

# **SCHOLARSHIP AMERICA, INC.**

FINANCIAL STATEMENTS  
Including Independent Auditors' Report

As of and For the Years Ended December 31, 2018 and 2017

# SCHOLARSHIP AMERICA, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Scholarship America, Inc.  
Minneapolis, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Scholarship America, Inc. ("Scholarship America"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Scholarship America as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 24 through 25 is presented for purposes of additional analysis and is 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
May 14, 2019

**SCHOLARSHIP AMERICA, INC.**

STATEMENTS OF FINANCIAL POSITION  
As of December 31, 2018 and 2017

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 23,993,524	\$ 24,268,124
Accounts, interest and other receivables, net	1,681,292	1,799,308
Contributions receivable, net	1,930,200	1,453,013
Prepaid expenses and other assets	330,750	274,663
Total current assets	<u>27,935,766</u>	<u>27,795,108</u>
<b>CONTRIBUTIONS RECEIVABLE</b> , less current portion, net	314,965	571,848
<b>INVESTMENTS</b>	104,474,911	115,097,638
<b>CASH SURRENDER VALUE OF LIFE INSURANCE</b>	251,853	251,696
<b>PROPERTY AND EQUIPMENT</b>		
Land	312,966	329,436
Building and improvements	5,565,000	5,486,091
Furniture and equipment	4,515,195	4,337,778
Internally developed software	1,086,124	739,200
Construction in progress	583,484	-
	<u>12,062,769</u>	<u>10,892,505</u>
Less accumulated depreciation	(8,343,828)	(7,873,137)
Property and equipment, net	<u>3,718,941</u>	<u>3,019,368</u>
<b>INTANGIBLE ASSETS</b>	2,069,062	2,069,062
Less accumulated amortization	(1,110,524)	(906,965)
Intangible assets, net	<u>958,538</u>	<u>1,162,097</u>
<b>TOTAL ASSETS</b>	<u>\$ 137,654,974</u>	<u>\$ 147,897,755</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 615,418	\$ 754,388
Accrued and other deferred liabilities	738,288	822,018
Current portion of long-term debt	132,907	-
Scholarships payable	6,834,545	11,260,668
Refundable deposits	35,394,923	33,330,390
Total Current Liabilities	<u>43,716,081</u>	<u>46,167,464</u>
<b>LONG-TERM DEBT</b>	2,336,484	1,469,391
Total Liabilities	<u>46,052,565</u>	<u>47,636,855</u>
<b>NET ASSETS</b>		
<b>Without donor restrictions</b>		
Designated for endowment	1,423,144	906,591
Undesignated	7,746,164	7,565,479
Total without donor restrictions	<u>9,169,308</u>	<u>8,472,070</u>
<b>With donor restrictions</b>		
Purpose restricted	68,740,980	78,085,063
Restricted in perpetuity	13,692,121	13,703,767
Total with donor restrictions	<u>82,433,101</u>	<u>91,788,830</u>
Total net assets	<u>91,602,409</u>	<u>100,260,900</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 137,654,974</u>	<u>\$ 147,897,755</u>

See accompanying notes to financial statements.

**SCHOLARSHIP AMERICA, INC.**

STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>REVENUES AND SUPPORT</b>						
Total scholarships raised	\$ 156,300,679	\$ -	\$ 156,300,679	\$ 155,591,409	\$ -	\$ 155,591,409
Less scholarships designated by donors for specific beneficiaries	(58,425,544)	-	(58,425,544)	(67,127,319)	-	(67,127,319)
Scholarship revenue	97,875,135	-	97,875,135	88,464,090	-	88,464,090
Program management fees	13,210,631	-	13,210,631	13,025,639	-	13,025,639
Investment income (loss)	407,335	(2,887,753)	(2,480,418)	291,486	7,936,901	8,228,387
Contributions and project grants	1,151,413	12,645,954	13,797,367	1,255,664	15,220,544	16,476,208
Other income	199,719	-	199,719	116,081	-	116,081
Dollars for Scholars® and other student programs	638,967	-	638,967	768,566	-	768,566
Revenues and support	113,483,200	9,758,201	123,241,401	103,921,526	23,157,445	127,078,971
Change in donor restrictions	-	(74,081)	(74,081)	-	(50,240)	(50,240)
Net assets released from restrictions						
Program management fees released	-	(658,121)	(658,121)	-	(536,356)	(536,356)
Satisfaction of program restrictions	18,381,728	(18,381,728)	-	18,676,285	(18,676,285)	-
Total revenues and support	131,864,928	(9,355,729)	122,509,199	122,597,811	3,894,564	126,492,375
<b>EXPENSES</b>						
Program services						
Total scholarship distributions	173,767,632	-	173,767,632	173,400,026	-	173,400,026
Less scholarships designated by donors for specific beneficiaries	(58,425,544)	-	(58,425,544)	(67,127,319)	-	(67,127,319)
Scholarship awards	115,342,088	-	115,342,088	106,272,707	-	106,272,707
Program management	6,943,445	-	6,943,445	6,743,492	-	6,743,492
Dollars for Scholars® and other student programs	858,890	-	858,890	920,122	-	920,122
Other programs	579,041	-	579,041	631,852	-	631,852
Supporting services						
General and administrative	5,133,896	-	5,133,896	4,449,384	-	4,449,384
Fundraising	2,310,330	-	2,310,330	1,881,179	-	1,881,179
Total expenses	131,167,690	-	131,167,690	120,898,736	-	120,898,736
Change in net assets	697,238	(9,355,729)	(8,658,491)	1,699,075	3,894,564	5,593,639
Net Assets - Beginning of Period	8,472,070	91,788,830	100,260,900	6,772,995	87,894,266	94,667,261
<b>NET ASSETS - END OF PERIOD</b>	<b>\$ 9,169,308</b>	<b>\$ 82,433,101</b>	<b>\$ 91,602,409</b>	<b>\$ 8,472,070</b>	<b>\$ 91,788,830</b>	<b>\$ 100,260,900</b>

