

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

Consolidated Financial Statements,
Supplemental Information and
Independent Auditor's Report
June 30, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the 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, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of AAA Scholarship Foundation, Inc. and Subsidiary as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of AAA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AAA's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- obtain an understanding of internal control relevant to the audit 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 AAA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AAA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of AAA'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'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's internal control over financial reporting and compliance.

Kukuing Barbanio & Co.

Sarasota, Florida
October 28, 2022

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Current Assets:		
Cash & Cash Equivalents	\$ 12,181,120	\$ 18,654,992
Accounts Receivable (Net)	60,754,662	21,521,086
Other Current Assets	223,192	137,825
Investments, Short-Term	39,665,617	27,937,141
Total Current Assets	<u>112,824,591</u>	<u>68,251,044</u>
Non-Current Assets:		
Refundable Deposits	9,030	8,283
Right of Use Lease Asset	234,068	135,460
Fixed Assets (Net)	355,119	368,160
Total Non-Current Assets	<u>598,217</u>	<u>511,903</u>
Total Assets	<u>\$ 113,422,808</u>	<u>\$ 68,762,947</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts Payable	\$ 204,904	\$ 8,863
Accrued Expenses	625,409	543,385
Deferred Revenues	1,337,099	319,074
Loan Payable, Current Portion	-	51,994
Right of Use Lease Liability, Current Portion	80,985	81,890
Scholarships Payable	35,235,301	33,151,830
Total Current Liabilities	<u>37,483,698</u>	<u>34,157,036</u>
Long-Term Liabilities:		
Right of Use Lease Liability	154,822	53,950
Scholarships Payable	9,857,100	6,066,525
Total Long-Term Liabilities	<u>10,011,922</u>	<u>6,120,475</u>
Total Liabilities	<u>47,495,620</u>	<u>40,277,511</u>
Net Assets:		
Without Donor Restrictions:		
Designated by Board for Scholarships	1,342,091	2,155,474
Undesignated	51,755	205,125
	<u>1,393,846</u>	<u>2,360,599</u>
With Donor Restrictions:		
Restricted for Scholarships	64,533,342	26,124,837
Total Net Assets	<u>65,927,188</u>	<u>28,485,436</u>
Total Liabilities and Net Assets	<u>\$ 113,422,808</u>	<u>\$ 68,762,947</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

For the Year Ended June 30, 2022

(With Summarized Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues:				
Contributions (Net of Allowance)	\$ -	\$ 125,033,775	\$ 125,033,775	\$ 60,594,055
Administrative Allowance	2,876,215	-	2,876,215	2,601,775
Other	2,552	-	2,552	2,150
Interest and Dividends	36,995	-	36,995	154,003
Net Assets Released from Restrictions	86,625,270	(86,625,270)	-	-
Total Revenues	<u>89,541,032</u>	<u>38,408,505</u>	<u>127,949,537</u>	<u>63,351,983</u>
Expenses:				
Program Services:				
Scholarships	88,446,954	-	88,446,954	73,709,100
Total Program Services	<u>88,446,954</u>	<u>-</u>	<u>88,446,954</u>	<u>73,709,100</u>
Supporting Services:				
Management & General	177,109	-	177,109	170,730
Fundraising	1,040,217	-	1,040,217	916,703
Total Supporting Services	<u>1,217,326</u>	<u>-</u>	<u>1,217,326</u>	<u>1,087,433</u>
Total Expenses	<u>89,664,280</u>	<u>-</u>	<u>89,664,280</u>	<u>74,796,533</u>
Investment Return (Net)	(843,505)	-	(843,505)	(13,332)
Increase/(Decrease) in Net Assets	(966,753)	38,408,505	37,441,752	(11,457,882)
Beginning Net Assets	2,360,599	26,124,837	28,485,436	39,943,318
Ending Net Assets	<u>\$ 1,393,846</u>	<u>\$ 64,533,342</u>	<u>\$ 65,927,188</u>	<u>\$ 28,485,436</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 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2022 Total</u>
Revenues:				
Contributions (Net of Allowance)	\$ -	\$ 60,594,055	\$ 60,594,055	\$ 125,033,775
Administrative Allowance	2,601,775	-	2,601,775	2,876,215
Other	2,150	-	2,150	2,552
Interest and Dividends	154,003	-	154,003	36,995
Net Assets Released from Restrictions	<u>72,122,862</u>	<u>(72,122,862)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>74,880,790</u>	<u>(11,528,807)</u>	<u>63,351,983</u>	<u>127,949,537</u>
Expenses:				
Program Services:				
Scholarships	<u>73,709,100</u>	<u>-</u>	<u>73,709,100</u>	<u>88,446,954</u>
Total Program Services	<u>73,709,100</u>	<u>-</u>	<u>73,709,100</u>	<u>88,446,954</u>
Supporting Services:				
Management & General	170,730	-	170,730	177,109
Fundraising	<u>916,703</u>	<u>-</u>	<u>916,703</u>	<u>1,040,217</u>
Total Supporting Services	<u>1,087,433</u>	<u>-</u>	<u>1,087,433</u>	<u>1,217,326</u>
Total Expenses	<u>74,796,533</u>	<u>-</u>	<u>74,796,533</u>	<u>89,664,280</u>
Investment Return (Net)	(13,332)	-	(13,332)	(843,505)
Increase/(Decrease) in Net Assets	70,925	(11,528,807)	(11,457,882)	37,441,752
Beginning Net Assets	<u>2,289,674</u>	<u>37,653,644</u>	<u>39,943,318</u>	<u>28,485,436</u>
Ending Net Assets	<u>\$ 2,360,599</u>	<u>\$ 26,124,837</u>	<u>\$ 28,485,436</u>	<u>\$ 65,927,188</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, 2022

