

# **Scholarship America, Inc.**

Financial Statements and  
Supplementary Information

December 31, 2025 and 2024

# Scholarship America, Inc.

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December 31, 2025 and 2024

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## Independent Auditors' Report

To the Board of Trustees of  
Scholarship America, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Scholarship America, Inc. (Scholarship America), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Scholarship America as of December 31, 2025 and 2024, 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). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Scholarship America 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 Scholarship America's ability to continue as a going concern within one year after the date that the financial statements are approved and available to be issued.

## ***Auditors' 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 auditors' 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 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, 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 Scholarship America'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 Scholarship America'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.

## **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 27 and 28 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 US, LLP*

Minneapolis, Minnesota  
June 4, 2026

**Scholarship America, Inc.**Statements of Financial Position  
December 31, 2025 and 2024

<b>Assets</b>	<b>2025</b>	<b>2024</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 25,431,461	\$ 30,402,232
Accounts, interest and other receivables, net	2,619,112	2,703,330
Contributions receivable, net	1,176,159	1,092,012
Prepaid expenses	2,944,564	870,534
Assets held for sale, net	-	950,814
Total current assets	<u>32,171,296</u>	<u>36,018,922</u>
<b>Contributions Receivable, Less Current Portion, Net</b>	<u>17,552</u>	<u>21,431</u>
<b>Investments</b>	<u>172,810,771</u>	<u>155,725,171</u>
<b>Cash Surrender Value of Life Insurance</b>	<u>190,918</u>	<u>195,437</u>
<b>Property and Equipment</b>		
Leasehold improvements	496,623	496,623
Furniture and equipment	4,822,882	5,140,851
Internally developed software	6,304,445	6,045,106
	<u>11,623,950</u>	<u>11,682,580</u>
Less accumulated depreciation	<u>(10,157,359)</u>	<u>(9,473,064)</u>
Property and equipment, net	<u>1,466,591</u>	<u>2,209,516</u>
<b>Right-of-Use Assets, Net</b>	<u>745,000</u>	<u>243,108</u>
Total assets	<u><u>\$ 207,402,128</u></u>	<u><u>\$ 194,413,585</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,863,896	\$ 901,346
Accrued and other deferred liabilities	6,274,691	6,165,255
Current portion of lease liabilities	252,750	119,460
Scholarships payable	22,538,988	25,487,102
Refundable deposits	31,345,683	27,282,428
Total current liabilities	<u>62,276,008</u>	<u>59,955,591</u>
<b>Long-Term Liabilities</b>		
Long-term lease liabilities	<u>517,910</u>	<u>158,880</u>
Total long-term liabilities	<u>517,910</u>	<u>158,880</u>
Total liabilities	<u>62,793,918</u>	<u>60,114,471</u>
<b>Net Assets</b>		
Without donor restrictions:		
Designated for investment	2,592,744	2,487,765
Designated for strategic initiatives	617,264	601,822
Undesignated	9,999,379	10,218,608
Total without donor restrictions	<u>13,209,387</u>	<u>13,308,195</u>
With donor restrictions:		
Purpose restricted	116,595,911	106,698,791
Restricted in perpetuity	14,802,912	14,292,128
Total with donor restrictions	<u>131,398,823</u>	<u>120,990,919</u>
Total net assets	<u>144,608,210</u>	<u>134,299,114</u>
Total liabilities and net assets	<u><u>\$ 207,402,128</u></u>	<u><u>\$ 194,413,585</u></u>

