

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

Consolidated Financial Statements,
Supplemental Information and
Independent Auditor's Report
June 30, 2023 and 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AAA as of June 30, 2023 and 2022, 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 audits 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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, 2023, 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 solely 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.

Kerkuing Barbario & Co.

Sarasota, Florida
October 28, 2023

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash & Cash Equivalents	\$ 14,251,024	\$ 12,181,120
Accounts Receivable (Net)	24,387,979	60,754,662
Other Current Assets	294,829	223,192
Investments, Short-Term	43,900,913	39,665,617
Total Current Assets	<u>82,834,745</u>	<u>112,824,591</u>
Non-Current Assets:		
Refundable Deposits	17,706	9,030
Investments, Long-Term	11,178,448	-
Right of Use Lease Asset	159,203	234,068
Fixed Assets (Net)	298,604	355,119
Total Non-Current Assets	<u>11,653,961</u>	<u>598,217</u>
Total Assets	\$ <u>94,488,706</u>	\$ <u>113,422,808</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 48,854	\$ 204,904
Accrued Expenses	511,514	625,409
Deferred Revenues	389,763	1,337,099
Right of Use Lease Liability, Current Portion	99,696	80,985
Scholarships Payable	33,514,653	35,235,301
Total Current Liabilities	<u>34,564,480</u>	<u>37,483,698</u>
Long-Term Liabilities:		
Right of Use Lease Liability	67,217	154,822
Scholarships Payable	16,175,800	9,857,100
Total Long-Term Liabilities	<u>16,243,017</u>	<u>10,011,922</u>
Total Liabilities	<u>50,807,497</u>	<u>47,495,620</u>
Net Assets:		
Without Donor Restrictions:		
Designated by Board for Scholarships	4,029,922	1,342,091
Undesignated	(415,471)	51,755
	<u>3,614,451</u>	<u>1,393,846</u>
With Donor Restrictions:		
Restricted for Scholarships	40,066,758	64,533,342
Total Net Assets	<u>43,681,209</u>	<u>65,927,188</u>
Total Liabilities and Net Assets	\$ <u>94,488,706</u>	\$ <u>113,422,808</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

For the Year Ended June 30, 2023

(With Summarized Comparative Totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Revenues:				
Contributions (Net of Allowance)	\$ -	\$ 102,601,368	\$ 102,601,368	\$ 125,033,775
Administrative Allowance	3,158,211	-	3,158,211	2,876,215
Other	4,851	-	4,851	2,552
Interest and Dividends	2,792,193	9,622	2,801,815	36,995
Net Assets Released from Restrictions	127,077,574	(127,077,574)	-	-
Total Revenues	<u>133,032,829</u>	<u>(24,466,584)</u>	<u>108,566,245</u>	<u>127,949,537</u>
Expenses:				
Program Services:				
Scholarships	129,446,643	-	129,446,643	88,446,954
Total Program Services	<u>129,446,643</u>	<u>-</u>	<u>129,446,643</u>	<u>88,446,954</u>
Supporting Services:				
Management & General	241,206	-	241,206	177,109
Fundraising	1,115,093	-	1,115,093	1,040,217
Total Supporting Services	<u>1,356,299</u>	<u>-</u>	<u>1,356,299</u>	<u>1,217,326</u>
Total Expenses	<u>130,802,942</u>	<u>-</u>	<u>130,802,942</u>	<u>89,664,280</u>
Investment Return (Net)	(9,282)	-	(9,282)	(843,505)
Increase/(Decrease) in Net Assets	2,220,605	(24,466,584)	(22,245,979)	37,441,752
Beginning Net Assets	1,393,846	64,533,342	65,927,188	28,485,436
Ending Net Assets	<u>\$ 3,614,451</u>	<u>\$ 40,066,758</u>	<u>\$ 43,681,209</u>	<u>\$ 65,927,188</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 2023)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2023 Total
Revenues:				
Contributions (Net of Allowance)	\$ -	\$ 125,033,775	\$ 125,033,775	\$ 102,601,368
Administrative Allowance	2,876,215	-	2,876,215	3,158,211
Other	2,552	-	2,552	4,851
Interest and Dividends	36,995	-	36,995	2,801,815
Net Assets Released from Restrictions	86,625,270	(86,625,270)	-	-
Total Revenues	89,541,032	38,408,505	127,949,537	108,566,245
Expenses:				
Program Services:				
Scholarships	88,446,954	-	88,446,954	129,446,643
Total Program Services	88,446,954	-	88,446,954	129,446,643
Supporting Services:				
Management & General	177,109	-	177,109	241,206
Fundraising	1,040,217	-	1,040,217	1,115,093
Total Supporting Services	1,217,326	-	1,217,326	1,356,299
Total Expenses	89,664,280	-	89,664,280	130,802,942
Investment Return (Net)	(843,505)	-	(843,505)	(9,282)
Increase/(Decrease) in Net Assets	(966,753)	38,408,505	37,441,752	(22,245,979)
Beginning Net Assets	2,360,599	26,124,837	28,485,436	65,927,188
Ending Net Assets	\$ 1,393,846	\$ 64,533,342	\$ 65,927,188	\$ 43,681,209

