



AAA SCHOLARSHIP FOUNDATION, INC.

Financial Statements
Together with report of Independent Certified Public Accountant

For the Years Ended June 30, 2017 and 2016

SGCASH_{LLC}
CERTIFIED PUBLIC ACCOUNTANT

AAA SCHOLARSHIP FOUNDATION, INC.

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountant	1
Financial Statements:	
Statements of Financial Position as of June 30, 2017 and 2016	3
Statements of Activities and Changes in Net Assets for the years ended June 30, 2017 and 2016	4
Statements of Cash Flows for the years ended June 30, 2017 and 2016	5
Notes to Financial Statements	6
Other Financial Information:	
Independent Certified Public Accountant's Report on Additional Information	22
Supplementary Schedules of Functional Expenses	23

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, 2017 and 2016, 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, 2017 and 2016, 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.

Prior Period Adjustment

As discussed in Note L to the financial statements, temporarily restricted net assets of \$902,526 had not been properly released from restriction at June 30, 2016. Accordingly, unrestricted net assets and temporarily restricted net assets at June 30, 2016 were restated to reflect the correction of this error. Our opinion on the fiscal year ending June 30, 2016 is not modified with respect to this matter.



Athens, Georgia
October 31, 2017

AAA SCHOLARSHIP FOUNDATION, INC.

Statements of Financial Position

As of June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 5,396,209	\$ 6,010,798
Investments - short term	9,497,312	6,699,036
Pledges receivable (net)	25,772,830	4,194,351
Other assets	68,898	79,956
Investments - long term	4,099,601	8,397,476
Fixed assets (net)	7,542	7,623
Total assets	\$ 44,842,392	\$ 25,389,240
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 932,443	\$ 75,099
Scholarships payable - current	20,141,294	13,594,632
Scholarships payable - net of current portion	8,654,520	10,760,560
Line of credit	456,000	-
Total liabilities	30,184,257	24,430,291
Commitments and contingencies	-	-
Net assets:		
Unrestricted	(335,933)	(2,843,259)
Temporarily restricted	14,994,068	3,802,208
Permanently restricted	-	-
Total net assets	14,658,135	958,949
Total liabilities and net assets	\$ 44,842,392	\$ 25,389,240

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, 2017 and 2016

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support -								
Contributions (net of administrative allowance)	\$ -	\$ 35,106,391	\$ -	\$ 35,106,391	\$ -	\$ 15,569,403	\$ -	\$ 15,569,403
Grants	-	4,504,665	-	4,504,665	-	2,509,719	-	2,509,719
Administrative allowance	2,730,808	-	-	2,730,808	1,037,665	-	-	1,037,665
Donated services	-	-	-	-	-	-	-	-
Other	40,068	-	-	40,068	4,827	-	-	4,827
Interest	125,869	14,952	-	140,821	-	117,962	-	117,962
Net assets released from restrictions	<u>28,434,148</u>	<u>(28,434,148)</u>	<u>-</u>	<u>-</u>	<u>17,615,812</u>	<u>(17,615,812)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>31,330,893</u>	<u>11,191,860</u>	<u>-</u>	<u>42,522,753</u>	<u>18,658,304</u>	<u>581,272</u>	<u>-</u>	<u>19,239,576</u>
Expenses -								
Program services - scholarships	27,646,738	-	-	27,646,738	20,441,312	-	-	20,441,312
Management and general	19,156	-	-	19,156	19,163	-	-	19,163
Fundraising	<u>1,157,673</u>	<u>-</u>	<u>-</u>	<u>1,157,673</u>	<u>407,459</u>	<u>-</u>	<u>-</u>	<u>407,459</u>
Total expenses	<u>28,823,567</u>	<u>-</u>	<u>-</u>	<u>28,823,567</u>	<u>20,867,934</u>	<u>-</u>	<u>-</u>	<u>20,867,934</u>
Change in net assets	2,507,326	11,191,860	-	13,699,186	(2,209,630)	581,272	-	(1,628,358)
Net assets, beginning of year	<u>(2,843,259)</u>	<u>3,802,208</u>	<u>-</u>	<u>958,949</u>	<u>(633,629)</u>	<u>3,220,936</u>	<u>-</u>	<u>2,587,307</u>
Net assets, end of year	<u>\$ (335,933)</u>	<u>\$ 14,994,068</u>	<u>\$ -</u>	<u>\$ 14,658,135</u>	<u>\$ (2,843,259)</u>	<u>\$ 3,802,208</u>	<u>\$ -</u>	<u>\$ 958,949</u>