(With Summarized Comparative Totals for 2021)

Description	<u>Program Services</u> <u>Scholarships</u>	<u>Mgmt &</u> <u>General</u>	<u>Fundraising</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
Direct Program Costs	\$ 87,009,649	\$ -	\$ -	\$ 87,009,649	\$ 72,120,831
Accounting Fees	-	3,855	-	3,855	3,342
Audit Fees	-	20,100	-	20,100	19,540
Advertising/Marketing	1,325	-	1,000	2,325	63,612
Bank Service Fees	64,194	644	649	65,487	74,483
Business Registration Fees	513	6	4,595	5,114	4,244
Contractor Expenses	126,190	-	1,004,312	1,130,502	1,072,398
Depreciation and Amortization	13,047	1,572	1,572	16,191	23,055
Dues, Fees & Subscriptions	4,655	373	3,721	8,749	9,063
Equipment Rental and Maintenance	12,745	1,240	1,240	15,225	19,090
Facility Expenses	92,681	21,742	-	114,423	111,489
Insurance Expense	178,546	1,169	1,169	180,884	230,724
Interest Expense	1,243	-	-	1,243	3,970
Legal Fees	4,496	553	6,235	11,284	33,388
License - Software	24,026	1,119	1,181	26,326	25,561
Office Equipment	4,645	95	95	4,835	2,183
Postage, Mailing Service	12,992	208	293	13,493	15,486
Printing & Reproduction	7,036	-	14	7,050	6,575
Professional Development	652	82	82	816	627
Supplies	6,617	299	299	7,215	4,046
Telephone, Telecommunications	8,861	882	882	10,625	11,701
Travel & Meetings	6,385	-	9,728	16,113	323
Uncollectible School Receivable	-	-	-	-	115
Wages and Benefits	834,759	120,061	-	954,820	917,537
Web/Internet Hosting	31,697	3,109	3,150	37,956	23,150
Total	<u>\$ 88,446,954</u>	<u>\$ 177,109</u>	<u>\$ 1,040,217</u>	<u>\$ 89,664,280</u>	<u>\$ 74,796,533</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 2022)