See accompanying notes to financial statements.

**SCHOLARSHIP AMERICA, INC.**

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (8,658,491)	\$ 5,593,639
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	470,691	341,541
Amortization of intangibles	203,559	203,558
Unrealized (gains) losses on investments	6,001,148	(4,203,025)
Realized gains on sale of investments	(977,303)	(1,982,262)
Scholarships distributed and designated by donors for specific beneficiaries	(58,425,544)	(67,127,319)
Scholarships raised and designated by donors for specific beneficiaries	58,425,544	67,127,319
Contributions restricted in perpetuity	(250)	(212,714)
Change in:		
Accounts, interest and other receivables	118,016	33,944
Contributions receivable, net	(220,304)	(77,249)
Prepaid expenses and other assets	(56,087)	111,224
Accounts payable	(156,843)	110,400
Scholarships payable	(4,426,123)	1,088,372
Accrued and other deferred liabilities	(83,730)	67,387
Refundable deposits	2,064,533	2,132,812
Net Cash Flows From Operating Activities	(5,721,184)	3,207,627
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(31,191,492)	(36,334,239)
Proceeds from sale of investments	36,790,374	39,765,100
Cash surrender value of life insurance	(157)	(1,580)
Purchase of property and equipment	(1,152,391)	(859,917)
Net Cash Flows From Investing Activities	4,446,334	2,569,364
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received restricted for endowment	250	212,714
Proceeds from long-term debt	1,000,000	750,000
Repayments of long-term debt	-	(52,913)
Net Cash Flows From Financing Activities	1,000,250	909,801
<b>Net Change in Cash and Cash Equivalents</b>	(274,600)	6,686,792
CASH AND CASH EQUIVALENTS - Beginning of Year	24,268,124	17,581,332
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 23,993,524</b>	<b>\$ 24,268,124</b>
Supplemental cash flow information		
Cash paid for interest, net of amounts capitalized of \$35,308 and \$0, respectively	\$ 29,715	\$ 24,235
Noncash investing and financing activities		
Property and equipment acquired through accounts payable	\$ 82,667	\$ 64,794
Refinanced note payable	\$ -	\$ 694,101

See accompanying notes to financial statements.

**SCHOLARSHIP AMERICA, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2018

	Program Services					Support Services			
	Scholarship Awards	Program Management	Dollars for Scholars® and Other Student Programs	Families of Freedom NY	Other	Total Program Services	Management and General	Fundraising	Total
Scholarship awards	\$ 115,342,088	\$ -	\$ -	\$ -	\$ -	\$ 115,342,088	\$ -	\$ -	\$ 115,342,088
Personnel costs	-	5,228,542	732,030	316,166	-	6,276,738	3,258,548	1,527,464	11,062,750
Meetings and travel	-	250,749	23,253	18,559	31,019	323,580	160,639	254,146	738,365
Printing	-	59,050	307	2,850	1,425	63,632	2,200	10,901	76,733
Professional services	-	435,549	5,412	29,421	43,591	513,973	830,057	290,831	1,634,861
IT licenses/hosting	-	2,190	-	-	-	2,190	110,683	5,571	118,444
Publicity and promotion	-	11,498	46,603	117	-	58,218	164,706	4,930	227,854
Postage	-	131,045	633	1,298	66	133,042	5,543	4,867	143,452
Occupancy	-	175,410	12,639	-	99,318	287,367	190,025	93,078	570,470
Interest and other financing fees	-	42,355	4,313	-	-	46,668	14,538	6,008	67,214
Insurance	-	90,701	13,620	1,828	(136)	106,013	39,436	19,882	165,331
Office expenses	-	148,070	18,522	4,718	14,499	185,809	74,287	33,502	293,598
Depreciation and amortization	-	396,738	16,320	-	-	413,058	224,681	36,511	674,250
Miscellaneous	-	(28,452)	(14,762)	1,435	12,867	(28,912)	58,553	22,639	52,280
<b>Total Expenses</b>	<b>\$ 115,342,088</b>	<b>\$ 6,943,445</b>	<b>\$ 858,890</b>	<b>\$ 376,392</b>	<b>\$ 202,649</b>	<b>\$ 123,723,464</b>	<b>\$ 5,133,896</b>	<b>\$ 2,310,330</b>	<b>\$ 131,167,690</b>