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 13,699,187	\$ (1,628,359)
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation and amortization	1,369	1,648
Changes in assets and liabilities:		
Pledges receivable	(21,578,478)	(2,662,959)
Other assets	9,370	(44,109)
Accounts payable and accrued expenses	857,342	42,960
Scholarships payable	4,440,621	5,992,023
Net cash provided by operating activities	(2,570,589)	1,701,204
Cash flows from investing activities:		
Net change in investments	1,500,000	(1,984,865)
Purchase of fixed assets	-	(5,113)
Net cash used by investing activities	1,500,000	(1,989,978)
Cash flows from financing activities:		
Net proceeds (payments) line of credit	456,000	-
Net cash provided by financing activities	456,000	-
Net change in cash	(614,589)	(288,774)
Cash at beginning of year	6,010,798	6,299,572
Cash at end of year	\$ 5,396,209	\$ 6,010,798

The accompanying notes are an integral part of these financial statements

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 12 months ended June 30, 2017:

	AZ	GA	PA
Cap for Current Year	\$74.4 million	\$58 million	\$50 million
Year for Cap Purposes	July 1 - June 30	Jan 1 - Dec 31	July 1 - June 30
Taxes Available for Redirection	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
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	Up to \$750,000 annually
Value of Tax Credit	Dollar-for-dollar	Dollar-for-dollar	75 percent for a one year commitment. 90 percent for a two year commitment.
Maximum Annual Scholarship Value	\$5,200 for k – 8 th grade \$6,500 for 9 th – 12 th grade	\$7,500	\$8,500
Scholarship Term	3 years	1 year	1 year
Administrative Allowance	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, 2017 and 2016

	AZ - DD	AL	NV	FL
Cap for Current Year	\$5 million	\$30 million	\$5.5 million	\$559 million
Year for Cap Purposes	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
Taxes Available for Redirection	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
Percentage of Tax Available for Redirection	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
Value of Tax Credit	Dollar-for-dollar	Dollar-for-dollar	Dollar-for-dollar	Dollar-for-dollar
Maximum Annual Scholarship Value	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	\$5,886 private school or \$500 transportation to public school outside of district
Scholarship Term	3 years	1 year	1 years	1 year
Administrative Allowance	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 Gardiner Scholarship Program (formerly known as the Florida Personal Learning Account or PLSA). The Florida Gardiner Scholarship Program was established in 2014 to provide parents the option to better meet the individual needs of their eligible children. Parents of eligible Florida children may use the accounts to purchase approved education related goods or services. The Gardiner Scholarship Program is funded by a direct appropriation from the Legislature, with the money disbursed to the various scholarship organizations based on the scholarship amounts awarded to each of its approved students. For the 2016-17 fiscal year, the state appropriation for the Florida Gardiner Scholarship Program was \$73.3 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, 2017 and 2016

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 is met or 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 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 12 months ended June 30, 2017 and 2016.

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, 2017 and 2016, cash on deposit at a commercial bank exceeded the \$250,000 FDIC limit by \$5,146,209 and \$5,760,798 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 is to be used for scholarships.

At June 30, 2017, cash on deposit and restricted for scholarships was as follows:

Georgia Private School Tax Credit Scholarship Program	\$871,437
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$751,437
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$1,218,863
Pennsylvania Opportunity Scholarship Tax Credit Program	\$134,375
Alabama Educational Scholarship Program	\$314,264
Florida Tax Credit Scholarship Program	\$1,459,685

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Florida Gardiner Scholarship Program	\$292,108
Nevada Educational Choice Scholarship Program	\$7,781

At June 30, 2016, cash on deposit and restricted for scholarships was 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
Florida Gardiner Scholarship Program	\$547,250
Nevada Educational Choice Scholarship	\$371,707

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, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

At June 30, 2017, 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	\$9,497,312
<u>Long-Term:</u>	
U.S. government securities	<u>\$4,099,601</u>
Total Held to Maturity securities	<u>\$13,596,913</u>

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>

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 revenues 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 Association 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 the date of incorporation. AAA is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. At June 30, 2017 and 2016, there are no deferred tax assets and liabilities or current income tax expense.

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, consists of the following:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 25,763,386	\$ 4,187,959
School refunds receivable	<u>9,444</u>	<u>6,392</u>
	<u>\$ 25,772,830</u>	<u>\$ 4,194,351</u>

At June 30, 2017 and 2016, 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, 2017.