See notes to financial statements

**Scholarship America, Inc.**

Statements of Activities

Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support</b>						
Total scholarships raised	\$ 176,928,553	\$ -	\$ 176,928,553	\$ 200,164,004	\$ -	\$ 200,164,004
Less scholarships designated by donors for specific beneficiaries	(45,666,857)	-	(45,666,857)	(49,144,348)	-	(49,144,348)
Scholarship revenue	131,261,696	-	131,261,696	151,019,656	-	151,019,656
Scholarship program management fees	15,278,384	-	15,278,384	15,169,696	-	15,169,696
Scholarship program management fees released	4,185,496	(4,185,496)	-	3,075,634	(3,075,634)	-
Investment income	2,092,057	10,409,059	12,501,116	2,422,828	7,431,367	9,854,195
Contributions, cash and financial assets	1,934,374	57,384,140	59,318,514	1,485,086	38,634,733	40,119,819
Other income	661,528	-	661,528	68,588	-	68,588
Dollars for Scholars® and other student programs	312,600	-	312,600	310,400	-	310,400
Revenues and support	155,726,135	63,607,703	219,333,838	173,551,888	42,990,466	216,542,354
Change in donor restrictions	-	173,907	173,907	-	(3,321,078)	(3,321,078)
Net assets released from restrictions:						
Satisfaction of program restrictions	53,373,706	(53,373,706)	-	22,486,597	(22,486,597)	-
Total revenues and support	209,099,841	10,407,904	219,507,745	196,038,485	17,182,791	213,221,276
<b>Expenses</b>						
Program services:						
Total scholarship distributions	227,632,801	-	227,632,801	220,776,739	-	220,776,739
Less scholarships designated by donors for specific beneficiaries	(45,666,857)	-	(45,666,857)	(49,144,348)	-	(49,144,348)
Scholarship awards	181,965,944	-	181,965,944	171,632,391	-	171,632,391
Program management	11,321,433	-	11,321,433	8,660,649	-	8,660,649
Dollars for Scholars® and other student programs	400,903	-	400,903	365,757	-	365,757
Other programs	-	-	-	1,964	-	1,964
Supporting services:						
Management and general	13,345,224	-	13,345,224	11,341,122	-	11,341,122
Fundraising	2,165,145	-	2,165,145	2,197,857	-	2,197,857
Total expenses	209,198,649	-	209,198,649	194,199,740	-	194,199,740
Change in net assets	(98,808)	10,407,904	10,309,096	1,838,745	17,182,791	19,021,536
<b>Net Assets, Beginning</b>	13,308,195	120,990,919	134,299,114	11,469,450	103,808,128	115,277,578
<b>Net Assets, Ending</b>	\$ 13,209,387	\$ 131,398,823	\$ 144,608,210	\$ 13,308,195	\$ 120,990,919	\$ 134,299,114

See notes to financial statements

## Scholarship America, Inc.

### Statement of Functional Expenses

Year Ended December 31, 2025

	Program Services			Supporting Services			Total
	Scholarship Awards	Program Management	Dollars for Scholars® and Other Student Programs	Total Program Services	Management and General	Fundraising	
Scholarship awards	\$ 181,965,944	\$ -	\$ -	\$ 181,965,944	\$ -	\$ -	\$ 181,965,944
Personnel costs	-	6,988,892	374,769	7,363,661	6,748,999	1,645,682	15,758,342
Meetings and travel	-	79,683	3,953	83,636	153,431	84,688	321,755
Printing	-	6,047	-	6,047	9,441	-	15,488
Professional services	-	1,830,112	234	1,830,346	3,419,361	105,724	5,355,431
IT licenses/hosting	-	1,464,248	-	1,464,248	914,179	2,499	2,380,926
Publicity and promotion	-	242,445	3,000	245,445	491,837	179,995	917,277
Postage	-	55,763	-	55,763	23,560	4,672	83,995
Occupancy	-	107,087	3,633	110,720	310,350	18,261	439,331
Insurance	-	162,519	6,201	168,720	64,328	21,382	254,430
Office expenses	-	118,374	6,377	124,751	76,273	16,343	217,367
Depreciation and amortization	-	28,051	1,218	29,269	1,058,883	4,668	1,092,820
Miscellaneous	-	238,212	1,518	239,730	74,582	81,231	395,543
Total expenses	<u>\$ 181,965,944</u>	<u>\$ 11,321,433</u>	<u>\$ 400,903</u>	<u>\$ 193,688,280</u>	<u>\$ 13,345,224</u>	<u>\$ 2,165,145</u>	<u>\$ 209,198,649</u>

See notes to financial statements

**Scholarship America, Inc.**

## Statement of Functional Expenses

Year Ended December 31, 2024

	Program Services				Supporting Services			
	Scholarship Awards	Program Management	Dollars for Scholars® and Other Student Programs	Other Programs	Total Program Services	Management and General	Fundraising	Total
Scholarship awards	\$ 171,632,391	\$ -	\$ -	\$ -	\$ 171,632,391	\$ -	\$ -	\$ 171,632,391
Personnel costs	-	6,366,858	312,208	-	6,679,066	6,447,845	1,547,237	14,674,148
Meetings and travel	-	19,792	951	1,803	22,546	136,095	122,232	280,873
Printing	-	20,789	-	-	20,789	34,008	12,926	67,723
Professional services	-	1,466,744	24	-	1,466,768	2,305,110	348,583	4,120,461
IT licenses/hosting	-	6,045	-	-	6,045	633,988	7,940	647,973
Publicity and promotion	-	17,632	33,000	-	50,632	287,279	4,916	342,827
Postage	-	71,969	35	11	72,015	6,582	2,591	81,188
Occupancy	-	114,348	4,081	-	118,429	197,615	37,732	353,776
Interest and other financing fees	-	33,337	1,670	-	35,007	20,378	5,345	60,730
Insurance	-	162,129	5,577	-	167,706	91,885	22,468	282,059
Office expenses	-	110,503	7,555	150	118,208	76,274	17,574	212,056
Depreciation and amortization	-	12,975	367	-	13,342	1,044,408	3,462	1,061,212
Miscellaneous	-	257,528	289	-	257,817	59,655	64,851	382,323
<b>Total expenses</b>	<b>\$ 171,632,391</b>	<b>\$ 8,660,649</b>	<b>\$ 365,757</b>	<b>\$ 1,964</b>	<b>\$ 180,660,761</b>	<b>\$ 11,341,122</b>	<b>\$ 2,197,857</b>	<b>\$ 194,199,740</b>