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2023

(With Summarized Comparative Totals for 2022)

Description	Program Services Scholarships	Mgmt & General	Fundraising	2023 Total	2022 Total
Direct Program Costs	\$ 127,516,155	\$ -	\$ -	\$ 127,516,155	\$ 87,009,649
Accounting Fees	-	4,503	-	4,503	3,855
Audit Fees	-	26,500	-	26,500	20,100
Advertising/Marketing	19,228	40	5,531	24,799	2,325
Bank Service Fees	85,982	484	484	86,950	65,487
Business Registration Fees	506	6	5,636	6,148	5,114
Contractor Expenses	302,328	-	1,065,658	1,367,986	1,130,502
Depreciation and Amortization	53,069	6,619	6,619	66,307	16,191
Dues, Fees & Subscriptions	4,428	254	3,398	8,080	8,749
Equipment Rental and Maintenance	15,304	1,404	1,404	18,112	15,225
Facility Expenses	116,547	22,115	-	138,662	114,423
Insurance Expense	176,551	1,510	1,510	179,571	180,884
Interest Expense	809	-	-	809	1,243
Legal Fees	7,688	408	9,375	17,471	11,284
License - Software	30,252	1,361	1,361	32,974	26,326
Office Equipment	5,928	140	140	6,208	4,835
Postage, Mailing Service	10,677	114	150	10,941	13,493
Printing & Reproduction	5,846	-	-	5,846	7,050
Professional Development	626	72	72	770	816
Supplies	5,757	243	243	6,243	7,215
Telephone, Telecommunications	10,945	916	916	12,777	10,625
Travel & Meetings	10,345	5,430	9,950	25,725	16,113
Uncollectible School Receivable	-	2,127	-	2,127	-
Wages and Benefits	1,038,854	164,356	-	1,203,210	954,820
Web/Internet Hosting	28,818	2,604	2,646	34,068	37,956
Total	\$ 129,446,643	\$ 241,206	\$ 1,115,093	\$ 130,802,942	\$ 89,664,280

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 2023)

Description	Program Services Scholarships	Mgmt & General	Fundraising	2022 Total	2023 Total
Direct Program Costs	\$ 87,009,649	\$ -	\$ -	\$ 87,009,649	\$ 127,516,155
Accounting Fees	-	3,855	-	3,855	4,503
Audit Fees	-	20,100	-	20,100	26,500
Advertising/Marketing	1,325	-	1,000	2,325	24,799
Bank Service Fees	64,194	644	649	65,487	86,950
Business Registration Fees	513	6	4,595	5,114	6,148
Contractor Expenses	126,190	-	1,004,312	1,130,502	1,367,986
Depreciation and Amortization	13,047	1,572	1,572	16,191	66,307
Dues, Fees & Subscriptions	4,655	373	3,721	8,749	8,080
Equipment Rental and Maintenance	12,745	1,240	1,240	15,225	18,112
Facility Expenses	92,681	21,742	-	114,423	138,662
Insurance Expense	178,546	1,169	1,169	180,884	179,571
Interest Expense	1,243	-	-	1,243	809
Legal Fees	4,496	553	6,235	11,284	17,471
License - Software	24,026	1,119	1,181	26,326	32,974
Office Equipment	4,645	95	95	4,835	6,208
Postage, Mailing Service	12,992	208	293	13,493	10,941
Printing & Reproduction	7,036	-	14	7,050	5,846
Professional Development	652	82	82	816	770
Supplies	6,617	299	299	7,215	6,243
Telephone, Telecommunications	8,861	882	882	10,625	12,777
Travel & Meetings	6,385	-	9,728	16,113	25,725
Uncollectible School Receivable	-	-	-	-	2,127
Wages and Benefits	834,759	120,061	-	954,820	1,203,210
Web/Internet Hosting	31,697	3,109	3,150	37,956	34,068
Total	\$ 88,446,954	\$ 177,109	\$ 1,040,217	\$ 89,664,280	\$ 130,802,942