See accompanying notes to financial statements.



**SCHOLARSHIP AMERICA, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2017

	Program Services					Support Services			Total
	Scholarship Awards	Program Management	Dollars for Scholars® and Other Student Programs	Families of Freedom NY	Other	Total Program Services	Management and General	Fundraising	
Scholarship awards	\$ 106,272,707	\$ -	\$ -	\$ -	\$ -	\$ 106,272,707	\$ -	\$ -	\$ 106,272,707
Personnel costs	-	4,842,243	719,681	272,959	101,797	5,936,680	2,706,048	1,256,771	9,899,499
Meetings and travel	-	240,530	25,190	17,769	25,235	308,724	134,405	189,428	632,557
Printing	-	49,995	181	5,457	2,695	58,328	3,964	13,958	76,250
Professional services	-	426,587	34,523	41,292	19,925	522,327	873,939	206,507	1,602,773
IT licenses/hosting	-	108,097	-	-	-	108,097	67,606	-	175,703
Publicity and promotion	-	65,785	74,520	7,829	1,152	149,286	199,409	5,945	354,640
Postage	-	146,902	496	2,165	252	149,815	5,313	2,132	157,260
Occupancy	-	157,799	10,011	-	99,490	267,300	178,267	93,050	538,617
Interest and other financing fees	-	52,013	4,887	-	393	57,293	19,314	5,981	82,588
Insurance	-	88,182	12,854	1,296	1,497	103,829	38,165	15,166	157,160
Office expenses	-	149,281	19,538	2,205	13,217	184,241	75,697	29,074	289,012
Depreciation and amortization	-	400,005	15,838	-	384	416,227	95,609	33,263	545,099
Miscellaneous	-	16,073	2,403	551	14,292	33,319	51,648	29,904	114,871
<b>Total Expenses</b>	<b>\$ 106,272,707</b>	<b>\$ 6,743,492</b>	<b>\$ 920,122</b>	<b>\$ 351,523</b>	<b>\$ 280,329</b>	<b>\$ 114,568,173</b>	<b>\$ 4,449,384</b>	<b>\$ 1,881,179</b>	<b>\$ 120,898,736</b>

See accompanying notes to financial statements.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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#### **Organization**

Scholarship America, Inc. ("Scholarship America") is a nonprofit corporation organized under the laws of the Commonwealth of Massachusetts to make postsecondary educational achievement possible for anyone, regardless of financial status, through scholarships and other support. Until January 2003, the corporation was known as Citizens' Scholarship Foundation of America. Scholarship America is the nation's largest private scholarship organization helping students achieve their educational dreams. For 60 years, Scholarship America has invested in student success through the design and management of custom education assistance programs with a focus on delivering financial and other support to students in need to fill gaps and promote degree completion.

The financial statements do not include assets, liabilities, revenues, or expenses of the individual Dollars for Scholars® chapters, because these chapters have independent Boards of Directors and Scholarship America does not have control over these organizations.

In fiscal year 2002, the Families of Freedom Scholarship Fund (the Fund) was created to provide education assistance for postsecondary study to financially needy dependents of those killed or permanently disabled as a result of the terrorist attacks on September 11, 2001, and during the rescue activities related to those attacks. The Fund is intended for children and spouses of the victims, including airplane crew and passengers, World Trade Center and Pentagon workers and visitors, and rescue workers, including firefighters, emergency medical personnel, and law enforcement personnel. Assistance from the Fund must be used to defray costs of education at accredited colleges, universities, or vocational-technical schools based in the United States. Scholarship America may from time to time assess a charge to income of the Fund in an amount reasonably calculated to reimburse Scholarship America's direct and indirect costs incurred in the administration of the Fund.

#### **Basis of Presentation**

The financial statements of Scholarship America have been prepared on the accrual basis of accounting.

#### **Significant Accounting Policies**

The accounting policies of Scholarship America conform to U.S. generally accepted accounting principles (GAAP). The significant accounting policies followed by Scholarship America are set forth below:

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Scholarship America and changes therein, are classified and reported as follows:

**Without Donor Restrictions** - This classification contains net assets that are not subject to donor-imposed stipulations.