See notes to financial statements

# Scholarship America, Inc.

## Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 10,309,096	\$ 19,021,536
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,092,820	1,061,212
Noncash lease expense	(9,572)	(10,971)
Loss on disposal	-	4,229
Gain on sale of building	(549,605)	-
Unrealized gains on investments	(5,381,519)	(2,466,713)
Realized gains on sale of investments	(1,805,130)	(1,289,668)
Scholarships distributed and designated by donors for specific beneficiaries	(45,666,857)	(49,144,348)
Scholarships raised and designated by donors for specific beneficiaries	45,666,857	49,144,348
Contributions restricted in perpetuity	(937,606)	(234,935)
Change in:		
Accounts, interest and other receivables, net	84,218	129,648
Contributions receivable, net	(80,268)	1,026,847
Prepaid expenses	(2,074,030)	(445,316)
Accounts payable	962,550	118,087
Accrued and other deferred liabilities	109,436	354,521
Scholarships payable	(2,948,114)	4,791,246
Refundable deposits	4,063,255	168,379
Net cash flows from operating activities	<u>2,835,531</u>	<u>22,228,102</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(280,344,283)	(197,788,758)
Proceeds from sale of investments	270,445,332	183,015,575
Change in cash surrender value of life insurance	4,519	7,304
Proceeds from sale of assets held for sale	1,500,000	-
Purchase of property and equipment	(349,476)	(339,272)
Net cash flows from investing activities	<u>(8,743,908)</u>	<u>(15,105,151)</u>
<b>Cash Flows From Financing Activities</b>		
Contributions received restricted for endowment	937,606	234,935
Repayments of long-term debt	-	(2,249,662)
Net cash flows from financing activities	<u>937,606</u>	<u>(2,014,727)</u>
Net change in cash and cash equivalents	(4,970,771)	5,108,224
<b>Cash and Cash Equivalents, Beginning</b>	<u>30,402,232</u>	<u>25,294,008</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 25,431,461</u>	<u>\$ 30,402,232</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 52,960</u>
<b>Noncash Investing and Financing Activities:</b>		
Acquisition of right-of-use asset, in exchange for lease liability	<u>\$ 703,906</u>	<u>\$ 19,621</u>

See notes to financial statements

# Scholarship America, Inc.

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Notes to Financial Statements  
December 31, 2025 and 2024

## 1. Organization and Significant Accounting Policies

### Organization

Scholarship America, Inc. (Scholarship America) is a nonprofit corporation organized under the laws of the Commonwealth of Massachusetts to eliminate financial barriers to educational success so that any student can pursue their dream. Until January 2003, the corporation was known as Citizens' Scholarship Foundation of America. Scholarship America is the nation's largest private scholarship provider. For nearly 65 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. The Fund is due to sunset in 2030.

### 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

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.

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Notes to Financial Statements  
December 31, 2025 and 2024

### 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 investment (Note 7) and for strategic initiatives.

### Scholarship Revenue and Expense

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 statements 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 in the statements of activities; they are included in scholarships raised and deducted from that amount to calculate scholarship revenue and included in scholarship distributions and deducted from that amount to calculate the scholarship awards.

Scholarship revenue is recognized in the financial statements as a contribution when Scholarship America has the unconditional right to the assets contributed.

### Operating Measure

Scholarship America's operating measure includes all activity other than contributions designated by the Board of Trustees for strategic initiatives.

### 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 for the years ended December 31, 2025 and 2024. 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.

Scholarship America recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the date of the statement of financial position. Receivables are written off when Scholarship America determined that such receivables are deemed uncollectible.

Scholarship America pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, Scholarship America measures those receivables individually. Scholarship America continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. Delinquent accounts are not charged a service fee. As of December 31, 2025 and 2024, the allowance for credit losses is \$5,000.

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

### Contract Assets and Liabilities

Contract assets include a portion of the accounts receivable and represent Scholarship America's right to consideration in exchange for program management fees where performance obligations are satisfied over the contract period. Contract liabilities include prepaid client fees and refundable deposits. Prepaid client fees represent amounts received from scholarship program sponsors prior to the completion of the specific performance obligation. Refundable deposits represent Scholarship America's scholarship revenue where the funds are refundable or revocable at the discretion of the program sponsor.

