



## AAA SCHOLARSHIP FOUNDATION, INC.

Financial Statements  
Together with report of Independent Certified Public Accountant

For the Years Ended June 30, 2016 and 2015

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**SGCASH**<sub>LLC</sub>  
CERTIFIED PUBLIC ACCOUNTANT

AAA SCHOLARSHIP FOUNDATION, INC.

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the Board of Directors of  
AAA Scholarship Foundation, Inc.

We have audited the accompanying financial statements of AAA Scholarship Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAA Scholarship Foundation, Inc. as of June 30, 2016 and 2015, 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.



Athens, Georgia  
October 31, 2016

**AAA SCHOLARSHIP FOUNDATION, INC.**

**Statements of Financial Position  
As of June 30, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,010,798	\$ 6,299,572
Investments - short term	6,699,036	3,714,943
Pledges receivable (net)	4,194,351	1,525,000
Other assets	79,956	42,239
Investments - long term	8,397,476	9,396,776
Fixed assets (net)	7,623	4,086
Total assets	\$ 25,389,240	\$ 20,982,616
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 75,099	\$ 32,140
Scholarships payable - current	13,594,632	8,481,801
Scholarships payable - net of current portion	10,760,560	9,881,368
Total liabilities	24,430,291	18,395,309
Commitments and contingencies	-	-
Net assets:		
Unrestricted	(3,745,785)	(633,629)
Temporarily restricted	4,704,734	3,220,936
Permanently restricted	-	-
Total net assets	958,949	2,587,307
Total liabilities and net assets	\$ 25,389,240	\$ 20,982,616

The accompanying notes are an integral part of these financial statements

AAA SCHOLARSHIP FOUNDATION, INC.

Statements of Activities and Changes in Net Assets  
For the years ended June 30, 2016 and 2015

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and other support -</b>								
Contributions (net of administrative allowance)	\$ -	\$ 15,569,403	\$ -	\$ 15,569,403	\$ -	\$ 12,665,374	\$ -	\$ 12,665,374
Grants	-	2,509,719	-	2,509,719	-	805,022	-	805,022
Administrative allowance	1,037,665	-	-	1,037,665	1,277,254	-	-	1,277,254
Donated services	-	-	-	-	-	-	-	-
Other	4,827	-	-	4,827	2,737	-	-	2,737
Interest	-	117,962	-	117,962	-	74,351	-	74,351
Net assets released from restrictions	16,713,286	(16,713,286)	-	-	11,579,814	(11,579,814)	-	-
<b>Total revenue and other support</b>	<b>17,755,778</b>	<b>1,483,798</b>	<b>-</b>	<b>19,239,576</b>	<b>12,859,805</b>	<b>1,964,933</b>	<b>-</b>	<b>14,824,738</b>
<b>Expenses -</b>								
Program services - scholarships	20,441,312	-	-	20,441,312	12,123,327	-	-	12,123,327
Management and general	19,163	-	-	19,163	19,539	-	-	19,539
Fundraising	407,459	-	-	407,459	555,478	-	-	555,478
<b>Total expenses</b>	<b>20,867,934</b>	<b>-</b>	<b>-</b>	<b>20,867,934</b>	<b>12,698,344</b>	<b>-</b>	<b>-</b>	<b>12,698,344</b>
<b>Change in net assets</b>	<b>(3,112,156)</b>	<b>1,483,798</b>	<b>-</b>	<b>(1,628,358)</b>	<b>161,461</b>	<b>1,964,933</b>	<b>-</b>	<b>2,126,394</b>
<b>Net assets, beginning of year</b>	<b>(633,629)</b>	<b>3,220,936</b>	<b>-</b>	<b>2,587,307</b>	<b>(795,090)</b>	<b>1,256,003</b>	<b>-</b>	<b>460,913</b>
<b>Net assets, end of year</b>	<b>\$ (3,745,785)</b>	<b>\$ 4,704,734</b>	<b>\$ -</b>	<b>\$ 958,949</b>	<b>\$ (633,629)</b>	<b>\$ 3,220,936</b>	<b>\$ -</b>	<b>\$ 2,587,307</b>