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (22,245,979)	\$ 37,441,752
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	66,307	16,191
Amortization of Investment Discounts	(2,042,387)	145,288
Net Unrealized (Gain) Loss from Investing	(131,806)	843,276
Net Change in Right of Use Asset Amortization	5,971	1,359
Change in Operating Assets:		
Accounts Receivable (Net)	36,366,683	(39,233,576)
Other Current Assets	(71,637)	(85,367)
Refundable Deposits	(8,676)	(747)
Change in Operating Liabilities:		
Accounts Payable	(156,050)	196,041
Accrued Expenses	(113,895)	82,024
Deferred Revenues	(947,336)	1,018,025
Scholarships Payable	4,598,052	5,874,046
Net Cash Provided by (Used in) Operating Activities	<u>15,319,247</u>	<u>6,298,312</u>
Cash Flows from Investing Activities:		
(Purchase) of Fixed Assets	(9,792)	(3,150)
(Purchase) of Investments	(120,589,051)	(83,717,040)
Maturity of Investments	107,349,500	71,000,000
Net Cash Provided by (Used in) Investing Activities	<u>(13,249,343)</u>	<u>(12,720,190)</u>
Cash Flows from Financing Activities:		
Repayment of Debt	-	(51,994)
Net Cash Provided by (Used in) Financing Activities	<u>-</u>	<u>(51,994)</u>
Change in Cash & Cash Equivalents	<u>2,069,904</u>	<u>(6,473,872)</u>
Cash & Cash Equivalents - Beginning of Year	<u>12,181,120</u>	<u>18,654,992</u>
Cash & Cash Equivalents - End of Year	<u>\$ 14,251,024</u>	<u>\$ 12,181,120</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	<u>\$ 809</u>	<u>\$ 1,243</u>

See accompanying notes to consolidated financial statements.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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 an SO, AAA and AAA-FL (together, referred to as "AAA") may receive re-directed taxes from taxpayers, which are then distributed to qualified students in the form of scholarships so they may attend the qualified private school of their parent's choice. Below are tables summarizing the five state tax credit programs administered by AAA during the twelve months ended June 30, 2023:

	Arizona Income-Based	Georgia Income-Based	Arizona Disabled-Displaced
Cap for Current Year	\$142,113,727	\$100,000,000	\$6,000,000
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	\$5,900 for K-8 th grade \$7,700 for 9 th -12 th grade	\$11,903	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, 2023 and 2022

I. Description of Organization (Continued)

	Nevada Income-Based	Florida Income-Based
Cap for Current Year	\$10,255,489	\$1,091,957,093
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	\$8,726	100% of the FEFP value + all categorical except ESE For students who remained active in the program since 2018-19 school year, they 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 2022-2023 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 2022-2023 school year, FES-UA is funded through the Florida Education Finance Program. Prior to July 1, 2022, 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, 2023 and 2022

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, 2023 and 2022, was \$24,799 and \$2,325, 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, 2023 and 2022, cash on deposit at a commercial bank exceeded the \$250,000 FDIC limit by \$16,453,747 and \$64,030,171, respectively.

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, 2023 and 2022, respectively.

Estimates

The presentation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Fair Value

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

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

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

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

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

Functional Allocation of Expenses

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

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 2018 through 2023 remain subject to examination by the Internal Revenue Service.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

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, 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, 2023 and 2022.