**With Donor Restrictions** - This classification includes net assets subject to donor-imposed stipulations that will be met by the action of Scholarship America and/or the passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting Scholarship America to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### **NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***Board Designated Net Assets***

Scholarship America's Board of Trustees has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Trustees at any time. The Board of Trustees has designated a portion of Scholarship America's net assets without donor restrictions for the endowment (Note 8).

#### ***Accounting for Scholarships***

In situations where Scholarship America has variance power with respect to the determination of the beneficiary, scholarship revenue and the related scholarship distribution expense is recognized in the statement of activities. Variance power is the unilateral ability to redirect the use of the transferred assets to another beneficiary. Scholarship programs where the beneficiary has been specified by the donor or the determination of the beneficiary is under the control of another third party are treated as agency transactions and are not reported as scholarship revenues or scholarship distribution expenses. Recognizing that designated scholarships (agency transactions) are a significant element of activities; they are included in scholarships raised and deducted from that amount to calculate scholarship revenue.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash held in bank accounts and temporary investments with original maturities of less than three months when purchased. Scholarship America maintains cash and cash equivalent accounts, which at times, may exceed federally insured limits. Scholarship America has not experienced any losses from maintaining cash and cash equivalent accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash and cash equivalent accounts.

#### ***Accounts Receivable***

Accounts receivable are stated at amounts management expects to collect for services and are based on contracted fee schedules. Payment terms are typically net 30 days from date of invoice, but may vary in specific cases. An allowance for doubtful accounts is provided based upon a review of outstanding receivables, historical collection information and specific program circumstances. Amounts deemed uncollectible are written off in the period such amounts are determined. Delinquent accounts are not charged a service fee.

#### ***Investments***

Investments, excluding certificates of deposit, are reported at fair value. Certificates of deposit are reported at cost, which approximates fair value. Investments in alternative investments are recorded at net asset value as a practical expedient to fair value.

# SCHOLARSHIP AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2018 and 2017

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## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### ***Property and Equipment***

Expenditures for the acquisition of property and equipment are capitalized at cost. Donated property and equipment is capitalized at fair value on the date of receipt. Scholarship America capitalizes property and equipment additions in excess of \$1,500. Depreciation is provided using the straight-line method over estimated useful lives as follows:

	<u>Years</u>
Building and improvements	35*
Furniture and equipment	3 – 12
Internally developed software	3 – 7

\*Leasehold improvements are depreciated over the remaining life of the lease.

### ***Intangible Assets***

Acquired intangible assets are the result of purchased customer contracts. These assets are valued at actual purchase price. The intangible assets are amortized over 10.1 years, which is the average historical duration for client relationships in the scholarship management business line. Amortization expense for each of the years 2019 through 2022 will be \$203,558, and \$144,306 in 2023.

### ***Contributed Services***

A number of volunteers have made significant donations of their time to program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

### ***Contributions***

Contributions are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restrictions and released to net assets without donor restrictions to reflect the expiration or fulfillment of such restrictions.

Promises to give (pledges) are recorded as contributions receivable using a discount rate of 5%. Additionally, an allowance for uncollectible contributions is provided based on management's judgment, including factors such as prior collection history and the nature of fundraising activity.

Contributions of land, buildings, and equipment are recorded as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted net assets. Restrictions are considered met and an appropriate amount reclassified to net assets without donor restrictions when the asset is placed in service.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***Scholarships Payable and Refundable Deposits***

Scholarships payable represent awards that have been made that Scholarship America has not yet distributed to the beneficiaries. Refundable deposits represent amounts held by Scholarship America for scholarship programs that, under terms of the program agreement, are refundable or revocable at the discretion of the program sponsor. Refundable deposits also include amounts held by Scholarship America in connection with agreements that have stipulations that the assets be passed on to specific beneficiaries.

#### ***Program Management Fees***

Program management fees are recognized as revenue as the fees are earned. Historically, approximately two-thirds of the program management fees are recognized as the program is developed and applications are processed, with the remaining one-third being recognized after final scholarship distributions have been made.

#### ***Grants***

Restricted grants are recognized as revenue and support only to the extent that expenses have been incurred during the period for the purpose specified in the grant.

#### ***Functional Expenses***

Scholarship America's financial statements segregate expenses by function, including program specific, general and administration, and fundraising. Expenses are charged directly to specific functions when practicable. Expenses not identified as relating to specific functions such as depreciation and amortization, interest, and other facility related expenses are allocated primarily based on direct salary costs or headcount.

#### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

#### ***Income Tax Status***

The Internal Revenue Service has determined that Scholarship America is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Scholarship America is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

Scholarship America follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. Under this guidance, Scholarship America may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Scholarship America and various tax positions related to potential sources of unrelated business income. No liability has been recognized by Scholarship America for uncertain tax positions as of December 31, 2018 and 2017. Scholarship America's tax returns are subject to review and examination by federal and state authorities.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **Retirement Plan**

Scholarship America offers a 403(b) retirement plan to its employees. Employee participation is optional. Historically, Scholarship America has provided a matching contribution to employees participating in the plan. Scholarship America's matching contribution for the year ended December 31, 2017 was initially 1.5% and then was increased to 3% on October 1, 2017. The matching contribution remained at 3% for the remainder of fiscal 2017 and for all of fiscal 2018. Scholarship America's contributions to the plan totaled \$239,055 and \$124,745 for the years ended December 31, 2018 and 2017, respectively.

#### **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Scholarship America is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. Scholarship America is assessing the impact this standard will have on its financial statements.

During June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments are effective for fiscal years beginning after December 15, 2018 and are intended to be implemented concurrently with ASU 2014-09. Scholarship America is assessing the impact this standard will have on its financial statements.

#### **New Accounting Pronouncement Adopted in Current Year**

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Scholarship America adopted the provisions of this new standard during the year ended December 31, 2018. The primary change includes presenting two classes of net assets versus the three categories previously required. The standard also provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

### NOTE 2 - Liquidity and Availability

The following table reflects Scholarship America's financial assets as of December 31, 2018, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or Scholarship America's Board of Trustees, and assets held for others.

Financial assets	
Cash and cash equivalents	\$ 23,993,524
Contributions receivable	2,245,165
Accounts receivable	1,681,292
Investments	104,474,911
Cash surrender value of life insurance	<u>251,853</u>
Financial assets at December 31, 2018	<u>132,646,745</u>
Less those unavailable for general expenditure within one year	
Cash and cash equivalents restricted by use	19,411,242
Contributions receivable restricted by use	2,101,364
Accounts receivable restricted by use	375,174
Board designated investments	1,423,143
Donor designated investments restricted by use less amounts available for distribution	88,329,457
Permanently restricted investments	14,003,579
Cash surrender value of life insurance restricted by use	<u>251,853</u>
Financial assets not available for expenditure within one year	<u>125,895,812</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 6,750,933</u>

As of December 31, 2018, Scholarship America had liquid assets on hand to cover approximately 163 days of operating expenses. Scholarship America's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 90 days of operating expense coverage at any point in time.

Cash in excess of daily requirements is typically invested in short-term, liquid securities. Scholarship America's Board of Trustees has established a board designated endowment fund (deducted from financial assets in the table above) that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. This board designated endowment fund represents approximately 34 days of operating expenses. Scholarship America also has available a \$1,000,000 line of credit, representing approximately 24 days of operating expenses.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

### NOTE 3 - Contributions Receivable

Contributions receivable are to be collected during the following periods at December 31, 2018 and 2017:

	2018	2017
Less than one year	\$ 2,031,789	\$ 1,529,488
One to five years	350,500	651,000
Greater than five years	-	-
	2,382,289	2,180,488
Less:		
Discounts for the time value of money	18,958	49,055
Allowance for uncollectible contributions	118,166	106,572
	\$ 2,245,165	\$ 2,024,861

Contributions receivable due within one year are not discounted. Contributions receivable expected to be collected in more than one year have been discounted at 5%.

### NOTE 4 - INVESTMENTS AND INVESTMENT INCOME

Investments consisted of the following at December 31:

	2018	2017
Cash equivalents	\$ 2,814,920	\$ 3,239,459
Certificates of deposit (at cost)	2,501,281	1,178,232
U.S. Treasury bonds and notes	-	100,355
U.S. government securities	4,545,524	3,632,994
Equity mutual funds	28,365,962	32,675,683
Fixed income mutual funds	38,189,113	42,848,432
Corporate bonds and notes	19,153,571	19,525,623
Master limited partnership and other mutual funds	4,198,390	5,939,943
Hedge funds	4,706,150	5,956,917
	\$ 104,474,911	\$ 115,097,638

Investment income (loss) is recorded in the statements of activities and comprises the following for the years ended December 31, 2018 and 2017:

	Interest and Dividends	Unrealized Gain (Loss)	Realized Gain (Loss)	Total
December 31, 2018				
Without Donor Restrictions	\$ 407,270	\$ -	\$ 65	\$ 407,335
With Donor Restrictions	2,136,157	(6,001,148)	977,238	(2,887,753)
Total	\$ 2,543,427	\$ (6,001,148)	\$ 977,303	\$ (2,480,418)
December 31, 2017				
Without Donor Restrictions	\$ 290,860	\$ 906	\$ (280)	\$ 291,486
With Donor Restrictions	1,752,240	4,202,119	1,982,542	7,936,901
Total	\$ 2,043,100	\$ 4,203,025	\$ 1,982,262	\$ 8,228,387



# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 5 - FAIR VALUE MEASUREMENTS

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**Fair Value Hierarchy** - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.
- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

#### **Valuation Techniques and Inputs**

Level 1 - Level 1 assets include:

- > Investments in cash equivalents (consisting primarily of money market funds), equity mutual funds, fixed income mutual funds and master limited partnership and other mutual funds for which quoted prices are readily available.