The accompanying notes are an integral part of these financial statements

**AAA SCHOLARSHIP FOUNDATION, INC.**

**Statements of Cash Flows  
For the years ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,628,359)	\$ 2,126,394
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation and amortization	1,648	163
Changes in assets and liabilities:		
Pledges receivable	(2,662,959)	(385,910)
Other assets	(44,109)	(32,064)
Accounts payable and accrued expenses	42,960	7,727
Scholarships payable	5,992,023	6,169,530
Net cash provided by operating activities	1,701,204	7,885,840
Cash used in investing activities:		
Net change in investments	(1,984,865)	(13,096,598)
Purchase of fixed assets	(5,113)	(4,249)
Net cash used by investing activities	(1,989,978)	(13,100,847)
Net change in cash	(288,774)	(5,215,007)
Cash at beginning of year	6,299,572	11,514,579
Cash at end of year	\$ 6,010,798	\$ 6,299,572

The accompanying notes are an integral part of these financial statements

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization

The AAA Scholarship Foundation, Inc. ("AAA") is a Georgia not-for-profit organization incorporated March 26, 2010 with the mission of ensuring 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 learning options for children from low-income and 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, Pennsylvania, Alabama, 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 seven state tax credit programs administered by AAA during the fiscal year ended June 30, 2016:

	AZ	GA	PA
<b>Cap for Current Year</b>	\$52 million	\$58 million	\$50 million
<b>Year for Cap Purposes</b>	July 1 - June 30	Jan 1 - Dec 31	July 1 - June 30
<b>Taxes Available for Redirection</b>	Corporate income tax & insurance premium tax	Corporate and individual income tax	Corporate net income tax, capital stock franchise tax, bank and trust company shares tax, title insurance companies share tax, insurance premiums tax, or mutual thrift institution tax
<b>Percentage of Tax Available for Redirection</b>	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	Up to \$750,000 annually
<b>Value of Tax Credit</b>	Dollar-for-dollar	Dollar-for-dollar	75 percent for a one year commitment. 90 percent for a two year commitment.
<b>Maximum Annual Scholarship Value</b>	\$5,100 for k – 8 <sup>th</sup> grade \$6,400 for 9 <sup>th</sup> – 12 <sup>th</sup> grade	\$7,500	\$8,500
<b>Scholarship Term</b>	3 years	3 years	1 year
<b>Administrative Allowance</b>	10 percent	10 % for first \$1.5 million; 7% for \$1.5 million – 10 million; 6% for \$10 million – 20 million; 5% over \$20 million	20 percent

AAA Scholarship Foundation, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016 and 2015

	AZ - DD	AL	NV	FL
<b>Cap for Current Year</b>	\$5 million	\$30 million	\$5 million	\$447 million
<b>Year for Cap Purposes</b>	July 1 - June 30	Jan 1 - Dec 31	July 1 - June 30	Income Tax Jan 1 – Corp FYE Insurance Premium Tax Jan 1 – Dec 31 Alcoholic beverage excise tax, direct pay sales and use tax, oil and/or gas production tax July 1 – June 30
<b>Taxes Available for Redirection</b>	Corporate income tax & insurance premium tax	Corporate and individual income tax	Modified Business tax	Income tax, insurance premium tax, alcoholic beverage excise tax, direct pay sales and use tax, oil and/or gas production tax
<b>Percentage of Tax Available for Redirection</b>	100% for both taxes	50% (not to exceed \$7,500 for individuals)	100% for taxes	100% for income tax, insurance premium, direct pays sales and use tax 90% for alcoholic beverage excise tax 50% for oil and/or gas production tax
<b>Value of Tax Credit</b>	Dollar-for-dollar	Dollar-for-dollar	Dollar-for-dollar	Dollar-for-dollar
<b>Maximum Annual Scholarship Value</b>	90% of the amount of state aid that would otherwise have been computed for the student in Title 15, Chapter 9, Article 15	\$7,500	\$7,755	\$5,677 private school or \$500 transportation to public school outside of district
<b>Scholarship Term</b>	3 years	1 year	1 years	1 year
<b>Administrative Allowance</b>	10 percent	5 percent	5 percent	Zero percent for first 3 years then 3 percent

In addition, AAA is an approved administrator of the Florida Personal Learning Scholarship Account (FL PLSA). The FL PLSA was established in 2014 to provide parents the option to better meet the individual needs of their eligible children. Parents of eligible Florida children may use the accounts to purchase approved goods or services. The FL PLSA 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 its approved students. For 2015-16, the state appropriation for the FL PLSA was \$55 million.