Scholarship America's beginning and ending contract assets are included in accounts, interest and other receivables, net and liabilities are included in accrued and other deferred liabilities and refundable deposits on the statements of financial position as of December 31, 2025 and 2024. Contract assets and liabilities are as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accounts receivable - unrestricted fees	\$ 2,619,112	\$ 2,703,330	\$ 2,832,978
Prepaid-client fees	5,449,542	5,525,765	4,446,368
Refundable deposits	31,345,683	27,282,428	27,114,049

### Investments

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

### Assets Held for Sale

The Organization reclassified the net book value of certain land and building intended to be sold to assets held for sale as of December 31, 2024. The sale of these assets was completed in April 2025.

### 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	3-10

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

### Impairment of Long-Lived Assets

At each reporting date, Scholarship America evaluates the carrying amount of its long-lived assets. In the event that facts and circumstances indicate that the cost of long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation of impairment is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying value to determine if an adjustment to fair value or discounted cash flow value is required. There were no impairments in 2025 or 2024.

## Scholarship America, Inc.

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Notes to Financial Statements  
December 31, 2025 and 2024

### Leases

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

Scholarship America has made the following accounting policy elections with regard to its lease accounting:

- Scholarship America does not separate lease and non-lease components for its office equipment class of leased assets.
- When the rate implicit in the lease is not determinable, rather than use Scholarship America's incremental borrowing rate, Scholarship America uses a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all classes of its leased assets.
- Scholarship America does not apply the recognition requirements to all leases with an original term of 12 months or less, for which Scholarship America is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.
- Scholarship America accounts for certain of its office equipment leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 9.

### Contributions

Unconditional contributions, including promises to give, 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. 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.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or release from future obligations - are not recognized until the conditions on which depend have been met.

Unconditional promises to give (pledges) are recorded as contributions receivable using a discount rate of 5% for 2025 and 2024. 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.

## Scholarship America, Inc.

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Notes to Financial Statements  
December 31, 2025 and 2024

Contributions of land, buildings and equipment are recorded at fair market value at the date of the gift. Contribution revenue is 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.

### 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.

### Scholarship Program Management Fees

Scholarship program management fees are recognized as revenues in the statements of activities as the performance obligations are satisfied over the contract period. Performance obligations are outlined in each contract's program description or statement of work. Generally, the performance obligations include:

- Program design, production of application materials (on-line site) and opening of application
- Receipt, acknowledgement and processing of applications
- Selection of recipients and notifications
- Distribution of scholarship awards and final program reporting

As there is not a stand-alone transaction price observable for each program obligation, the transaction price (management fee) has been allocated to the various performance obligations (milestones) based on management's estimates of each milestone's relative value of the total value of the services to be provided under the contract. Management's estimates of the allocations are primarily based on historical time studies for level of effort to complete specific milestones over the course of the scholarship program cycle.

Scholarship program management fees received prior to the completion of specific performance obligations are deferred to the applicable period based on the contract program schedule. Amounts deferred in the statements of financial position at December 31, 2025 and 2024 are generally recognized as revenue in the following year.

### Grants

Donor restricted grants are recognized as revenue and support with donor restrictions and recorded as releases from restriction only to the extent that expenses have been incurred during the period for the purpose specified in the grant. In instances that grants include measurable performance obligations or other barriers and a right of return or release from future obligations, these grants are not recognized as revenue until the conditions on which they depend have been met. Advances of conditional grants are recorded as deferred revenue until conditions are met.

## Scholarship America, Inc.

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Notes to Financial Statements  
December 31, 2025 and 2024

### Functional Expenses

Scholarship America's financial statements segregate expenses by function, including program services, management and general 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, 2025 and 2024. Scholarship America's tax returns are subject to review and examination by federal and state authorities.

### 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 years ended December 31, 2025 and 2024 was 3% of eligible employees' compensation. Scholarship America's contributions to the plan totaled \$334,516 and \$312,259 for the years ended December 31, 2025 and 2024, respectively.

### Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year.

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

### 2. Liquidity and Availability

The following table reflects Scholarship America's financial assets as of December 31, 2025 and 2024, 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.

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 25,431,461	\$ 30,402,232
Contributions receivable, net	1,193,711	1,113,443
Accounts, interest and other receivables, net	2,619,112	2,703,330
Investments	172,810,771	155,725,171
Cash surrender value of life insurance	190,918	195,437
	<u>202,245,973</u>	<u>190,139,613</u>
Financial assets at December 31		
Less those unavailable for general expenditure within one year:		
Cash and cash equivalents restricted by use	(23,006,812)	(23,705,270)
Contributions receivable restricted by use	(1,171,931)	(1,042,195)
Accounts receivable restricted by use	(137,268)	(645,043)
Board designated for investment	(2,592,744)	(2,487,765)
Board designated for strategic initiatives	(617,264)	(601,822)
Donor restricted investments restricted by use less amounts available for distribution	(146,856,211)	(135,134,236)
Permanently restricted investments	(15,136,766)	(14,641,010)
Cash surrender value of life insurance restricted by use	(190,918)	(195,437)
	<u>(189,709,914)</u>	<u>(178,452,778)</u>
Financial assets not available for expenditure within one year		
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 12,536,059</u>	<u>\$ 11,691,040</u>