Level 2 - Level 2 assets include:

- > Investments in U.S. Treasury bonds and notes, U.S. government securities, and corporate bonds and notes for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

There have been no changes in the techniques and inputs used as of December 31, 2018 and 2017.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The schedules within this note are not intended to indicate the volatility of the investments.

While Scholarship America believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

## SCHOLARSHIP AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

#### **NOTE 5 - FAIR VALUE MEASUREMENTS (cont.)**

The following table presents information about Scholarship America's assets measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 2,814,920	\$ -	\$ -	\$ 2,814,920
Equity mutual funds	28,365,962	-	-	28,365,962
Debt securities				
Fixed income mutual funds	38,189,113	-	-	38,189,113
U.S. government securities	-	4,545,524	-	4,545,524
Corporate bonds and notes	-	19,153,571	-	19,153,571
Master limited partnership and other mutual funds	4,198,390	-	-	4,198,390
Subtotal assets by valuation hierarchy	\$ 73,568,385	\$ 23,699,095	\$ -	97,267,480
Assets measured using NAV				
Hedge funds				4,706,150
Total assets at fair value				\$ 101,973,630

Total assets at fair value exclude certificates of deposit recorded at cost of \$2,501,281 at December 31, 2018.

The following table presents information about Scholarship America's assets measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 3,239,459	\$ -	\$ -	\$ 3,239,459
Equity mutual funds	32,675,683	-	-	32,675,683
Debt securities				
Fixed income mutual funds	42,848,432	-	-	42,848,432
U.S. Treasury bonds and notes	-	100,355	-	100,355
U.S. government securities	-	3,632,994	-	3,632,994
Corporate bonds and notes	-	19,525,623	-	19,525,623
Master limited partnership and other mutual funds	5,939,943	-	-	5,939,943
Subtotal assets by valuation hierarchy	\$ 84,703,517	\$ 23,258,972	\$ -	107,962,489
Assets measured using NAV				
Hedge funds				5,956,917
Total assets at fair value				\$ 113,919,406

Total assets at fair value exclude certificates of deposit recorded at cost of \$1,178,232 at December 31, 2017.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 5 - FAIR VALUE MEASUREMENTS (cont.)

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Scholarship America uses the net asset value ("NAV") as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) are in investment companies or similar entities that report their investment assets at fair values.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value as of December 31, 2018 and 2017:

<u>Investment Type</u>	<u>Unfunded Commitments</u>	<u>2018 Fair Value</u>	<u>2017 Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Remaining Life (Years)</u>
Alternative Investments (a)						
Grosvenor Institutional Partners, L.P.	\$	- \$ 4,706,150	\$ 5,956,917	(b)	(b)	N/A

- (a) Grosvenor Institutional Partners, L.P. is a multi-strategy fund of funds which allocates assets to a diverse group of third-party investment managers that employ a range of "alternative" strategies. The fund's investment objectives are to generate a superior and risk-adjusted rate of return with low volatility and to preserve capital during challenging market environments. Both quantitative and qualitative analysis of investment managers and their strategies are used to select the specific underlying investment firms.
- (b) A Limited Partner may withdraw, as of the end of any calendar quarter, all or any portion of their account by giving at least 70 days prior written notice. If a Partner withdraws less than substantially all of their balance, the withdrawal will be distributed within 60 days. If a Partner withdraws all or substantially all of their balance, a distribution of 90% of the amount will be made within 60 days with the remainder being distributed promptly after the completion of the fiscal year audit.

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### NOTE 6 - LINE OF CREDIT AGREEMENT

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In September 2018, Scholarship America renewed a \$1,000,000 bank line of credit financing agreement with Bremer Bank, NA. The line bears interest at the Prime Rate (as published from time to time in the Wall Street Journal) minus 0.25% with a floor of 3.0%. At December 31, 2018 the interest rate was 5.25%. Borrowings on the line of credit are secured by assets of Scholarship America including equipment and accounts receivable. The line of credit matures on September 1, 2019 and it is management's intention to renew the facility. At December 31, 2018, there were no borrowings under this agreement.