Description	<u>Program Services</u> <u>Scholarships</u>	<u>Mgmt &</u> <u>General</u>	<u>Fundraising</u>	<u>2021</u> <u>Total</u>	<u>2022</u> <u>Total</u>
Direct Program Costs	\$ 72,120,831	\$ -	\$ -	\$ 72,120,831	\$ 87,009,649
Accounting Fees	-	3,342	-	3,342	3,855
Audit Fees	-	19,540	-	19,540	20,100
Advertising/Marketing	63,362	-	250	63,612	2,325
Bank Service Fees	73,042	679	762	74,483	65,487
Business Registration Fees	542	6	3,696	4,244	5,114
Contractor Expenses	181,523	360	890,515	1,072,398	1,130,502
Depreciation and Amortization	18,537	2,259	2,259	23,055	16,191
Dues, Fees & Subscriptions	5,575	176	3,312	9,063	8,749
Equipment Rental and Maintenance	16,498	1,296	1,296	19,090	15,225
Facility Expenses	89,986	21,503	-	111,489	114,423
Insurance Expense	228,408	1,158	1,158	230,724	180,884
Interest Expense	3,951	9	10	3,970	1,243
Legal Fees	25,440	-	7,948	33,388	11,284
License - Software	23,259	1,151	1,151	25,561	26,326
Office Equipment	2,179	2	2	2,183	4,835
Postage, Mailing Service	13,462	874	1,150	15,486	13,493
Printing & Reproduction	6,523	-	52	6,575	7,050
Professional Development	501	63	63	627	816
Supplies	3,874	86	86	4,046	7,215
Telephone, Telecommunications	9,807	947	947	11,701	10,625
Travel & Meetings	23	-	300	323	16,113
Uncollectible School Receivable	115	-	-	115	-
Wages and Benefits	801,943	115,594	-	917,537	954,820
Web/Internet Hosting	19,719	1,685	1,746	23,150	37,956
Total	\$ <u>73,709,100</u>	\$ <u>170,730</u>	\$ <u>916,703</u>	\$ <u>74,796,533</u>	\$ <u>89,664,280</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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	\$ <u>37,441,752</u>	\$ <u>(11,457,882)</u>
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	16,191	23,055
Amortization of Investment Discounts	145,288	46,097
Net Unrealized Loss from Investing	843,276	14,154
Net Change in Right of Use Asset Amortization	1,359	3,191
Change in Operating Assets:		
Accounts Receivable (Net)	(39,233,576)	(1,604,901)
Other Current Assets	(85,367)	86,908
Refundable Deposits	(747)	819
Change in Operating Liabilities:		
Accounts Payable	196,041	(56,174)
Accrued Expenses	82,024	69,342
Deferred Revenues	1,018,025	48,956
Scholarships Payable	5,874,046	8,839,712
Net Cash Provided by (Used in) Operating Activities	<u>6,298,312</u>	<u>(3,986,723)</u>
Cash Flows from Investing Activities:		
(Purchase) of Fixed Assets	(3,150)	-
(Purchase) of Investments	(83,717,040)	(50,604,497)
Maturity of Investments	71,000,000	50,000,000
Net Cash Provided by (Used in) Investing Activities	<u>(12,720,190)</u>	<u>(604,497)</u>
Cash Flows from Financing Activities:		
Repayment of Debt	(51,994)	(54,203)
Net Cash Provided by (Used in) Financing Activities	<u>(51,994)</u>	<u>(54,203)</u>
Change in Cash & Cash Equivalents	<u>(6,473,872)</u>	<u>(4,645,423)</u>
Cash & Cash Equivalents - Beginning of Year	18,654,992	23,300,415
Cash & Cash Equivalents - End of Year	\$ <u><u>12,181,120</u></u>	\$ <u><u>18,654,992</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ <u><u>1,243</u></u>	\$ <u><u>3,970</u></u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

I. Description of Organization

AAA Scholarship Foundation, Inc. ("AAA") is a Georgia not-for-profit organization which incorporated March 26, 2010. AAA's charitable mission is: 1) promoting relief to the poor and underprivileged and 2) promoting the advancement of education.