As of December 31, 2025 and 2024, Scholarship America had liquid assets on hand to cover approximately 175 and 198 days of operating expenses, respectively. 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. As of December 31, 2025 and 2024, the board designated investment fund represents approximately 36 and 42 days of operating expenses, respectively. Scholarship America also has available a \$2,000,000 line of credit, representing approximately 28 days of operating expenses (Note 6).

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

### 3. Contributions Receivable

Contributions receivable are to be collected during the following periods at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Less than one year	\$ 1,188,039	\$ 1,103,042
One to five years	20,000	25,000
	1,208,039	1,128,042
Less:		
Discounts for the time value of money	(2,270)	(3,352)
Allowance for uncollectible contributions	(12,058)	(11,247)
	<u>\$ 1,193,711</u>	<u>\$ 1,113,443</u>

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% for the years ended December 31, 2025 and 2024.

### 4. Investments and Investment Income

Investments consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Cash equivalents	\$ 28,184,091	\$ 47,235,814
Certificates of deposit (at cost)	986,331	122,748
U.S. government securities	47,245,716	25,715,625
Equity mutual funds	40,194,971	34,959,302
Equities	1,853,853	1,671,608
Fixed income mutual funds	34,030,807	33,950,395
Corporate bonds and notes	12,535,017	6,119,702
Other mutual funds	3,245,266	2,582,038
Hedge funds and master limited partnership	4,534,720	3,367,939
	<u>\$ 172,810,772</u>	<u>\$ 155,725,171</u>

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

Investment income is recorded in the statements of activities and comprises the following for the years ended December 31, 2025 and 2024:

	<u>Interest and Dividends, net</u>	<u>Unrealized Gain</u>	<u>Realized (Loss) Gain</u>	<u>Total</u>
December 31, 2025:				
Without donor restrictions	\$ 2,108,944	\$ 12,190	\$ (29,077)	\$ 2,092,057
With donor restrictions	<u>3,205,523</u>	<u>5,369,329</u>	<u>1,834,207</u>	<u>10,409,059</u>
Total	<u>\$ 5,314,467</u>	<u>\$ 5,381,519</u>	<u>\$ 1,805,130</u>	<u>\$ 12,501,116</u>
December 31, 2024:				
Without donor restrictions	\$ 2,495,396	\$ -	\$ (72,568)	\$ 2,422,828
With donor restrictions	<u>3,602,418</u>	<u>2,466,713</u>	<u>1,362,236</u>	<u>7,431,367</u>
Total	<u>\$ 6,097,814</u>	<u>\$ 2,466,713</u>	<u>\$ 1,289,668</u>	<u>\$ 9,854,195</u>

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

## 5. Fair Value Measurements

### 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, equities, fixed income mutual funds and other mutual funds for which quoted prices are readily available.

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

Level 2 - Level 2 assets include investments in 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, 2025 and 2024.

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.

The following tables present information about Scholarship America's assets measured at fair value on a recurring basis as of December 31, 2025 and 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 28,184,091	\$ -	\$ -	\$ 28,184,091
Equity mutual funds	40,194,971	-	-	40,194,971
Equities	1,853,853	-	-	1,853,853
Debt securities:				
Fixed income mutual funds	34,030,807	-	-	34,030,807
U.S. government securities	-	47,245,716	-	47,245,716
Corporate bonds and notes	-	12,535,017	-	12,535,017
Other mutual funds	3,245,266	-	-	3,245,266
Subtotal assets by valuation hierarchy	<u>\$ 107,508,988</u>	<u>\$ 59,780,733</u>	<u>\$ -</u>	
Assets measured using NAV:				
Hedge funds and master limited partnership				<u>4,534,720</u>
Total assets at fair value				<u>\$ 171,824,440</u>

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

	<b>2024</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash equivalents	\$ 47,235,814	\$ -	\$ -	\$ 47,235,814
Equity mutual funds	34,959,302	-	-	35,526,492
Equities	1,671,608	-	-	1,671,608
Debt securities:				
Fixed income mutual funds	33,950,395	-	-	33,950,395
U.S. government securities	-	25,715,625	-	25,715,625
Corporate bonds and notes	-	6,119,702	-	6,119,702
Other mutual funds	2,582,038	-	-	2,582,038
Subtotal assets by valuation hierarchy	<u>\$ 120,399,157</u>	<u>\$ 31,835,327</u>	<u>\$ -</u>	

Assets measured using NAV:

Hedge fund	<u>3,367,939</u>
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Total assets at fair value	<u>\$ 155,602,423</u>
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Total assets at fair value exclude certificates of deposit recorded at cost of \$986,331 and \$122,748 for the years ended December 31, 2025 and 2024, respectively.