NOTE C – FIXED ASSETS

At June 30, 2017, fixed assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Computers	\$ 6,209	\$ 6,209
Furniture and equipment	<u>4,842</u>	<u>3,153</u>
	11,051	9,362
Less accumulated depreciation	<u>(3,509)</u>	<u>(1,739)</u>
Net property and equipment	<u>\$ 7,542</u>	<u>\$ 7,623</u>

Depreciation expense was \$1,768 and \$1,576 for the years ended June 30, 2017 and 2016.

NOTE D – TAX CREDIT CONTRIBUTIONS

As an SO in Alabama, Arizona, Florida, Georgia, Nevada and Pennsylvania, 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.

AAA Scholarship Foundation, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE D – TAX CREDIT CONTRIBUTIONS CONTINUED

During the 12 months ended June 30, 2017, AAA recorded the following re-directed taxes as contributions:

Georgia Private School Tax Credit Scholarship Program	\$824,534
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$17,060,830
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$118,800
Pennsylvania Opportunity Scholarship Tax Credit Program	\$99,100
Alabama Educational Scholarship Program	\$215,650
Florida Tax Credit Scholarship Program	\$9,577,451
Nevada Educational Choice Scholarship Program	\$7,210,025

Of the re-directed taxes recorded as contributions, the following pledges were outstanding and deemed as collectible as June 30, 2017:

Arizona Low-Income Corporate Tax Credit Scholarship Program	\$11,696,386
Florida Tax Credit Scholarship Program	\$8,042,000
Nevada Educational Choice Scholarship Program	\$6,025,000

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

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 12 months ended June 30, 2017, AAA claimed the following administrative allowances against re-directed taxes:

Georgia Private School Tax Credit Scholarship Program	\$91,615
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$1,895,648
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$13,200
Pennsylvania Opportunity Scholarship Tax Credit Program	\$25,900
Alabama Educational Scholarship Program	\$11,300
Florida Tax Credit Scholarship Program	\$178,289
Nevada Educational Choice Scholarship Program	\$379,475

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE D – TAX CREDIT CONTRIBUTIONS CONTINUED

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 12 months ended June 30, 2017, AAA earned the following interest on collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$2,217
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$117,416
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$3,995
Pennsylvania Opportunity Scholarship Tax Credit Program	\$398
Alabama Educational Scholarship Program	\$669
Florida Tax Credit Scholarship Program	\$8,240
Nevada Educational Choice Scholarship Program	\$1,842

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

NOTE E – GRANTS

Florida Gardiner Scholarships (formerly known as the Florida Personal Learning Account or PLSA) are funded through a Florida Department of Education (“FL DOE”) grant. The grant also provides for up to three percent of the authorized funding to be used for reasonable and necessary expenses to administer the program (an “administrative allowance”). AAA requests funding from the FL DOE once a student is determined eligible for the program. If the student withdraws from the program or is subsequently determined ineligible, the funds are returned to the FL DOE. If AAA incurs expenses to administer the withdrawing student’s account, it is allowed to keep the administrative allowance, otherwise, the allowance is required to be returned to the FL DOE.

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE E – GRANTS CONTINUED

During the 12 months ended June 30, 2017, AAA recorded the following transactions related to the Florida Gardiner Scholarship program:

	<u>Scholarships</u>	<u>Administrative Allowance</u>
Funds Received from FL DOE	\$4,674,225	\$140,227
Returned to FL DOE	<u>(169,560)</u>	<u>(4,262)</u>
Net Grant Funds Received	<u>\$4,504,665</u>	<u>\$135,965</u>

During the fiscal year ended June 30, 2016, AAA recorded the following transactions related to the Florida Gardiner Scholarship 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>

The Florida Gardiner Scholarship program allows students to transfer their scholarship accounts between eligible SFOs during the year. If an SFO incurs expenses to administer the student's account, they are allowed to keep the administrative allowance, otherwise, the allowance is required to be transferred along with the scholarship balance. During the 12 months ended June 30, 2017, the following transfers occurred:

	<u>Scholarship Balance</u>	<u>Administrative Allowance</u>
Funds Transferred from an SFO	\$60,360	\$ 898
Funds Transferred to an SFO	<u>(55,967)</u>	<u>(1,532)</u>
Net Program Funds Transferred	<u>\$4,393</u>	<u>\$(634)</u>

During the fiscal year ended June 30, 2016, the following transfers occurred:

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

Beginning in the 2016-17 fiscal year, interest earned on Florida Gardiner Scholarship program funds must be allocated to each active student's account. If the student withdraws from the program or is subsequently determined ineligible, any unused interest is returned to the FL DOE. If the student transfers to another SFO, any unused interest is also transferred.