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, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Cash & Cash Equivalents	\$ 14,251,024	\$ 12,181,120
Accounts Receivable (Net)	24,387,979	60,754,662
Other Current Assets	129,628	26,327
Investments, Short-Term	43,900,913	39,665,617
Total	<u>\$ 82,669,544</u>	<u>\$ 112,627,726</u>

4. Cash on Deposit for Scholarships

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

	<u>2023</u>	<u>2022</u>
Georgia Private School Tax Credit Scholarship Program	\$ 1,621,026	\$ 645,601
Arizona Low-Income Corporate Tax Credit Scholarship Program	4,455,102	2,608,383
Arizona Disabled-Displaced Tax Credit Scholarship Program	-	30,232
Florida Tax Credit Scholarship Program	5,526,320	4,097,840
Florida Empowerment Scholarship for Students with Unique Abilities	1,005,850	1,090,576
Family Empowerment Scholarship for Educational Options	71,971	-
Nevada Educational Choice Scholarship Program	1,106,683	3,133,866
Total	<u>\$ 13,786,952</u>	<u>\$ 11,606,498</u>

5. Accounts Receivable

Accounts receivable at June 30 consists of the following:

	<u>2023</u>	<u>2022</u>
Pledges Receivable	\$ 24,370,115	\$ 60,736,955
School Refunds Receivable (Net)	17,864	17,707
Accounts Receivable (Net)	<u>\$ 24,387,979</u>	<u>\$ 60,754,662</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, 2023 and 2022.

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 consolidated statement of financial position, based on contractual maturity date and are stated at 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, 2023 and 2022

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, 2023:

Description	Fair Market Value	Level 1	Level 2	Level 3
Sweep Bank Deposits	\$ 93,532	\$ 93,532	\$ -	\$ -
Asset Backed Securities	44,805	44,805	-	-
Corporate Bonds	6,641,032	6,641,032	-	-
Municipal Bonds	1,827,404	1,827,404	-	-
U.S. Government Securities	3,617,994	3,617,994	-	-
Fixed Income Mutual Funds	3,993,432	3,993,432	-	-
U.S. Treasury Money Market Fund	3,450,921	3,450,921	-	-
Total Investments- Trading	<u>\$ 19,669,120</u>	<u>\$ 19,669,120</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, 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>

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:

	2023 Amortized/Net Carrying Cost	2022
Short-Term		
U.S. Government Securities	\$ 24,231,793	\$ 20,023,009
Long-Term		
U.S. Government Securities	11,178,448	-
Total Held to Maturity Securities	<u>\$ 35,410,241</u>	<u>\$ 20,023,009</u>
Maturities		
Due in one year or less	\$ 24,231,793	\$ 20,023,009
Due after one year through five years	\$ 11,178,448	\$ -

AAA recognized no other-than-temporary impairment in the consolidated statement of activities for the 12 months ended June 30, 2023 and 2022.

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

7. Fixed Assets

At June 30, fixed assets consisted of the following:

	<u>2023</u>	<u>2022</u>
Computers	\$ 28,150	\$ 28,150
Computer Software	349,756	339,963
Furniture and Equipment	21,081	21,082
Intangible Asset	31,914	31,914
Leasehold Improvements	4,900	4,900
	<u>435,801</u>	<u>426,009</u>
Less: accumulated depreciation and amortization	<u>(137,197)</u>	<u>(70,890)</u>
Net property and equipment	<u>\$ 298,604</u>	<u>\$ 355,119</u>

Depreciation and amortization expense was \$66,307 and \$16,191 for the twelve months ended June 30, 2023 and 2022, 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, 2023 and 2022, AAA had no outstanding balance.

Interest expense was \$809 and \$1,243 for the twelve months ended June 30, 2023 and 2022, respectively.

9. Leases

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. For leases with a term of 12 months or less, management elected the short-term lease exemption, which allows AAA to not recognize right-of-use assets ("ROU") or lease liabilities for qualifying leases.