## 2. Basis of Presentation

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Temporarily restricted net assets - 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 expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by AAA. AAA does not currently have any permanently restricted net assets.

### 3. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. AAA has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Contributions of donated noncash assets are recorded at their fair values 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 no donated goods during the fiscal years ended June 30, 2016 and 2015.

### 4. Cash and Cash Equivalents

AAA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

AAA maintains its cash accounts at a commercial bank. Such amounts on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At June 30, 2016 and 2015, cash on deposit at a commercial bank exceeded the \$250,000 FDIC limit by \$5,760,798 and \$6,049,572 respectively.

Each state program has its own requirements regarding contributions received under the program after administrative allowance (if any) and whether interest earned on contributions must be used for scholarships.

At June 30, 2016, cash on deposit and restricted for scholarships is as follows:

Georgia Private School Tax Credit Scholarship Program	\$1,070,059
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$441,828
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$1,890,246
Pennsylvania Opportunity Scholarship Tax Credit	\$52,732
Alabama Educational Scholarship Program	\$296,265
Florida Tax Credit Scholarship Program	\$899,234

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Florida Personal Learning Scholarship Account	\$547,250
Nevada Educational Choice Scholarship	\$371,707

At June 30, 2015, cash on deposit and restricted for scholarships is as follows:

Georgia Private School Tax Credit Scholarship Program	\$1,543,403
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$1,841,108
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$823,130
Pennsylvania Opportunity Scholarship Tax Credit	\$604,420
Alabama Educational Scholarship Program	\$348,215
Florida Tax Credit Scholarship Program	\$144,742
Florida Personal Learning Scholarship Account	\$290,232

5. 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.

6. Fixed Assets

AAA capitalizes property and equipment on the basis of cost at the acquisition date, and fully depreciated assets are carried on the books until the date of disposal. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance expenditures are charged to expense when incurred.

7. Functional Allocation of Expenses

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

8. Held to Maturity Securities

AAA determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Securities are classified as held to maturity when the Company 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 Statement of Financial Position, based on contractual maturity date and are stated at amortized cost.

AAA Scholarship Foundation, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

At June 30, 2016, AAA held investments in marketable securities that were classified as held to maturity and consisted of the following:

<u>Short-Term:</u>	<u>Amortized Cost</u>
U.S. government securities	\$6,699,036
 <u>Long-Term:</u>	
U.S. government securities	<u>\$8,397,476</u>
Total Held to Maturity securities	<u>\$15,096,512</u>

At June 30, 2015, AAA held investments in marketable securities that were classified as held to maturity and consisted of the following:

<u>Short-Term:</u>	<u>Amortized Cost</u>
U.S. government securities	\$3,699,808
Certificate of deposit	<u>\$15,135</u>
Total Short-Term	\$3,714,943
 <u>Long-Term:</u>	
U.S. government securities	<u>\$9,396,776</u>
Total Held to Maturity securities	<u>\$13,111,719</u>

9. Accounting Estimates

The presentation of 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 financial statements and the reported amounts of revenue's and expenses during the reporting period. Actual results could differ from those estimates.

10. Income Taxes

In 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 has been codified in FASB ASC 740-10. FIN 48 requires that the Company recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. AAA adopted the provisions of FIN 48 as of March 26, 2010. AAA is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. At June 30, 2016 and 2015, there are no deferred tax assets and liabilities or current income tax expense.