Scholarship America measures the fair value for their investments in hedge funds and master limited partnership (alternative investments) based on net asset value (NAV) as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the Scholarship America's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If Scholarship America sold all or a portion of its alternative investment, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value as of December 31, 2025 and 2024:

<b>Investment Type</b>	<b>Unfunded Commitments</b>	<b>2025 Fair Value</b>	<b>2024 Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>	<b>Remaining Life (Years)</b>
Hedge funds:						
Millennium International (a)	-	\$ 3,074,478	\$ 2,800,749	(b)	(b)	N/A
Verition Fund (c)	-	603,065	567,190	Quarterly	45 days	N/A
Master Limited Partnership:						
Brookfield Infrastructure Income (d)	N/A	857,177	-	(e)	(e)	N/A

- (a) Millennium International is a multi-strategy, single manager, relative value hedge fund manager. The manager allocates capital across a variety of proprietary, internal trading teams who invest that capital in the relative value fundamental equity, quantitative trading, equity arbitrage, fixed income, commodity and other investment strategy sectors. The fund's investment objective is to produce equity-like returns, with significantly less risk, while maintaining low correlations to the stock and bond markets.

## Scholarship America, Inc.

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Notes to Financial Statements  
December 31, 2025 and 2024

- (b) A Limited Partner may withdraw capital from Millennium International, Ltd. on a quarterly basis with 90-day notice. Once the liquidity request is received by Millennium International, Ltd, the investor is repaid over the subsequent 20-quarters, with 5% of their outstanding capital balance being distributed each quarter (i.e., as a result, a five year period is required to completely exit the fund).
- (c) Verition Fund is a multi-strategy, multi-manager, relative value hedge fund that invests across Equity Long/Short, Fixed Income/Macro, Credit, Event-Driven, Convertible/Volatility and Quantitative Strategies. The portfolio is built from the bottom-up with each Portfolio Manager managing their allocated capital within pre-defined risk parameters. Verition seeks out niche strategies that exhibit low correlations to the markets and to each other to build a diversified portfolio of attractive risk adjusted returns. Capital is allocated dynamically across the strategies based on the market view and opportunity set for each individual investment team. Verition seeks to maintain an integrated risk management framework to monitor and mitigate risk.
- (d) Brookfield Infrastructure Income focuses on maximizing total returns through growth of capital and current income by investing primarily in a portfolio of high-quality private infrastructure equity and debt investments. The Fund will invest in securities of companies and entities that own infrastructure assets, including as a co-investor with other Brookfield affiliates, funds, clients, and accounts. The Fund aims to invest at least 80% of its net assets in Infrastructure Assets emphasizing Renewable Power & Transition, Utilities, Transport, Data, and Midstream Energy verticals.
- (e) Quarterly repurchases are expected to be made for the Brookview Infrastructure Income fund at the NAV per share as of the last calendar day of each quarter ("Repurchase Date"). Repurchase requests must be received at least 30 calendar days prior to each Repurchase Date.

### 6. Line of Credit Agreement

In August 2025, Scholarship America renewed a \$2,000,000 line of credit financing agreement with Old National Bank, NA (formerly Bremer Bank). The line of credit 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, 2025 the interest rate was 6.50%. Borrowings on the line of credit are secured by assets of Scholarship America including equipment and accounts receivable. The line of credit matures on August 30, 2026 and it is management's intention to renew the facility. At December 31, 2025, 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 and tangible net worth ratios.

### 7. 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.

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

### 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 net assets with donor restrictions held in perpetuity (1) the original value of the initial gift donated to the endowment; (2) the original value of subsequent gifts donated to the endowment fund; and (3) any earnings and gains/losses required by the donor to be added to the original value of the 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 net assets with donor restrictions 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, Scholarship America 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 Scholarship America; and
- (7) The investment policy of the organization.

