia Private School Tax Credit Scholarship Program	\$ 587,406
Arizona Low-Income Corporate Tax Credit Scholarship Program	8,404,509
Arizona Disabled-Displaced Tax Credit Scholarship Program	(23,480)
Florida Tax Credit Scholarship Program	19,996,081
Nevada Educational Choice Scholarship	5,247,434
Total	\$ 34,211,950

During the twelve months ended June 30, 2020, AAA recorded the following net scholarship awards/ (forfeits):

Georgia Private School Tax Credit Scholarship Program	\$ 167,989
Arizona Low-Income Corporate Tax Credit Scholarship Program	12,196,281
Arizona Disabled-Displaced Tax Credit Scholarship Program	(37,060)
Florida Tax Credit Scholarship Program	14,119,655
Nevada Educational Choice Scholarship	2,562,530
Total	\$ 29,009,395

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

10. Scholarships Awarded and Payable (Continued)

The following schedule illustrates the net scholarships awarded but unpaid as of June 30, 2021:

	Payable in 2021-22	Payable in 2022-23	Payable in 2023-24	Total
Georgia Private School Tax Credit Scholarship Program	\$ 266,250	\$ -	\$ -	\$ 266,250
Arizona Low-Income Corporate Tax Credit Scholarship Program	9,109,650	4,133,300	1,933,225	15,176,175
Arizona Disabled-Displaced Tax Credit Scholarship Program	77,186	-	-	77,186
Florida Tax Credit Scholarship Program	12,281,140	-	-	12,281,140
Florida Gardiner Scholarship Program	7,997,604	-	-	7,997,604
Nevada Educational Choice Scholarship	3,420,000	-	-	3,420,000
Total:	<u>\$ 33,151,830</u>	<u>\$ 4,133,300</u>	<u>\$ 1,933,225</u>	<u>\$ 39,218,355</u>

The following schedule illustrates the net scholarships awarded but unpaid as of June 30, 2020:

	Payable in 2020-21	Payable in 2021-22	Payable in 2022-23	Total
Georgia Private School Tax Credit Scholarship Program	\$ 187,500	\$ -	\$ -	\$ 187,500
Arizona Low-Income Corporate Tax Credit Scholarship Program	10,721,663	6,639,000	516,575	17,877,238
Arizona Disabled-Displaced Tax Credit Scholarship Program	223,628	77,933	-	301,561
Florida Tax Credit Scholarship Program	4,462,056	-	-	4,462,056
Florida Gardiner Scholarship Program	5,519,663	-	-	5,519,663
Nevada Educational Choice Scholarship	2,030,625	-	-	2,030,625
Total:	<u>\$ 23,145,135</u>	<u>\$ 6,716,933</u>	<u>\$ 516,575</u>	<u>\$ 30,378,643</u>

Tax credit scholarship checks are disbursed in four installments each school year after receipt of completed verification reports from the schools. The verification reports limit the risk that a check might be issued for a student who has withdrawn from an eligible private school or the student's parent or guardian has not complied with their responsibilities under the programs.

Florida Gardiner Scholarship program disbursements are made pursuant to a request from a student's parent or guardian for an authorized education-related good or service. The disbursements are made electronically and may be made to a private school, a vendor or as a reimbursement to a parent or guardian.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

11. Tax Credit Contributions

As an SO in Arizona, Florida, Georgia, and Nevada, AAA is eligible to receive tax credit contributions from taxpayers that owe certain taxes to the state. In return for their contribution to an eligible SO, the state grants a tax credit to the taxpayer.

During the twelve months ended June 30, 2021, AAA recorded the following re-directed taxes as contributions:

Georgia Private School Tax Credit Scholarship Program	\$	495,000
Arizona Low-Income Corporate Tax Credit Scholarship Program		13,707,000
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		46,420,829
Nevada Educational Choice Scholarship Program		2,573,000

Of the re-directed taxes recorded as contributions, the following pledges were outstanding and deemed as collectible as of June 30, 2021:

Georgia Private School Tax Credit Scholarship Program	\$	-
Arizona Low-Income Corporate Tax Credit Scholarship Program		9,345,000
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		10,635,791
Nevada Educational Choice Scholarship Program		1,485,000

During the twelve months ended June 30, 2020, AAA recorded the following re-directed taxes as contributions:

Georgia Private School Tax Credit Scholarship Program	\$	87,500
Arizona Low-Income Corporate Tax Credit Scholarship Program		11,790,500
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		31,241,295
Nevada Educational Choice Scholarship Program		2,950,000

Of the re-directed taxes recorded as contributions, the following pledges were outstanding and deemed as collectible as of June 30, 2020:

Georgia Private School Tax Credit Scholarship Program	\$	-
Arizona Low-Income Corporate Tax Credit Scholarship Program		9,922,500
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		9,003,948
Nevada Educational Choice Scholarship Program		960,000

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

11. Tax Credit Contributions (Continued)

Each state allows an SO to claim a percentage of its re-directed taxes for reasonable and necessary expenses to administer the program. During the twelve months ended June 30, 2021, AAA claimed the following administrative allowances against re-directed taxes:

Georgia Private School Tax Credit Scholarship Program	\$	-
Arizona Low-Income Corporate Tax Credit Scholarship Program		1,263,700
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		872,326
Florida Gardiner Scholarship Program		337,096
Nevada Educational Choice Scholarship Program		128,650

During the twelve months ended June 30, 2020, AAA claimed the following administrative allowances against re-directed taxes:

Georgia Private School Tax Credit Scholarship Program	\$	-
Arizona Low-Income Corporate Tax Credit Scholarship Program		1,179,050
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		754,468
Florida Gardiner Scholarship Program		278,804
Nevada Educational Choice Scholarship Program		147,500

During the twelve months ended June 30, 2021, AAA recorded the following net interest, dividends, and realized or unrealized gains or losses on collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$	232
Arizona Low-Income Corporate Tax Credit Scholarship Program		123,141
Arizona Disabled-Displaced Tax Credit Scholarship Program		178
Florida Tax Credit Scholarship Program		25,886
Nevada Educational Choice Scholarship Program		(8,789)

During the twelve months ended June 30, 2020, AAA recorded the following net interest, dividends, and realized or unrealized gains or losses on collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$	6,261
Arizona Low-Income Corporate Tax Credit Scholarship Program		340,061
Arizona Disabled-Displaced Tax Credit Scholarship Program		2,443
Florida Tax Credit Scholarship Program		181,754
Nevada Educational Choice Scholarship Program		169,761

12. Grants

Florida Gardiner Scholarships are funded through a Florida Department of Education ("FL DOE") grant. AAA requests funding from the FL DOE once a student is determined eligible for the program. If the student withdraws from the program or is subsequently determined ineligible, the funds are returned to the FL DOE.

Prior to July 1, 2019, the grant allowed for an administrative allowance for reasonable and necessary expenses. If AAA incurred expense to administer the withdrawing student's account, it was allowed to keep the administrative allowance, otherwise, the allowance was required to be returned to the FL DOE.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

12. Grants (Continued)

Beginning July 1, 2019, the administrative allowance is paid from the contributions to the Florida Tax Credit Scholarship Program.

During the twelve months ended June 30, 2021, AAA recorded the following transactions related to the Florida Gardiner Scholarship program:

	Scholarships	Administrative Allowance
Grant Received from FL DOE	\$ 11,236,535	\$ -
Returned to FL DOE	(468,503)	-
Net Grant Funds Received	<u>\$ 10,768,032</u>	<u>\$ -</u>

As of June 30, 2021, a grant funding request for \$44,534 was outstanding and deemed as collectible.

During the twelve months ended June 30, 2020, AAA recorded the following transactions related to the Florida Gardiner Scholarship program:

	Scholarships	Administrative Allowance
Grant Received from FL DOE	\$ 9,390,373	\$ -
Returned to FL DOE	(508,893)	(927)
Net Grant Funds Received	<u>\$ 8,881,480</u>	<u>\$ (927)</u>

Interest collected on Florida Gardiner Scholarship program funds must be allocated to each active student's account. If the student withdraws from the program or is subsequently determined ineligible, any unused interest is transferred to the FL DOE. If the student transfers to another SFO, any unused interest is transferred along with the student's scholarship funds.