AAA Scholarship Foundation, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

No interest or penalties resulting from an underpayment of income taxes have been recognized in the statement of activities or in the statement of financial position. AAA has no positions for which it believes it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months. The tax years 2016 through 2012 remain subject to examination by the Internal Revenue Service.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable at June 30 consists of the following:

	2016	2015
Pledges due within one year	\$ 4,187,959	\$ 1,525,000

At June 30, 2016 and 2015, 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, 2016 and 2015.

NOTE C – FIXED ASSETS

At June 30, 2016 and 2015, fixed assets consisted of the following:

	2016	2015
Computers	\$ 6,209	\$ 3,609
Furniture and equipment	3,153	640
	9,362	4,249
Less accumulated depreciation	(1,739)	(163)
Net property and equipment	\$ 7,623	\$ 4,086

Depreciation expense was \$1,576 and \$163 for the years ended June 30, 2016 and 2015.

NOTE D – SCHOLARSHIP CONTRIBUTIONS AND GRANTS

During the fiscal years ended June 30, 2016 and 2015, AAA received re-directed taxes from taxpayers in Georgia, Arizona, Pennsylvania, Alabama, Nevada, and Florida. Each state Tax Credit Scholarship Program requires that contributions received under the program after administrative allowance must be used for scholarships. Alabama and Florida also require that all interest earned on contributions be used for scholarships.

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE D – SCHOLARSHIP CONTRIBUTIONS AND GRANTS – CONTINUED

During the fiscal year ended June 30, 2016, AAA recorded the following re-directed taxes as contributions:

Georgia Private School Tax Credit Scholarship Program	\$953,399
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$5,765,691
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$1,790,000
Pennsylvania Opportunity Scholarship Tax Credit	\$240,000
Alabama Educational Scholarship Program	\$169,930
Florida Tax Credit Scholarship Program	\$5,564,443
Nevada Educational Choice Scholarship Program	\$2,045,250

Of the re-directed taxes recorded as contributions, the following pledges were outstanding and deemed as collectible as June 30, 2016:

Florida Tax Credit Scholarship Program	\$3,987,959
Pennsylvania Opportunity Scholarship Tax Credit	\$200,000

During the fiscal year ended June 30, 2016, AAA claimed the following administrative allowances against collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$88,982
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$576,569
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$179,000
Pennsylvania Opportunity Scholarship Tax Credit	\$4,000
Alabama Educational Scholarship Program	\$8,497
Nevada Educational Choice Scholarship Program	\$102,263

During the fiscal year ended June 30, 2016, AAA earned the following interest on collected tax credit contributions:

Georgia Private School Tax Credit Scholarship Program	\$2,960
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$102,744
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$5,229
Pennsylvania Opportunity Scholarship Tax Credit	\$997
Alabama Educational Scholarship Program	\$745
Florida Tax Credit Scholarship Program	\$3,154
Nevada Educational Choice Scholarship Program	\$2,134

During the fiscal year ended June 30, 2016, AAA received the following grant funds related to the Florida PLSA program:

	<u>Scholarships</u>	<u>Administrative Allowance</u>
Grant funds received from the State of Florida	\$2,733,835	\$82,015
Grant funds returned to the State of Florida	<u>(224,116)</u>	<u>( 3,649)</u>
Net grant funds received from the State of Florida	<u>\$2,509,719</u>	<u>\$78,366</u>

AAA Scholarship Foundation, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

NOTE D – SCHOLARSHIP CONTRIBUTIONS AND GRANTS – CONTINUED

The Florida PLSA program grant agreement required that all interest earned on the grant funds be remitted to the State. The amount of interest earned on the grant funds and remitted to the State was \$2,881.