Endowment net asset composition by type of fund consists of the following for the years ended December 31, 2025 and 2024:

	<b>2025</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 22,255,246	\$ 22,255,246
Board-designated investment funds	2,592,744	-	2,592,744
	<u>\$ 2,592,744</u>	<u>\$ 22,255,246</u>	<u>\$ 24,847,990</u>

  

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 19,525,359	\$ 19,525,359
Board-designated investment funds	2,487,765	-	2,487,765
	<u>\$ 2,487,765</u>	<u>\$ 19,525,359</u>	<u>\$ 22,013,124</u>

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

Changes in endowment net assets for the years ended December 31, 2025 and 2024 are as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2025	\$ 2,487,765	\$ 19,525,359	\$ 22,013,124
Investment return:			
Investment income	104,979	605,860	710,839
Net gain on investments	-	2,219,846	2,219,846
Total investment return	104,979	2,825,706	2,930,685
Contributions	-	937,606	937,606
Appropriation of endowment assets, satisfaction of program restrictions	-	(742,915)	(742,915)
Change in donor restrictions	-	(290,510)	(290,510)
Endowment net assets, December 31, 2025	<u>\$ 2,592,744</u>	<u>\$ 22,255,246</u>	<u>\$ 24,847,990</u>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2024	\$ 2,364,105	\$ 18,802,645	\$ 21,166,750
Investment return:			
Investment income	123,660	553,147	676,807
Net gain on investments	-	1,100,941	1,100,941
Total investment return	123,660	1,654,088	1,777,748
Contributions	-	234,935	234,935
Appropriation of endowment assets, satisfaction of program restrictions	-	(700,349)	(700,349)
Appropriation of endowment assets, spending policy	-	(99,288)	(99,288)
Change in donor restrictions	-	(366,672)	(366,672)
Endowment net assets, December 31, 2024	<u>\$ 2,487,765</u>	<u>\$ 19,525,359</u>	<u>\$ 22,013,124</u>

### 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, 2025, there were no underwater endowment investments. At December 31, 2024 one donor restricted fund with an original gift value of \$104,669, fair market value of \$98,505 and deficiencies of \$6,164 were reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

### 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, 2025 and 2024, \$96,128 and \$99,288 was released for operations, respectively.

## 8. Net Assets with Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
The portion of unexpended investment return generated from donor restricted endowment funds subject to UPMIFA available for scholarships	\$ 7,611,211	\$ 5,383,346
Gifts and other unexpended revenues and support available for:		
Scholarships	107,529,825	99,446,758
Regions	67,659	65,101
Other projects	1,387,216	1,803,588
Endowment fund for:		
Scholarships	12,337,993	11,815,355
Regions	1,316,041	1,336,658
Other projects	990,000	990,000
Non endowment funds restricted in perpetuity for scholarships	<u>158,877</u>	<u>150,113</u>
	<u>\$ 131,398,822</u>	<u>\$ 120,990,919</u>

## Scholarship America, Inc.

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Notes to Financial Statements  
December 31, 2025 and 2024

### 9. Leases

Scholarship America has a real property lease for its corporate headquarters with an original term of approximately eleven years. This lease has an available renewal option which extend the terms of the underlying lease by five years. The real property lease requires monthly payments for variable operating expenses, which may include real estate taxes, insurance or other operating expenses. In 2022, Scholarship America negotiated a lease amendment for office space in Minneapolis, Minnesota. This amendment reduced the square footage under the lease, changed the base rental rates and extended the term of the lease.

During 2025, Scholarship America sold and leased back (as an operating lease) a real property asset. Under the sale agreement, Scholarship America leased back a portion of the property from the purchaser over an initial term of five years. This lease has an available renewal option which extends the term of the underlying lease by two years. The real property lease requires monthly payments for variable operating expenses, which may include insurance or other operating expenses. Scholarship America accounted for this sale-leaseback transaction under Topic 842 guidance whereby the gain from this transaction was recognized in the current period.

Scholarship America has (i) included the sales proceeds in the current year of sale, (ii) reported the associated leased property as a right-of-use asset, (iii) recognized lease amortization expense over the lesser of the remaining right-of-use asset lease term or the useful life of the underlying asset and (iv) recorded the rental payments as interest expense and a reduction of the related lease liability.

The proceeds (net of transaction taxes and other transaction costs) realized by Scholarship America from the sale and leaseback transaction completed during 2025 was \$1,416,133, the original cost of the real property sold was \$5,407,435 (with a carrying value of \$950,814) and the recognized gain was \$549,605. Scholarship America used the net proceeds from the sale-leaseback transaction for general corporate purposes.

Scholarship America has leases for office equipment which generally have original terms that vary up to five years. The office equipment leases have auto-renewal options for typically one year.

Right-of-use assets represent Scholarship America's right to use the underlying assets for the lease term, while lease liabilities represent Scholarship America's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of Scholarship America's leases include options to renew the lease. The exercise of lease renewal is at Scholarship America's sole discretion. Scholarship America regularly evaluates the renewals when they are reasonably certain of exercise, Scholarship America includes such options in the lease term. Additionally, upon adoption of the new standard, Scholarship America made judgments regarding lease terms for certain of its office equipment leases that were in month-to-month status or that contained auto-renewal clauses. Scholarship America estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, Scholarship America uses the rate implicit in the lease, or if not readily available, Scholarship America uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with Scholarship America's long-lived asset policy. Scholarship America reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

Scholarship America makes significant assumptions and judgments in evaluating its leases. In particular, Scholarship America:

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

- Evaluates whether a contract contains a lease, by considering factors such as whether Scholarship America obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determines whether contracts contain embedded leases;
- Evaluates leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases; and
- Allocates consideration in the contract between lease and nonlease components for its real property class of assets.