Under the terms of the line of credit agreement, Scholarship America is required to maintain a specified debt service coverage ratio.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 7 - LONG-TERM DEBT

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A summary of long-term debt as of December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Note payable to Bremer Bank	\$ 2,469,391	\$ 1,469,391
Less current maturities	<u>(132,907)</u>	<u>-</u>
Long-term balance at December 31	<u>\$ 2,336,484</u>	<u>\$ 1,469,391</u>

Aggregate annual maturities of long-term debt at December 31, 2018 are as follows:

2019	\$ 132,907
2020	160,527
2021	167,562
2022	174,620
2023	181,974
2024 and beyond	<u>1,651,801</u>
	<u>\$ 2,469,391</u>

In August 2017, Scholarship America refinanced an existing note payable through a new term loan facility with Bremer Bank, NA. The term loan allows for borrowing of up to \$3,480,000 over an eighteen month draw period. During this initial draw period, only monthly interest payments are required. The term loan carries a fixed interest rate of 4.09%. At the end of the 18 month draw period, the note is payable in quarterly installments consisting of principal and interest through September 1, 2024, at which time a lump sum payment is due. Borrowings under this facility are secured by a mortgage and security interest granted to the creditor by Scholarship America. Proceeds of the note were used to repay an existing note payable and to fund technology investments. Under the terms of the note payable, Scholarship America is required to maintain a specified debt service coverage ratio and debt to tangible net worth ratio as measured at the end of each year.

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

### NOTE 8 - ENDOWMENT FUNDS

Scholarship America's endowment consists of approximately 35 individual funds established for a variety of purposes including both endowment funds restricted by the donor and funds designated by the board of trustees to function as endowment. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Board of Trustees of Scholarship America has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Scholarship America classifies as permanently restricted net assets (1) the original value of the initial gift donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment fund; and (3) any earnings and gains/losses required by the donor to be added to the original value of the permanent endowment fund. The remaining portion of the fund, which consists of earnings and gains/losses from the investment of such funds net of expenditures, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the organization and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policy of the organization

Endowment net asset composition by type of fund consists of the following as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,504,413	\$ 15,504,413
Board-designated endowment funds	<u>1,423,143</u>	<u>-</u>	<u>1,423,143</u>
	<u>\$ 1,423,143</u>	<u>\$ 15,504,413</u>	<u>\$ 16,927,556</u>

Endowment net asset composition by type of fund consists of the following as of December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 17,027,617	\$ 17,027,617
Board-designated endowment funds	<u>906,591</u>	<u>-</u>	<u>906,591</u>
	<u>\$ 906,591</u>	<u>\$ 17,027,617</u>	<u>\$ 17,934,208</u>

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

### NOTE 8 - ENDOWMENT FUNDS (cont.)

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	\$ 906,591	\$ 17,027,617	\$ 17,934,208
Investment return			
Investment income	16,552	428,520	445,072
Net gain (loss) on investments	-	(1,336,766)	(1,336,766)
Total investment return	16,552	(908,246)	(891,694)
Contributions	-	250	250
Return of endowment assets - operations	500,000	-	500,000
Appropriation of endowment assets - satisfaction of program restrictions	-	(520,710)	(520,710)
Appropriation of endowment assets - spending policy	-	(86,448)	(86,448)
Change in donor restrictions	-	(8,050)	(8,050)
Endowment net assets, December 31, 2018	\$ 1,423,143	\$ 15,504,413	\$ 16,927,556
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	\$ 303,023	\$ 15,593,822	\$ 15,896,845
Investment return			
Investment income	2,662	361,123	363,785
Net gain on investments	906	1,563,121	1,564,027
Total investment return	3,568	1,924,244	1,927,812
Contributions	-	208,441	208,441
Return of endowment assets - operations	600,000	-	600,000
Appropriation of endowment assets - satisfaction of program restrictions	-	(600,492)	(600,492)
Appropriation of endowment assets - spending policy	-	(85,688)	(85,688)
Change in donor restrictions	-	(12,710)	(12,710)
Endowment net assets, December 31, 2017	\$ 906,591	\$ 17,027,617	\$ 17,934,208

# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 8 - ENDOWMENT FUNDS (cont.)

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#### ***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires Scholarship America to retain as a fund of perpetual duration. At December 31, 2018, two donor restricted funds with original gift values of \$301,764, fair market values of \$287,056 and deficiencies of \$14,708 were reported in net assets with donor restrictions. There were no underwater endowment investments reported as of December 31, 2017. Management has interpreted state law to permit prudent spending from underwater endowments.

#### ***Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives***

Each endowment fund is supported by an underlying agreement with the donor in which the spending level and the underlying investment mix is outlined (if no mix is specified, the selection defaults to the conservative portfolio). Fund performance is expected to at least equal the target rates of return modeled for each portfolio. Typically, dividends and interest are available for expenditure because the funds focus on current need rather than maintaining a perpetual fund of constant purchasing power.

#### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, Scholarship America relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Scholarship America targets a diversified asset allocation including asset classes such as public equities, fixed income and alternative assets in order to achieve its long-term return objectives within prudent risk constraints.

#### ***Spending Policy and How Investment Objectives Relate to Spending Policy***

The board-designated endowment is currently invested in money market funds. To date, all earnings have been returned to the endowment.

A separately managed donor-restricted endowment, previously established for the Northeast region is invested in a balanced indexed portfolio. The board of trustees allows 5% of a 12-quarter moving average to be used for operations, as needed. During the years ended December 31, 2018 and 2017, \$86,448 and \$85,668 was released for operations, respectively.

# SCHOLARSHIP AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2018 and 2017

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## NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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Net assets with donor restriction are available at December 31 for the following purposes:

	<u>2018</u>	<u>2017</u>
The portion of unexpended investment return generated from donor restricted endowment funds subject to UPMIFA available for scholarships	\$ 1,978,399	\$ 3,487,145
Gifts and other unexpended revenues and support available for:		
Scholarships	65,858,826	73,743,840
Regions	68,491	81,474
Other projects	835,265	772,604
Endowment fund for:		
Scholarships	11,199,356	11,213,814
Regions	1,336,658	1,336,658
Other projects	990,000	990,000
Non endowment funds restricted in perpetuity for scholarships	<u>166,107</u>	<u>163,295</u>
	<u>\$ 82,433,101</u>	<u>\$ 91,788,830</u>

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## NOTE 10 - LEASES

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Rental expense for office space was \$324,869 and \$323,369 for the years ended December 31, 2018 and 2017, respectively. Lease agreements having an original term of more than one year expire on various dates through calendar year 2024. Minimum annual payments under terms of these operating leases are as follows:

Year ending December 31:	
2019	\$ 255,671
2020	147,914
2021	150,414
2022	152,913
2023	155,412
2024 and thereafter	<u>197,650</u>
	<u>\$ 1,059,974</u>



# SCHOLARSHIP AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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### NOTE 11 - SUPPORTING SERVICES EXPENSE RATIOS

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Scholarship America's supporting services expense ratios as a percentage of revenues and support without donor restriction, excluding scholarships designated by donors for specific beneficiaries, for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>		<u>2017</u>	
General and administration	\$ 5,133,896	3.90%	\$ 4,449,384	3.63%
Fundraising	<u>2,310,330</u>	<u>1.75%</u>	<u>1,881,179</u>	<u>1.53%</u>
Total	<u>\$ 7,444,226</u>	<u>5.65%</u>	<u>\$ 6,330,563</u>	<u>5.16%</u>
Revenues and support without donor restriction, excluding scholarships designated by donors for specific beneficiaries	<u>\$ 131,864,928</u>		<u>\$ 122,597,811</u>	

Fundraising costs also include costs related to the generation of scholarships raised and designated by donors for specific beneficiaries.

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### NOTE 12 - SUBSEQUENT EVENTS

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Scholarship America has evaluated subsequent events through May 14, 2019, which is the date that the financial statements were approved and available to be issued.

**SCHOLARSHIP AMERICA, INC.**

FAMILIES OF FREEDOM SCHOLARSHIP FUND  
 SCHEDULE OF FINANCIAL POSITION  
 As of December 31, 2018

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<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 417,176
Contributions receivable, net	<u>380,000</u>
	<u>797,176</u>
<b>CONTRIBUTIONS RECEIVABLE</b> , less current portion, net	88,322
<b>INVESTMENTS</b>	<u>29,578,153</u>
<b>TOTAL ASSETS</b>	<u>\$ 30,463,651</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>REFUNDABLE DEPOSITS</b>	\$ 5,981,703
<b>NET ASSETS</b>	
With donor restrictions	<u>24,481,948</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 30,463,651</u>

**SCHOLARSHIP AMERICA, INC.**

FAMILIES OF FREEDOM SCHOLARSHIP FUND  
 SCHEDULE OF ACTIVITIES  
 For the Year Ended December 31, 2018

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets released from restrictions	
Satisfaction of program restrictions	\$ 11,921,088
Total revenues and support without donor restrictions	11,921,088

**EXPENSES**

Program services:	
Scholarship awards	11,398,827
Scholarship Management Services™	70,168
Supporting services:	
General and administrative	451,945
Fundraising	148
Total expenses	<u>11,921,088</u>

Change in net assets without donor restrictions -

**Changes in net assets with donor restrictions**

Contributions for scholarships	595,600
Investment loss	(1,222,152)
Net assets released from restrictions	
Satisfaction of program restrictions	<u>(11,921,088)</u>
Change in net assets with donor restrictions	<u>(12,547,640)</u>

Change in net assets (12,547,640)

Net Assets - Beginning of Period 37,029,588

**NET ASSETS - END OF PERIOD** \$ 24,481,948