The Florida PLSA program allows students to transfer their scholarship accounts between eligible SFOs during the year. If an SFO incurred expenses to administer the account, they are allowed to keep the administrative allowance, otherwise, the allowance is required to be transferred along with the scholarship balance. During the fiscal year ended June 30, 2016, the following transfers occurred:

	<u>Scholarship Balance</u>	<u>Administrative Allowance</u>
Program funds transferred from an SFO	\$64,521	\$289
Program funds transferred to an SFO	<u>(19,666)</u>	<u>(301)</u>
Net Program funds transferred	<u>\$44,855</u>	<u>\$(12)</u>

During the fiscal year ended June 30, 2015, AAA recorded the following re-directed taxes as contributions:

Georgia Private School Tax Credit Scholarship Program	\$223,443
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$11,077,505
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$785,000
Pennsylvania Opportunity Scholarship Tax Credit	\$15,000
Alabama Educational Scholarship Program	\$306,680
Florida Tax Credit Scholarship Program	\$1,535,000

Of the re-directed taxes recorded as contributions, the following pledges were outstanding and deemed as collectible as June 30, 2015:

Florida Tax Credit Scholarship Program	\$1,525,000
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During the fiscal year ended June 30, 2015, AAA claimed the following administrative allowances against collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$22,344
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$1,107,751
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$78,500
Pennsylvania Opportunity Scholarship Tax Credit	\$51,500
Alabama Educational Scholarship Program	\$17,159

During the fiscal year ended June 30, 2015, AAA earned the following interest on collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$3,615
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$67,081
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$1,315
Pennsylvania Opportunity Scholarship Tax Credit	\$1,194

AAA Scholarship Foundation, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

NOTE D – SCHOLARSHIP CONTRIBUTIONS AND GRANTS – CONTINUED

Alabama Educational Scholarship Program	\$461
Florida Tax Credit Scholarship Program	\$685

During the fiscal year ended June 30, 2015, AAA received a grant for \$805,022 from the State of Florida for the Florida PLSA program. The grant agreement allowed for no administrative allowance and that all interest earned on the grant funds be remitted to the State. The amount of interest earned on the grant funds was \$384.

NOTE E – 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, Pennsylvania, Alabama, 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, enroll in an eligible private school and comply with certain other responsibilities for program participation. 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 fiscal year ended June 30, 2016, AAA expensed the following net scholarships:

Georgia Private School Tax Credit Scholarship Program	\$896,343
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$6,560,874
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$2,223,625
Pennsylvania Opportunity Scholarship Tax Credit	\$108,685
Alabama Educational Scholarship Program	\$283,554
Florida Tax Credit Scholarship Program	\$2,766,016
Florida Personal Learning Scholarship Account	\$2,509,719
Nevada Educational Choice Scholarship	\$4,220,915

The following schedule illustrates the scholarships awarded but unpaid as of June 30, 2016:

	<u>Payable in 2016-17</u>	<u>Payable in 2017-18</u>	<u>Payable in 2018-19</u>	<u>Total</u>
Georgia Private School Tax Credit Scholarship Program	\$1,080,000	\$30,000	\$0	\$1,110,000
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$6,598,800	\$6,636,825	\$2,715,700	\$15,951,325
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$1,108,660	\$1,074,666	\$303,369	\$2,486,695
Pennsylvania Opportunity Scholarship Tax Credit	\$105,000	\$0	\$0	\$105,000

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

Alabama Educational Scholarship Program	\$199,925	\$0	\$0	\$199,925
Florida Tax Credit Scholarship Program	\$1,329,530	\$0	\$0	\$1,329,530
Florida Personal Learning Scholarship Account	\$525,218	\$0	\$0	\$525,218
Nevada Educational Choice Scholarship	2,647,500	\$0	\$0	\$2,647,500
Total:	<u>\$13,594,632</u>	<u>\$7,741,491</u>	<u>\$3,019,069</u>	<u>\$24,355,192</u>

During the fiscal year ended June 30, 2015, AAA expensed the following net scholarships:

Georgia Private School Tax Credit Scholarship Program	(\$161,657)
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$8,202,783
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$681,070
Pennsylvania Opportunity Scholarship Tax Credit	\$402,601
Alabama Educational Scholarship Program	\$270,861
Florida Tax Credit Scholarship Program	\$1,379,133
Florida Personal Learning Scholarship Account	\$805,022

The following schedule illustrates the scholarships awarded but unpaid as of June 30, 2015:

	<u>Payable in 2015-16</u>	<u>Payable in 2016-17</u>	<u>Payable in 2017-18</u>	<u>Total</u>
Georgia Private School Tax Credit Scholarship Program	\$1,494,375	\$30,000	\$30,000	\$1,544,375
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$4,802,650	\$4,713,050	\$4,601,050	\$14,116,750
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$265,913	\$265,913	\$241,355	\$773,181
Pennsylvania Opportunity Scholarship Tax Credit	\$585,000	\$0	\$0	\$585,000
Alabama Educational Scholarship Program	\$130,500	\$0	\$0	\$130,500
Florida Tax Credit Scholarship Program	\$913,189	\$0	\$0	\$913,189
Florida Personal Learning Scholarship Account	\$290,173	\$0	\$0	\$290,173
Total:	<u>\$8,481,801</u>	<u>\$5,008,963</u>	<u>\$4,872,405</u>	<u>\$18,363,169</u>

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE E – SCHOLARSHIPS AWARDED AND PAYABLE – CONTINUED

Tax credit scholarship checks are disbursed in four installments each school year after receipt of a verification report from the school. The verification report limits the risk that a check might be issued for a student who has withdrawn from the eligible private school or the student's parent or guardian has not complied with their responsibilities under the program. The checks are made payable to the student's parent or guardian and are restrictively endorsed for deposit only to the private school by law.

FL PLSA disbursements are made pursuant to a request from a student's parent or guardian for an authorized education-related good or service. The disbursement may be made to a private school, a vendor or as a reimbursement to a parent or guardian.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Georgia Private School Tax Credit Scholarship Program	\$896,343
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$6,560,874
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$1,642,974
Pennsylvania Opportunity Scholarship Tax Credit	\$108,685
Alabama Educational Scholarship Program	\$283,554
Florida Tax Credit Scholarship Program	\$2,766,016
Florida Personal Learning Scholarship Account	\$2,509,719
Nevada Educational Choice Scholarship	\$1,945,121

At June 30, 2015, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Georgia Private School Tax Credit Scholarship Program	(\$161,657)
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$8,202,783
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$681,070
Pennsylvania Opportunity Scholarship Tax Credit	\$402,601
Alabama Educational Scholarship Program	\$270,861
Florida Tax Credit Scholarship Program	\$1,379,133
Florida Personal Learning Scholarship Account	\$805,022

NOTE G – CONCENTRATION OF RISKS

Contributions from three major donors accounted for approximately 53 percent of contributions received for the fiscal year ended June 30, 2016. The pledges from two of these donors were fully paid as of June 30, 2016. A \$942,959 pledge from one was outstanding and deemed collectible as of June 30, 2016.

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE G – CONCENTRATION OF RISKS – CONTINUED

Contributions from four major donors accounted for approximately 76 percent of contributions received for the fiscal year ended June 30, 2015. The pledges from three of these donors were fully paid as of June 30, 2015. A \$1,000,000 pledge from one was outstanding and deemed collectible as of June 30, 2015.

NOTE H - RELATED PARTY TRANSACTIONS

AAA retained the services of their Chief Executive Officer's accounting firm to provide bi-weekly payroll services for between \$20 and \$30 per month and shares office space and equipment with the same firm for \$1,500 per month from July 2014 through February 2015. In March 2015, AAA took over the lease for the office space for \$2,000, purchased the office equipment from the same firm for \$3,609 and discontinued using the payroll service.

NOTE I - FAIR VALUE

FASB Statement No. 157 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 FASB Statement No. 157, 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 should be developed based on the best information available in the circumstances and may include AAA's own data).

AAA Scholarship Foundation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE I - FAIR VALUE – CONTINUED

The following table presents AAA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2016.