AAA works to ensure families can afford to access the customized K-12 learning options they need to effectively educate their children. AAA believes that educational choice programs spur improvements by equipping parents with the resources to seek the best education for their children. AAA's primary focus is in providing educational scholarships (up to grade 12) to children from low-income and working-class families and to 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 a 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, 2022:

	Arizona Income-Based	Georgia Income-Based	Arizona Disabled-Displaced
Cap for Current Year	\$135,346,407	\$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 \$7,000 for 9 th -12 th grade	\$11,359	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, 2022 and 2021

I. Description of Organization (Continued)

	Nevada Income-Based	Florida Income-Based
Cap for Current Year	\$16,271,800	\$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%	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	\$8,597	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 also an approved administrator of Florida's two Education Savings Accounts: 1) Family Empowerment Scholarship for Educational Options ("FES-EO") formerly known as the Family Empowerment Scholarship, and 2) Family Empowerment Scholarship for Students with Unique Abilities ("FES-UA") formerly known as the Gardiner Scholarship Program and the Florida Personal Learning Account or PLSA.

FES-EO was established in 2019 to provide an educational lifeline to students waiting for an opportunity to find the school that will best work for them and puts more parents in the driver's seat to determine the best educational environments for their children. FES-EO was administered by the Florida Department of Education prior to the 2021-2022 school year. FES-EO is funded through the Florida Education Finance Program.

FES-UA 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. Beginning in the 2021-2022 school year, FES-UA is funded through the Florida Education Finance Program. Prior to July 1, 2021, it was funded by a grant from the FL DOE.

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.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred. The amount charged for advertising expense for the twelve months ended June 30, 2022 and 2021 was \$2,325 and \$63,612, respectively.

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, 2022 and 2021, cash on deposit at a commercial bank exceeded the \$250,000 FDIC limit by \$64,030,171 and \$46,796,878, 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.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU described above. AAA has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on its reported financial position or activities in the near term.

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 \$0 of donated services during the twelve months ended June 30, 2022 and 2021, respectively.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

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.

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.

Funds Held for Others

Funds administered for students participating in the Family Empowerment Scholarship Programs 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.

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 2017 through 2022 remain subject to examination by the Internal Revenue Service.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

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.

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, 2022 and 2021.

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, 2022 and 2021

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:

	2022	2021
Cash & Cash Equivalents	\$ 12,181,120	\$ 18,654,992
Accounts Receivable (Net)	60,754,662	21,521,086
Other Current Assets	26,327	61,209
Investments, Short-Term	39,665,617	27,937,141
Total	<u>\$ 112,627,726</u>	<u>\$ 68,174,428</u>

4. Cash on Deposit for Scholarships

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

	2022	2021
Georgia Private School Tax Credit Scholarship Program	\$ 645,601	\$ 180,921
Arizona Low-Income Corporate Tax Credit Scholarship Program	2,608,383	6,613,797
Arizona Disabled-Displaced Tax Credit Scholarship Program	30,232	100,913
Florida Tax Credit Scholarship Program	4,097,840	7,709,883
Florida Empowerment Scholarship for Students with Unique Abilities	1,090,576	2,934,088
Nevada Educational Choice Scholarship Program	3,133,866	467,726
Total	<u>\$ 11,606,498</u>	<u>\$ 18,007,328</u>

5. Accounts Receivable

Accounts receivable at June 30 consists of the following:

	2022	2021
Pledges Receivable	\$ 60,736,955	\$ 21,510,325
School Refunds Receivable (Net)	17,707	10,761
Accounts Receivable (Net)	<u>\$ 60,754,662</u>	<u>\$ 21,521,086</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, 2022 and 2021.

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.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

6. Investments (Continued)

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, 2022:

Description	Fair Market Value	Level 1	Level 2	Level 3
Sweep Bank Deposits	\$ 199,257	\$ 199,257	\$ -	\$ -
Asset Backed Securities	77,213	77,213	-	-
Corporate Bonds	7,112,743	7,112,743	-	-
Municipal Bonds	1,956,201	1,956,201	-	-
U.S. Government Securities	2,954,835	2,954,835	-	-
Fixed Income Mutual Funds	3,927,987	3,927,987	-	-
U.S. Treasury Money Market Fund	3,414,372	3,414,372	-	-
Total Investments- Trading	<u>\$ 19,642,608</u>	<u>\$ 19,642,608</u>	<u>\$ -</u>	<u>\$ -</u>

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>

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:

	2022 Amortized/Net Carrying Cost	2021 Amortized/Net Carrying Cost
Short-Term		
U.S. Government Securities	\$ 20,023,009	\$ 15,517,235
Long-Term		
U.S. Government Securities	-	-
Total Held to Maturity Securities	<u>\$ 20,023,009</u>	<u>\$ 15,517,235</u>
Maturities		
Due in one year or less	\$ 20,023,009	15,517,235
Due after one year through five years	\$ -	-

AAA recognized no other-than-temporary impairment in the consolidated statement of activities for the 12 months ended June 30, 2022 and 2021.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

7. Fixed Assets

At June 30, fixed assets consisted of the following:

	2022	2021
Computers	\$ 28,150	\$ 28,150
Computer Software	339,963	339,963
Furniture and Equipment	21,082	21,082
Intangible Asset	31,914	28,764
Leasehold Improvements	4,900	4,900
	<u>426,009</u>	<u>422,859</u>
Less accumulated depreciation and amortization	<u>(70,890)</u>	<u>(54,699)</u>
Net property and equipment	\$ <u>355,119</u>	\$ <u>368,160</u>

Depreciation and amortization expense was \$16,191 and \$23,055 for the twelve months ended June 30, 2022 and 2021, 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, 2022 and 2021, AAA had no outstanding balance.

AAA had one note payable for software development for \$0 and \$51,994 as of June 30, 2022 and 2021, respectively, financed directly with the vendor. The nominal interest rate is 4.75% compounded monthly. Payments were \$20,000 per month through 5/31/2021 and then reduced to \$4,840 for the remainder of the loan period from 6/30/2021 through 5/31/2022.

Note payable at June 30 is comprised as follows:

	2022	2021
Unsecured Note Payable	\$ -	\$ 51,994
Less Current Maturities	-	(51,994)
Note Payable, Long Term	\$ -	\$ -

Interest expense year to date as of June 30, 2022 and 2021 was \$1,243 and \$3,970.

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.

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 Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

9. Leases (Continued)

AAA leases certain office spaces and equipment under operating leases which expire at various dates through February 2025. Balances related to operating leases are included in ROU assets and lease liabilities in the consolidated statement 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, 2022 and June 30, 2021, respectively:

	June 30, 2022	June 30, 2021
Lease Expense:		
Finance lease expense:		
Amortization of ROU assets	\$ -	\$ -
Interest on lease liabilities	-	-
Operating lease expense	96,849	96,411
Short-term lease expense	-	-
Variable lease expense	2,994	2,736
Sublease income	-	-
Total	\$ 99,843	\$ 99,147

	June 30, 2022	June 30, 2021
Other Information		
(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	94,362	92,220
ROU assets obtained in exchange for new finance lease liabilities	-	-
ROU assets obtained in exchange for new operating lease liabilities	197,667	21,317
Weighted-average remaining lease term in years for finance leases	-	-
Weighted-average remaining lease term in years for operating leases	2.65	1.67
Weighted-average discount rate for finance leases	-	-
Weighted-average discount rate for operating leases	4.85%	4.85%

	Finance Lease	Operating Lease
Maturity Analysis		
Years Ended June 30:		
2023	\$ -	\$ 90,313
2024	-	92,566
2025	-	68,573
Thereafter	-	-
Total undiscounted cash flows	-	251,452
Less: present value discount	-	(15,645)
Total lease liabilities	\$ -	\$ 235,807

Rent expense for the twelve months ended June 30, 2022 and 2021 was \$103,351 and \$98,280, respectively.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

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, 2022, AAA recorded the following net scholarship awards/ (forfeits):

Georgia Private School Tax Credit Scholarship Program	\$	795,058
Arizona Low-Income Corporate Tax Credit Scholarship Program		15,360,188
Arizona Disabled-Displaced Tax Credit Scholarship Program		(6,491)
Florida Tax Credit Scholarship Program		14,243,493
Nevada Educational Choice Scholarship		4,967,400
Total	\$	<u>35,359,648</u>

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	\$	<u>34,211,950</u>

The following schedule illustrates the net scholarships awarded but unpaid as of June 30, 2022:

	Payable in 2022-23	Payable in 2023-24	Payable in 2024-25	Total
Georgia Private School Tax Credit Scholarship Program	\$ 695,625	\$ -	\$ -	\$ 695,625
Arizona Low-Income Corporate Tax Credit Scholarship Program	9,220,550	7,359,925	2,497,175	19,077,650
Arizona Disabled-Displaced Tax Credit Scholarship Program	-	-	-	-
Florida Tax Credit Scholarship Program	13,269,288	-	-	13,269,288
Florida Empowerment Scholarship for Students with Unique Abilities	9,077,963	-	-	9,077,963
Nevada Educational Choice Scholarship	2,971,875	-	-	2,971,875
Total:	<u>\$ 35,235,301</u>	<u>\$ 7,359,925</u>	<u>\$ 2,497,175</u>	<u>\$ 45,092,401</u>

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

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>

Tax Credit Scholarships and Family Empowerment Scholarship for Educational Options disbursements are generally disbursed in four installments each school year after receipt of completed verification reports from the schools. The verification reports limit the risk that a scholarship 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.

Family Empowerment Scholarship for Students with Unique Abilities 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.

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, 2022, AAA recorded the following re-directed taxes as contributions:

Georgia Private School Tax Credit Scholarship Program	\$ 902,500
Arizona Low-Income Corporate Tax Credit Scholarship Program	16,309,000
Arizona Disabled-Displaced Tax Credit Scholarship Program	-
Florida Tax Credit Scholarship Program	98,769,489
Nevada Educational Choice Scholarship Program	11,929,000

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

11. Tax Credit Contributions (Continued)

Of the re-directed taxes recorded as contributions, the following pledges were outstanding and deemed as collectible as of June 30, 2022:

Georgia Private School Tax Credit Scholarship Program	\$	-
Arizona Low-Income Corporate Tax Credit Scholarship Program		11,267,000
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		44,569,955
Nevada Educational Choice Scholarship Program		4,900,000

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

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, 2022, AAA claimed the following administrative allowances against re-directed taxes:

Georgia Private School Tax Credit Scholarship Program	\$	72,200
Arizona Low-Income Corporate Tax Credit Scholarship Program		1,630,900
Arizona Disabled-Displaced Tax Credit Scholarship Program		-
Florida Tax Credit Scholarship Program		258,890
Family Empowerment Scholarship for Students with Unique Abilities		290,084
Nevada Educational Choice Scholarship Program		596,450
Family Empowerment Scholarship for Educational Purposes		27,691

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

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

11. Tax Credit Contributions (Continued)

During the twelve months ended June 30, 2022, AAA recorded the following net interest, dividends, and realized or unrealized gains or losses on collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$	63
Arizona Low-Income Corporate Tax Credit Scholarship Program		(345,964)
Arizona Disabled-Displaced Tax Credit Scholarship Program		15
Florida Tax Credit Scholarship Program		(349,465)
Nevada Educational Choice Scholarship Program		(111,185)

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)

12. Grants Paid

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 SFOs to provide scholarships for eligible students.

AAA paid the following grants to an eligible nonprofit SFOs during the 12 months ended June 30, 2022 and 2021, respectively:

	June 30, 2022	June 30, 2021
Grants Paid to an SFO	\$ 51,650,000	\$ 37,908,881

13. Agency Transactions

AAA is acting as an agent for Florida's Family Empowerment Scholarship for Students with Unique Abilities (formerly the Florida Gardiner Scholarship) and Family Empowerment Scholarship for Educational Options programs (collectively, the "Family Empowerment Scholarship programs").

Beginning July 1, 2021, the Family Empowerment Scholarship programs are funded through the Florida Education Finance Program. AAA requests funding from the FL DOE once a student is determined eligible for either of the programs. If the student withdraws from the program or is subsequently determined ineligible, the funds are returned to the FL DOE.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

13. Agency Transactions (Continued)

AAA recorded the following transactions related to funding of the Family Empowerment Scholarship programs during the 12 months ended June 30, 2022:

	<u>Funding Received</u>	<u>Funding Returned</u>	<u>Net Funded</u>
Family Empowerment Scholarship for Students with Unique Abilities	\$ 11,838,253	\$ (1,738,950)	\$ 10,099,303
Family Empowerment Scholarship for Educations Options	\$ 1,575,133	\$ (31,402)	\$ 1,543,731

Prior to July 1, 2021, the Family Empowerment Scholarship for Students with Unique Abilities program was known as the Florida Gardiner Scholarship Program and was funded by a grant from the FL DOE.