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE E – GRANTS CONTINUED

During the 12 months ended June 30, 2017, AAA recorded the following transactions related to interest earned on the Florida Gardiner Scholarship program accounts:

Interest Earned (including Accrued Interest)	\$6,199
Interest Returned to FL DOE	<u>(156)</u>
Net Interest Earned for Students	<u>\$6,043</u>

During the 12 months ending June 30, 2016, the Florida Gardiner Scholarship 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.

NOTE F – 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 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 12 months ended June 30, 2017, AAA recorded the following net scholarship awards / (forfeits):

Georgia Private School Tax Credit Scholarship Program	\$821,829
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$10,845,630
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$ (456,001)
Pennsylvania Opportunity Scholarship Tax Credit Program	\$397,855
Alabama Educational Scholarship Program	\$298,769
Florida Tax Credit Scholarship Program	\$7,625,962
Florida Gardiner Scholarship Program	\$4,510,709
Nevada Educational Choice Scholarship	\$2,746,415

During the 12 months ended June 30, 2016, AAA recorded the following net scholarship awards:

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 Gardiner Scholarship Program	\$2,509,719
Nevada Educational Choice Scholarship	\$4,220,915

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE F – SCHOLARSHIPS AWARDED AND PAYABLE CONTINUED

The following schedule illustrates the net scholarships awarded but unpaid as of June 30, 2017:

	<u>Payable in</u> <u>2017-18</u>	<u>Payable in</u> <u>2018-19</u>	<u>Payable in</u> <u>2019-20</u>	<u>Total</u>
Georgia Private School Tax Credit Scholarship Program	\$915,000	\$0	\$0	\$915,000
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$9,967,550	\$6,884,525	\$1,404,325	\$18,256,400
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$871,190	\$361,821	\$3,849	\$1,236,860
Pennsylvania Opportunity Scholarship Tax Credit	\$285,000	\$0	\$0	\$285,000
Alabama Educational Scholarship Program	\$300,375	\$0	\$0	\$300,375
Florida Tax Credit Scholarship Program	\$3,733,924	\$0	\$0	\$3,733,924
Florida Gardiner Scholarship Program	\$982,005	\$0	\$0	\$982,005
Nevada Educational Choice Scholarship	\$3,086,250	\$0	\$0	\$3,086,250
Total:	<u>\$20,141,294</u>	<u>\$7,246,346</u>	<u>\$1,408,174</u>	<u>\$28,795,814</u>

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

	<u>Payable in</u> <u>2016-17</u>	<u>Payable in</u> <u>2017-18</u>	<u>Payable in</u> <u>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
Alabama Educational Scholarship Program	\$199,925	\$0	\$0	\$199,925
Florida Tax Credit Scholarship Program	\$1,329,530	\$0	\$0	\$1,329,530
Florida Gardiner Scholarship Program	\$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>

AAA Scholarship Foundation, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE F – 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 mailed directly to the school and the student's parent or guardian must restrictively endorse the check for deposit only by the private school.

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

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

During the 12 months ended June 30, 2017, net assets were released from donor restrictions by incurring expenses satisfying the conditions specified by donors / grantors as follows:

Georgia Private School Tax Credit Scholarship Program	\$824,534
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$10,087,584
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$118,800
Pennsylvania Opportunity Scholarship Tax Credit	\$246,832
Alabama Educational Scholarship Program	\$298,769
Florida Tax Credit Scholarship Program	\$7,625,962
Florida Gardiner Scholarship Program	\$4,510,709
Nevada Educational Choice Scholarship	\$4,720,958

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	\$1,233,747
Arizona Low-Income Corporate Tax Credit Scholarship Program	\$7,125,917
Arizona Disabled-Displaced Tax Credit Scholarship Program	\$1,642,974
Pennsylvania Opportunity Scholarship Tax Credit	\$108,725
Alabama Educational Scholarship Program	\$283,596
Florida Tax Credit Scholarship Program	\$2,766,013
Florida Gardiner Scholarship Program	\$2,509,719
Nevada Educational Choice Scholarship	\$1,945,121

NOTE H – CONCENTRATION OF RISKS

Contributions from eleven major donors accounted for approximately 77 percent of contributions received for the 12 months ended June 30, 2017. Contributions from three major donors accounted for approximately 53 percent of contributions received for the fiscal year ended June 30, 2016.