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, 2023 and June 30, 2022, respectively:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Lease Expense:		
Finance lease expense:		
Amortization of ROU assets	\$ -	\$ -
Interest on lease liabilities	-	-
Operating lease expense	116,828	96,849
Short-term lease expense	-	-
Variable lease expense	5,989	2,994
Sublease income	-	-
Total	<u>\$ 122,817</u>	<u>\$ 99,843</u>

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

9. Leases (Continued)

Other Information	June 30, 2023	June 30, 2022
(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	108,972	94,362
ROU assets obtained in exchange for new finance lease liabilities	-	-
ROU assets obtained in exchange for new operating lease liabilities	43,370	197,667
Weighted-average remaining lease term in years for finance leases	-	-
Weighted-average remaining lease term in years for operating leases	1.63	2.65
Weighted-average discount rate for finance leases	-	-
Weighted-average discount rate for operating leases	4.85%	4.85%

Maturity Analysis

Years Ended June 30:

	Finance Lease	Operating Lease
2024	\$ -	\$ 105,144
2025	-	68,169
Thereafter	-	-
Total undiscounted cash flows	-	173,313
Less: present value discount	-	(6,400)
Total lease liabilities	\$ -	\$ 166,913

Rent expense for the twelve months ended June 30, 2023 and 2022, was \$125,960 and \$103,351, respectively.

10. Scholarships Awarded and Payable

AAA scholarships are awarded to qualified students for multi-year periods in Arizona and Georgia and for a one-year period in 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, 2023, AAA recorded the following net scholarship awards/ (forfeits):

Georgia Private School Tax Credit Scholarship Program	\$ 2,862,627
Arizona Low-Income Corporate Tax Credit Scholarship Program	16,614,517
Arizona Disabled-Displaced Tax Credit Scholarship Program	-
Florida Tax Credit Scholarship Program	7,045,984
Nevada Educational Choice Scholarship	4,373,027
Total	\$ 30,896,155

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

10. Scholarships Awarded and Payable (Continued)

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>

The following schedule illustrates the net scholarships awarded but unpaid as of June 30, 2023:

	Payable in 2023-24	Payable in 2024-25	Payable in 2025-26	Payable in 2026-27	Total
Georgia Private School Tax Credit Scholarship Program	\$ 1,110,000	\$ 1,080,000	\$ -	\$ -	\$ 2,190,000
Arizona Low-Income Corporate Tax Credit Scholarship Program	11,085,400	6,954,300	5,907,600	2,233,900	26,181,200
Florida Tax Credit Scholarship Program	6,826,848	-	-	-	6,826,848
Family Empowerment Scholarship for Students with Unique Abilities	11,840,079	-	-	-	11,840,079
Family Empowerment Scholarship for Educational Options	74,201	-	-	-	74,201
Nevada Educational Choice Scholarship	<u>2,578,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,578,125</u>
Total:	\$ <u>33,514,653</u>	\$ <u>8,034,300</u>	\$ <u>5,907,600</u>	\$ <u>2,233,900</u>	\$ <u>49,690,453</u>

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

10. Scholarships Awarded and Payable (Continued)

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

	<u>Payable in 2022-23</u>	<u>Payable in 2023-24</u>	<u>Payable in 2024-25</u>	<u>Total</u>
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
Family 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>

Tax Credit Scholarships and FES-EO 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.

FES-UA 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, 2023, AAA recorded the following re-directed taxes as contributions:

Georgia Private School Tax Credit Scholarship Program	\$ 2,515,405
Arizona Low-Income Corporate Tax Credit Scholarship Program	20,591,650
Florida Tax Credit Scholarship Program	79,870,035
Nevada Educational Choice Scholarship Program	2,782,489

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

II. 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, 2023:

Georgia Private School Tax Credit Scholarship Program	\$	-
Arizona Low-Income Corporate Tax Credit Scholarship Program		11,378,000
Florida Tax Credit Scholarship Program		12,992,115
Nevada Educational Choice Scholarship Program		-

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
Florida Tax Credit Scholarship Program		98,769,489
Nevada Educational Choice Scholarship Program		11,929,000

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
Florida Tax Credit Scholarship Program		44,569,955
Nevada Educational Choice Scholarship Program		4,900,000

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, 2023, AAA claimed the following administrative allowances against re-directed taxes:

Georgia Private School Tax Credit Scholarship Program	\$	180,924
Arizona Low-Income Corporate Tax Credit Scholarship Program		2,059,165
Florida Tax Credit Scholarship Program		350,916
Family Empowerment Scholarship for Students with Unique Abilities		370,990
Nevada Educational Choice Scholarship Program		139,124
Family Empowerment Scholarship for Educational Options		57,092

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
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 Options		27,691

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

11. Tax Credit Contributions (Continued)

During the twelve months ended June 30, 2023, AAA recorded the following net interest, dividends, and realized or unrealized gains or losses on collected contributions:

Georgia Private School Tax Credit Scholarship Program	\$	9,622
Arizona Low-Income Corporate Tax Credit Scholarship Program		600,446
Arizona Disabled-Displaced Tax Credit Scholarship Program		243
Florida Tax Credit Scholarship Program		1,772,395
Nevada Educational Choice Scholarship Program		409,808

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)

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 non-profit SFOs to provide scholarships for eligible students.

AAA paid the following grants to an eligible non-profit SFOs during the 12 months ended June 30, 2023 and 2022, respectively:

	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
Grants Paid to an SFO	\$ 96,620,000	\$ 51,650,000

13. Agency Transactions

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

Beginning July 1, 2021, the Family Empowerment Scholarship programs were 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, 2023 and 2022

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, 2023:

	Funding Received	Funding Returned	Net Funded
Family Empowerment Scholarship for Students with Unique Abilities	\$ 14,844,249	\$ (1,923,866)	\$ 12,920,383
Family Empowerment Scholarship for Educations Options	\$ 2,283,626	\$ -	\$ 2,283,626

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

	Funding Received	Funding Returned	Net Funded
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

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

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

	2023	2022
Earned Interest Allocated	\$ 73,880	\$ 11,136
Earned Interest Transferred to the FL DOE, Net	(54,637)	(57,831)
Net Interest Allocated / (Transferred)	\$ 19,243	\$ (46,695)

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, 2023, the following transfers occurred:

	Scholarship Balance	Interest
Funds Transferred from an SFO	\$ -	\$ -
Funds Transferred to an SFO	(210,999)	(579)
Net Funds Transferred	\$ (210,999)	\$ (579)

AAA Scholarship Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

June 30, 2023 and 2022

13. Agency Transactions (Continued)

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>

14. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Georgia Private School Tax Credit Scholarship Program	\$ -	\$ -
Arizona Low-Income Corporate Tax Credit Scholarship Program	10,995,133	8,980,070
Florida Tax Credit Scholarship Program	18,901,538	43,448,980
Nevada Educational Choice Scholarship Program	10,170,087	12,104,292
Total	<u>\$ 40,066,758</u>	<u>\$ 64,533,342</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:

	<u>2023</u>	<u>2022</u>
Georgia Private School Tax Credit Scholarship Program	\$ 2,344,102	\$ 830,300
Arizona Low-Income Corporate Tax Credit Scholarship Program	16,517,422	15,139,522
Florida Tax Credit Scholarship Program	103,638,480	65,879,850
Nevada Educational Choice Scholarship Program	4,577,570	4,775,598
Total	<u>\$ 127,077,574</u>	<u>\$ 86,625,270</u>

15. Major Donor

Contributions from five major donors accounted for approximately 67 percent of contributions received for the twelve months ended June 30, 2023. Contributions from seven major donors accounted for approximately 82 percent of contributions received for the twelve months ended June 30, 2022.

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, 2023 and 2022, 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, 2023 and 2022

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 \$19,655 and \$15,399 for the twelve months ended June 30, 2023 and 2022, 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, 2023, which is the date the consolidated financial statements were available to be issued, and none, except for as described below, were noted:

On September 7, 2023, AAA's Board of Directors approved the creation of AAA Scholarship Foundation - NV, LLC ("AAA-NV"), a Nevada Limited Liability Company which is a wholly-owned subsidiary of AAA Scholarship Foundation, Inc. and will be treated as a disregarded entity.

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, 2023, 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, 2023.

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.

Kerkuing Barberio & Co.

Sarasota, Florida
October 28, 2023