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

	<u>Funding Received</u>	<u>Funding Returned</u>	<u>Net Funded</u>
Family Empowerment Scholarship for Students with Unique Abilities	\$ 11,236,535	\$ (468,503)	\$ 10,768,032

As of June 30, 2022, a grant funding request for \$44,534 was outstanding and deemed as collectable.

Interest collected on Family Empowerment Scholarship for Students with Unique Abilities (formerly the Florida Gardiner Scholarship) 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 Family Empowerment Scholarship program accounts:

	<u>2022</u>	<u>2021</u>
Earned Interest Allocated	\$ 11,136	\$ 59,417
Earned Interest Transferred to the FL DOE, Net	(57,831)	(3,288)
Net Interest Allocated / (Transferred)	<u>\$ (46,695)</u>	<u>\$ 56,129</u>

The Family Empowerment Scholarship for Students with Unique Abilities (formerly the Florida Gardiner Scholarship) program allows students to transfer their scholarship accounts between eligible SFOs during the year.

During the twelve months ended June 30, 2022, the following transfers occurred:

	<u>Scholarship Balance</u>	<u>Interest</u>
Funds Transferred from an SFO	\$ 10,120	\$ 11
Funds Transferred to an SFO	(186,731)	(2,292)
Net Funds Transferred	<u>\$ (176,611)</u>	<u>\$ (2,281)</u>

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

13. Agency Transactions (Continued)

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 Funds Transferred	<u>\$ (222,504)</u>	<u>\$ (402)</u>

14. Net Assets With Donor Restrictions

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

	2022	2021
Georgia Private School Tax Credit Scholarship Program	\$ -	\$ -
Arizona Low-Income Corporate Tax Credit Scholarship Program	8,980,070	9,441,491
Arizona Disabled-Displaced Tax Credit Scholarship Program	-	-
Florida Tax Credit Scholarship Program	43,448,980	11,136,005
Nevada Educational Choice Scholarship Program	12,104,292	5,547,341
Total	<u>\$ 64,533,342</u>	<u>\$ 26,124,837</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:

	2022	2021
Georgia Private School Tax Credit Scholarship Program	\$ 830,300	\$ 495,000
Arizona Low-Income Corporate Tax Credit Scholarship Program	15,139,522	8,539,833
Arizona Disabled-Displaced Tax Credit Scholarship Program	-	-
Florida Tax Credit Scholarship Program	65,879,850	57,888,597
Nevada Educational Choice Scholarship Program	4,775,598	5,199,432
Total	<u>\$ 86,625,270</u>	<u>\$ 72,122,862</u>

15. Major Donor

Contributions from seven major donors accounted for approximately 82 percent of contributions received for the twelve months ended June 30, 2022. Contributions from seven major donors accounted for approximately 77 percent of contributions received for the twelve months ended June 30, 2021.

16. 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, 2022 and 2021, AAA believes it is in compliance with all material operating and reporting requirements for each applicable state. AAA has complied with all requirements of Chapter 2A of Title 20 of the Official Code of Georgia Annotated, relating to student scholarship organizations, including, but not limited to, scholarship fund management requirements, operational fund management requirements, other financial requirements, student eligibility requirements, school qualification requirements, and other scholarship management requirements.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

17. 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 \$15,399 and \$17,294 for the twelve months ended June 30, 2022 and 2021, respectively.

18. 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 rent, utilities, facility security and facility repairs and maintenance 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.

19. Subsequent Events

AAA has evaluated events and transactions for potential recognition or disclosure through October 28, 2022, which is the date the consolidated financial statements were available to be issued, and none were noted.

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

Independent Auditor's Report

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 (*Government Auditing Standards*), 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, 2022, 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 28, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 Barbunio & Co.

Sarasota, Florida
October 28, 2022