Scholarship America does not have any material leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of December 31:

	<u>2025</u>	<u>2024</u>
Right-of-use assets (net):		
Operating leases	\$ 740,836	\$ 235,699
Finance leases	4,164	7,409
	<u>\$ 745,000</u>	<u>\$ 243,108</u>
Lease liabilities:		
Current operating lease liabilities	\$ 249,417	\$ 116,211
Current finance lease liabilities	3,333	3,249
Long-term operating lease liabilities	516,802	154,440
Long-term finance lease liabilities	1,108	4,440
	<u>\$ 770,660</u>	<u>\$ 278,340</u>

Below is a summary of expenses incurred pertaining to leases during the years ended December 31:

	<u>2025</u>	<u>2024</u>
Finance lease expense:		
Amortization of right-of-use assets	\$ 3,244	\$ 3,244
Interest on lease liabilities	158	239
Operating lease expense	223,810	108,466
Variable lease expense	89,850	88,918
	<u>\$ 317,062</u>	<u>\$ 200,867</u>

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

The following table presents supplemental information related to leases:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term (in years):		
Operating leases	3.65	2.27
Finance leases	1.28	2.28
Weighted average discount rate:		
Operating leases	3.73 %	2.93 %
Finance leases	2.55 %	2.55 %

The table below summarizes Scholarship America's scheduled future minimum lease payments for years ending after December 31, 2025:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Years ending December 31:		
2026	\$ 273,186	\$ 3,406
2027	189,578	1,113
2028	157,076	-
2029	159,945	-
2030	41,062	-
	<hr/>	<hr/>
Total lease payments	\$ 820,847	\$ 4,519
Less: present value discount	<u>(54,628)</u>	<u>(78)</u>
	<hr/>	<hr/>
Total lease liabilities	\$ 766,219	\$ 4,441
Less: current portion	<u>(249,417)</u>	<u>(3,333)</u>
	<hr/>	<hr/>
Long-term lease liabilities	<u>\$ 516,802</u>	<u>\$ 1,108</u>

The following table includes supplemental cash flow and noncash information related to the leases for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 233,379	\$ 119,514
Operating cash flows from finance leases	158	239
Financing cash flows from finance leases	3,249	3,167
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$ 703,906	\$ 19,621

## Scholarship America, Inc.

Notes to Financial Statements  
December 31, 2025 and 2024

### 10. Supporting Services Expense Ratios

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, 2025 and 2024 are as follows:

	<u>2025</u>		<u>2024</u>	
Management and general	\$ 13,345,224	6.38 %	\$ 11,341,122	5.79 %
Fundraising	<u>2,165,145</u>	<u>1.04</u>	<u>2,197,857</u>	<u>1.12</u>
Total	<u>\$ 15,510,369</u>	<u>7.42 %</u>	<u>\$ 13,538,979</u>	<u>6.91 %</u>
Revenues and support without donor restriction, excluding scholarships designated by donors for specific beneficiaries	<u>\$ 209,099,841</u>		<u>\$ 196,038,485</u>	

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

### 11. Subsequent Events

Scholarship America has evaluated subsequent events through June 4, 2026, 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  
December 31, 2025

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### Assets

#### Current Assets

Cash and cash equivalents \$ 28,973

#### Investments

4,416,352

Total assets

\$ 4,445,325

### Liabilities and Net Assets

#### Refundable Deposits

\$ 108,173

#### Net Assets

With donor restrictions 4,337,151

Total liabilities and net assets

\$ 4,445,324

## Scholarship America, Inc.

Families of Freedom Scholarship Fund - Schedule of Activities  
Year Ended December 31, 2025

### Changes In Net Assets Without Donor Restrictions

Net assets released from restrictions:

Satisfaction of program restrictions \$ 1,605,100

Total revenues and support without donor restrictions 1,605,100

### Expenses

Program services:

Scholarship awards 1,537,844

Scholarship Management Services™ 12,092

Supporting services:

Management and general 54,972

Fundraising 192

Total expenses 1,605,100

Change in net assets without donor restrictions -

### Changes in Net Assets With Donor Restrictions

Contributions for scholarships 71,945

Transfer from customer deposit 400,000

Investment income, net 276,049

Net assets released from restrictions:

Satisfaction of program restrictions (1,605,100)

Change in net assets with donor restrictions (857,106)

Change in net assets (857,106)

**Net Assets, Beginning** 5,194,257

**Net Assets, Ending** \$ 4,337,151