During the twelve months ended June 30, AAA recorded the following transactions related to interest earned on the Florida Gardiner Scholarship program accounts:

	2021	2020
Earned Interest Collected	\$ 59,417	\$ 124,976
Earned Interest Transferred to the FL DOE, Net	(3,288)	(8,021)
Net Interest Collected for Students	<u>\$ 56,129</u>	<u>\$ 116,955</u>

The Florida Gardiner Scholarship program allows students to transfer their scholarship accounts between eligible SFOs during the year. Prior to July 1, 2019, if an SFO incurred expenses to administer the student's account, they are allowed to keep the administrative allowance; otherwise, the state funded allowance was required to be transferred along with the scholarship balance. Beginning July 1, 2019, each SFO's administrative allowance is paid from the contributions of their Florida Tax Credit Scholarship Program.

During the twelve months ended June 30, 2021, the following transfers occurred:

	Scholarship Balance	Interest
Funds Transferred from an SFO	\$ -	\$ -
Funds Transferred to an SFO	(222,504)	(402)
Net Grant Funds Transferred	<u>\$ (222,504)</u>	<u>\$ (402)</u>

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

12. Grants (Continued)

During the twelve months ended June 30, 2020, the following transfers occurred:

	Scholarship Balance	Interest
Funds Transferred from an SFO	\$ 20,378	\$ 493
Funds Transferred to an SFO	(48,004)	(402)
Net Grant Funds Transferred	<u>\$ (27,626)</u>	<u>\$ 91</u>

The Florida Tax Credit Scholarship Program requires that net eligible contributions remaining on September 30th of each year that are in excess of 25 percent of net eligible contributions held on the prior June 30th to be transferred to other eligible nonprofit scholarship-funding organizations to provide scholarships for eligible students.

AAA paid the following grants to an eligible nonprofit scholarship-funding organization during the 12 months ended June 30, 2021:

	6/30/2021	9/30/2020
Grants Paid to an SFO	<u>\$ 27,652,081</u>	<u>\$ 10,256,800</u>

13. Net Assets With Donor Restrictions

As of June 30, net assets with donor restrictions are restricted for the following purposes:

	2021	2020
Georgia Private School Tax Credit Scholarship Program	\$ -	\$ -
Arizona Low-Income Corporate Tax Credit Scholarship Program	9,441,491	5,538,025
Arizona Disabled-Displaced Tax Credit Scholarship Program	-	-
Florida Tax Credit Scholarship Program	11,136,005	23,813,196
Nevada Educational Choice Scholarship Program	5,547,341	8,302,423
Total	<u>\$ 26,124,837</u>	<u>\$ 37,653,644</u>

During the twelve months ended June 30, net assets were released from donor restrictions by incurring expenses satisfying the conditions specified by donors as follows:

	2021	2020
Georgia Private School Tax Credit Scholarship Program	\$ 495,000	\$ 162,355
Arizona Low-Income Corporate Tax Credit Scholarship Program	8,539,833	12,341,756
Arizona Disabled-Displaced Tax Credit Scholarship Program	-	-
Florida Tax Credit Scholarship Program	57,888,597	14,134,082
Nevada Educational Choice Scholarship Program	5,199,432	2,650,590
Total	<u>\$ 72,122,862</u>	<u>\$ 29,288,783</u>

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2021 and 2020

14. Major Donor

Contributions from seven major donors accounted for approximately 77 percent of contributions received for the twelve months ended June 30, 2021. Contributions from ten major donors accounted for approximately 75 percent of contributions received for the twelve months ended June 30, 2020.

15. Compliance with State Statutes

As an SO in multiple states, AAA must comply with certain operational and reporting requirements established and adopted into law by each state. Failure to comply with these statutes may result in sanctions that suspend or revoke operations for that program. For the twelve months ending June 30, 2021 and 2020, AAA believes it is in compliance with all material operating and reporting requirements for each applicable state. AAA has complied with all requirements of Georgia Code Section 20-2A-2, including, but not limited to, financial requirements.

16. Retirement Plan

AAA participates in a SIMPLE IRA Retirement Plan. This Plan is available for the benefit of all permanent, full-time employees over the age of twenty-one who have completed at least 30 days of service.

In accordance with the Internal Revenue Code and Plan agreement, AAA makes dollar-for-dollar matching contributions of up to 3% of each participating employee's compensation. AAA's contributions, which are included in wages and benefits in the consolidated statements of functional expenses, were \$17,294 and \$17,516 for the twelve months ended June 30, 2021 and 2020, respectively.

17. Functionalized Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, data, voice, and information technology which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, interest, insurance, and others, which are allocated on a weighted average of projected student counts.