June 30, 2016:	Amortized Cost	Level 1	Level 2	Level 3	Unrecognized Gain/(Loss)
Held to Maturity - Short-Term	\$6,699,036	\$6,700,681	\$0	\$0	\$1,645
Held to Maturity - Long-Term	<u>\$8,397,476</u>	<u>\$8,438,865</u>	<u>\$0</u>	<u>\$0</u>	<u>\$41,389</u>
Total:	<u>\$15,096,512</u>	<u>\$15,139,546</u>	<u>\$0</u>	<u>\$0</u>	<u>\$43,034</u>

The following table presents AAA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2015:

June 30, 2015:	Amortized Cost	Level 1	Level 2	Level 3	Unrecognized Gain/(Loss)
Held to Maturity - Short-Term	\$3,714,943	\$3,699,974	\$15,135	\$0	\$166
Held to Maturity - Long-Term	<u>\$9,396,776</u>	<u>\$9,428,233</u>	<u>\$0</u>	<u>\$0</u>	<u>\$31,457</u>
Total:	<u>\$13,111,719</u>	<u>\$13,128,207</u>	<u>\$15,135</u>	<u>\$0</u>	<u>\$31,623</u>

NOTE J – 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 the years ending June 30, 2016 and 2015, AAA is in compliance with all material operating and reporting requirements for each applicable state.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the accountant's report and there were no significant events that would require disclosure in the financial statements.

## Supplementary Information

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT  
ON ADDITIONAL INFORMATION

To the Board of Directors of  
AAA Scholarship Foundation, Inc.

We have audited the financial statements of AAA Scholarship Foundation, Inc. as of and for the years ended June 30, 2016 and 2015, and issued our report thereon dated October 31, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules of functional expenses are fairly stated in all material respects in relation to the financial statements as a whole.



Athens, Georgia  
October 31, 2016

**AAA Scholarship Foundation, Inc.**  
**Supplementary Schedules of Functional Expenses**  
**For the years ended June 30, 2016 and 2015**

	For the year ended June 30, 2016				For the year ended June 30, 2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Direct program costs	\$ 19,569,730	\$ -	\$ -	\$ 19,569,730	\$ 11,579,814	\$ -	\$ -	\$ 11,579,814
Accounting fees	267	33	33	333	393	49	49	491
Audit fees	7,650	1,600	900	10,150	7,700	850	850	9,400
Advertising / marketing	119,796	-	2,887	122,683	55,208	25	3,328	58,561
Bank service fees	23,509	327	331	24,167	8,671	226	226	9,123
Business registration fees	897	6	4,005	4,908	550	9	3,576	4,135
Contractor expenses	121,076	-	366,946	488,022	67,345	600	508,054	575,999
Depreciation	1,261	158	158	1,577	130	16	16	162
Dues, fees, & subscriptions	4,507	-	3,476	7,983	2,892	173	4,887	7,952
Equipment rental	5,500	313	313	6,126	3,728	274	274	4,276
Insurance	6,933	510	510	7,953	3,587	230	230	4,047
Legal fees	10,031	-	5,429	15,460	5,396	1,129	6,741	13,266
License - software	3,379	237	237	3,853	1,272	40	40	1,352
Office equipment	84	11	11	106	44	6	6	56
Postage, mailing service	8,937	624	700	10,261	5,254	143	605	6,002
Printing & reproduction	6,032	-	7	6,039	3,034	-	275	3,309
Professional development	534	59	59	652	470	59	134	663
Rent - facilities	25,362	2,670	2,670	30,702	17,012	2,127	2,127	21,266
Supplies	6,203	20	20	6,243	3,805	379	378	4,562
Taxes - payroll	28,334	1,232	1,232	30,798	19,984	869	869	21,722
Telephone & communications	6,655	527	633	7,815	5,436	349	484	6,269
Travel & meetings	36,533	35	6,125	42,693	27,309	211	10,554	38,074
Wages and benefits	442,971	10,392	10,392	463,755	300,685	11,468	11,468	323,621
Web / internet hosting	5,131	409	385	5,925	3,608	307	307	4,222
<b>Total expenses</b>	<b>\$ 20,441,312</b>	<b>\$ 19,163</b>	<b>\$ 407,459</b>	<b>\$ 20,867,934</b>	<b>\$ 12,123,327</b>	<b>\$ 19,539</b>	<b>\$ 555,478</b>	<b>\$ 12,698,344</b>