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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).

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, 2017.

	Amortized <u>Cost</u>	Fair Value Levels			Unrecognized <u>Gain/(Loss)</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Held to Maturity - Short-Term	\$9,497,312	\$9,494,471	\$0	\$0	(\$2,841)
Held to Maturity - Long-Term	<u>\$4,099,601</u>	<u>\$4,078,475</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$21,126)</u>
Total:	<u>\$13,596,913</u>	<u>\$13,572,946</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$23,967)</u>

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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.

	Amortized Cost	Fair Value Levels			Unrecognized Gain/(Loss)
		Level 1	Level 2	Level 3	
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>

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 that program. For the 12 months ending June 30, 2017 and 2016, AAA is in compliance with all material operating and reporting requirements for each applicable state.

NOTE K – LINE OF CREDIT

During the fiscal year ending June 30, 2017, AAA established an open end revolving line of credit of \$500,000 with SunTrust Bank. Interest on draws is variable and subject to increase or decrease without prior notice. The rate is equal to the Prime Rate plus 2.25% per annum. At June 30, 2017, AAA had an outstanding balance of \$456,000 which was paid in full August 2, 2017.

NOTE L – PRIOR PERIOD ADJUSTMENT

During the 12 months ended June 30, 2017 AAA discovered that \$902,526 in temporarily restricted net assets had not been properly released from restriction in the prior period. Subsequently, a prior period adjustment has been made to correct the error. Below is a table summarizing the impact of the reclassification:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Beginning Net Assets	\$(3,745,785)	\$4,704,734	\$958,949
Prior Period Adjustment	<u>902,526</u>	<u>(902,526)</u>	<u>0</u>
Revised Beginning Net Assets	<u>\$(2,843,259)</u>	<u>\$3,802,208</u>	<u>\$958,949</u>

AAA Scholarship Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE M – 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, 2017 and 2016, and issued our report thereon dated October 31, 2017, 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, 2017

AAA Scholarship Foundation, Inc.
Supplementary Schedules of Functional Expenses
For the years ended June 30, 2017 and 2016

	For the year ended June 30, 2017				For the year ended June 30, 2016			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Direct program costs	\$ 26,791,167	\$ -	\$ -	\$ 26,791,167	\$ 19,569,730	\$ -	\$ -	\$ 19,569,730
Accounting fees	304	38	38	380	267	33	33	333
Audit fees	9,468	968	969	11,405	7,650	1,600	900	10,150
Advertising / marketing	89,386	-	8,495	97,881	119,796	-	2,887	122,683
Bank service fees	29,294	496	496	30,286	23,509	327	331	24,167
Business registration fees	779	6	3,846	4,631	897	6	4,005	4,908
Contractor expenses	144,706	-	1,106,474	1,251,180	121,076	-	366,946	488,022
Depreciation	1,426	171	171	1,768	1,261	158	158	1,577
Dues, fees, & subscriptions	9,875	189	4,778	14,842	4,507	-	3,476	7,983
Equipment rental	7,024	321	321	7,666	5,500	313	313	6,126
Insurance	25,529	860	860	27,249	6,933	510	510	7,953
Interest expense	5,779	-	-	5,779	-	-	-	-
Legal fees	63,463	35	6,790	70,288	10,031	-	5,429	15,460
License - software	10,581	315	315	11,211	3,379	237	237	3,853
Office equipment	1,705	122	122	1,949	84	11	11	106
Postage, mailing service	8,428	476	692	9,596	8,937	624	700	10,261
Printing & reproduction	6,913	-	206	7,119	6,032	-	7	6,039
Professional development	358	45	45	448	534	59	59	652
Rent - facilities	28,111	2,650	2,650	33,411	25,362	2,670	2,670	30,702
Supplies	6,062	-	-	6,062	6,203	20	20	6,243
Taxes - payroll	22,196	672	672	23,540	28,334	1,232	1,232	30,798
Telephone & communications	5,986	550	732	7,268	6,655	527	633	7,815
Travel & meetings	17,672	26	7,785	25,483	36,533	35	6,125	42,693
Wages and benefits	353,033	10,693	10,693	374,419	442,971	10,392	10,392	463,755
Web / internet hosting	7,493	523	523	8,539	5,131	409	385	5,925
Total expenses	\$ 27,646,738	\$ 19,156	\$ 1,157,673	\$ 28,823,567	\$ 20,441,312	\$ 19,163	\$ 407,459	\$ 20,867,934