18. Subsequent Events

AAA has evaluated events and transactions for potential recognition or disclosure through October 29, 2021, which is the date the consolidated financial statements were available to be issued, and none were noted.

Supplemental Information

AAA Scholarship Foundation, Inc.
AAA Scholarship Foundation - FL , LLC
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2021

State Agency and State Project	CSFA Number	Contract Number	State Expenditures
State of Florida Department of Education			
Florida Gardiner Scholarship Program	48.113	92V-90025-ID001	\$ 10,764,744
Total Expenditures of State Financial Assistance			<u><u>\$ 10,764,744</u></u>

See Independent Auditor's Report.

AAA Scholarship Foundation, Inc.
AAA Scholarship Foundation - FL, LLC

Notes to Schedule of Expenditures of State Financial Assistance
For the year June 30, 2021

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the grant activity of AAA Scholarship Foundation - FL, Inc. under programs of the State of Florida for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of the State of Florida, Chapter 10.650, *Rules of the Auditor General*. The Schedule presents only a selected portion of the operations of AAA Scholarship Foundation, Inc. and Subsidiary and is not intended to and does not present the financial position, changes in net assets, or cash flows of AAA Scholarship Foundation, Inc. and Subsidiary.

Note 2 - Summary of Significant Accounting Policies

Expenditures are reported on the accrual basis of accounting, following the cost principles established by the State of Florida Department of Financial Services.

AAA Scholarship Foundation, Inc. and Subsidiary adopted ASC 958 for the Gardiner Scholarship Program to better reflect the agency-type nature of the program. As an agent for this program, AAA does not recognize revenues and expenses in the accompanying consolidated statement of activities for scholarship funds received and distributed from the State of Florida. The expenditures reported on the Schedule represent \$10,764,744 distributed for program-related expenditures. Beginning in the 2019-2020 fiscal year, the Gardiner administrative allowance is paid from the contributions to the Florida Tax Credit Scholarship Program, subsequently, \$0 of funding from the State of Florida was used to pay direct administrative expenses for the administration of the program.

Contract Compliance

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
AAA Scholarship Foundation, Inc. and Subsidiary
Tampa, Florida

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, *Rules of the Auditor General*, the consolidated financial statements of AAA Scholarship Foundation, Inc. and Subsidiary (collectively "AAA"), which comprise the consolidated statement of financial position as of June 30, 2021, 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, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered AAA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of AAA's internal control. Accordingly, we do not express an opinion on the effectiveness of AAA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AAA's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kukuing Barbanio & Co.

Sarasota, Florida
October 29, 2021

Report of Independent Auditor on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General of the State of Florida

The Board of Directors
AAA Scholarship Foundation, Inc. and Subsidiary
Tampa, Florida

Report on Compliance for Each Major State Financial Assistance Project

We have audited AAA Scholarship Foundation, Inc. and Subsidiary (collectively “AAA”), with the types of compliance requirements described in the State of Florida Department of Financial Services Projects Compliance Supplement that could have a direct and material effect on AAA’s major state financial assistance project for the year ended June 30, 2021. AAA’s major state financial assistance project is identified in the summary of the auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state award applicable to its state financial assistance project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for AAA’s major state financial assistance project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about AAA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major state financial assistance project. However, our audit does not provide a legal determination of AAA’s compliance.

Opinion on Each Major State Financial Assistance Project

In our opinion, AAA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state financial assistance project for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of AAA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AAA's internal control over compliance with the types of requirements that could have a direct and material effect on its major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its state financial assistance project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AAA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Accordingly, this report is not suitable for any other purpose.

Kukuing Barbunio & Co.

Sarasota, Florida
October 29, 2021

AAA Scholarship Foundation, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no

- Significant deficiency(ies) identified
that are not considered to be material
weakness(es)? _____ yes x none reported

Noncompliance material to financial statements
noted? _____ yes x no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? _____ yes x no

- Significant deficiency(ies) identified
that are not considered to be material
weakness(es)? _____ yes x none reported

Type of auditor's report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with section
Chapter 10.650, Rules of the Auditor General?

_____ yes x no

AAA Scholarship Foundation, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditor's Results (Continued)

State Programs Tested as Major Programs:

CSFA Number

Name of State Program or Cluster

48.113

Florida Gardiner Scholarship Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

None

Section III - State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Audit Findings

None