



G.R.A.C.E. Scholars, Inc.

FINANCIAL STATEMENTS

May 31, 2022 and 2021



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REPORT





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
G.R.A.C.E. Scholars, Inc.
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of G.R.A.C.E. Scholars, Inc. (the Organization), which comprise the statements of financial position as of May 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of G.R.A.C.E. Scholars, Inc. as of May 31, 2022 and 2021, 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. 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 G.R.A.C.E. Scholars, Inc. 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 G.R.A.C.E. Scholars, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of G.R.A.C.E. Scholars, Inc.'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 G.R.A.C.E. Scholars, Inc.'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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
September 28, 2022



FINANCIAL STATEMENTS



G.R.A.C.E. Scholars, Inc.
Statements of Financial Position

<i>May 31,</i>	2022	2021
Assets		
Cash	\$ 716,097	\$ 732,247
Cash, restricted	8,543,200	6,680,434
Other assets	688	-
Investments, restricted	8,612,074	10,128,024
Total assets	\$ 17,872,059	\$ 17,540,705
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 22,429	\$ 3,242
Accrued expenses	25,650	24,400
Due to related party	18,255	20,874
Scholarships payable	12,872,531	13,201,699
Refundable advance - related party	25,000	-
Agency obligation - related party	475,000	-
Total liabilities	13,438,865	13,250,215
Net assets		
Without donor restrictions	1,270,861	1,536,947
With donor restrictions		
Purpose restrictions	1,876,008	2,159,329
Time restrictions	1,286,325	594,214
Total net assets with donor restrictions	3,162,333	2,753,543
Total net assets	4,433,194	4,290,490
Total liabilities and net assets	\$ 17,872,059	\$ 17,540,705

The accompanying notes are an integral part of these financial statements.

G.R.A.C.E. Scholars, Inc.
Statement of Activities

For the year ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Program revenue - scholarship contributions	\$ -	\$ 4,747,360	\$ 4,747,360
Administrative	314,842	(314,842)	-
Investment income	106,116	-	106,116
Realized and unrealized loss on investments	(59,299)	-	(59,299)
Other revenue	43,206	-	43,206
Net assets released from restrictions	4,023,728	(4,023,728)	-
Total revenue and other support	4,428,593	408,790	4,837,383
Expenses			
Program expense	4,468,290	-	4,468,290
Fundraising	139,327	-	139,327
General and administrative	87,062	-	87,062
Total expenses	4,694,679	-	4,694,679
Change in net assets	(266,086)	408,790	142,704
Net assets at beginning of year	1,536,947	2,753,543	4,290,490
Net assets at end of year	\$ 1,270,861	\$ 3,162,333	\$ 4,433,194

The accompanying notes are an integral part of these financial statements.

G.R.A.C.E. Scholars, Inc.
Statement of Activities (Continued)

For the year ended May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Program revenue - scholarship contributions	\$ -	\$ 5,053,319	\$ 5,053,319
Administrative	333,199	(333,199)	-
Investment income	148,945	-	148,945
Realized and unrealized loss on investments	(79,760)	-	(79,760)
Other revenue	261	-	261
Net assets released from restrictions	3,229,197	(3,229,197)	-
Total revenue and other support	3,631,842	1,490,923	5,122,765
Expenses			
Program expense	3,101,953	-	3,101,953
Fundraising	135,798	-	135,798
General and administrative	80,539	-	80,539
Total expenses	3,318,290	-	3,318,290
Change in net assets	313,552	1,490,923	1,804,475
Net assets at beginning of year	1,223,395	1,262,620	2,486,015
Net assets at end of year	\$ 1,536,947	\$ 2,753,543	\$ 4,290,490

The accompanying notes are an integral part of these financial statements.

G.R.A.C.E. Scholars, Inc.
Statement of Functional Expenses

For the year ended May 31, 2022

	Program	Fundraising	General and Administrative	Total
Scholarship awards	\$ 4,377,510	\$ -	\$ -	\$ 4,377,510
Office expense	-	-	15,394	15,394
Payroll	90,780	61,070	13,204	165,054
Professional services	-	-	50,530	50,530
Marketing and advertising	-	26,879	-	26,879
Other fundraising expenses	-	51,378	-	51,378
Other expenses	-	-	7,934	7,934
Total	\$ 4,468,290	\$ 139,327	\$ 87,062	\$ 4,694,679

The accompanying notes are an integral part of these financial statements.

G.R.A.C.E. Scholars, Inc.
Statement of Functional Expenses (Continued)

For the year ended May 31, 2021

	Program	Fundraising	General and Administrative	Total
Scholarship awards	\$ 3,012,107	\$ -	\$ -	\$ 3,012,107
Office expense	-	-	12,198	12,198
Payroll	89,846	60,442	13,069	163,357
Professional services	-	-	53,475	53,475
Marketing and advertising	-	13,101	-	13,101
Other fundraising expenses	-	62,255	-	62,255
Other expenses	-	-	1,797	1,797
Total	\$ 3,101,953	\$ 135,798	\$ 80,539	\$ 3,318,290

The accompanying notes are an integral part of these financial statements.

G.R.A.C.E. Scholars, Inc.
Statements of Cash Flows

<i>For the years ended May 31,</i>	2022	2021
Operating Activities		
Change in net assets	\$ 142,704	\$ 1,804,475
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized loss on investments	59,299	79,760
Net present value adjustment - scholarships payable	(692,111)	(271,541)
Change in assets and liabilities:		
Other assets	(688)	-
Accounts payable	19,187	(1,033)
Accrued expenses	1,250	2,400
Refundable advance - related party	25,000	-
Agency obligation - related party	475,000	-
Due to related party	(2,619)	2,331
Scholarships payable	362,943	(1,014,406)
Net cash provided by (used in) operating activities	389,965	601,986
Investing Activities		
Purchase of investments	(18,755,711)	(18,489,569)
Proceeds from sale of investments	20,212,362	18,371,371
Net cash provided by (used in) investing activities	1,456,651	(118,198)
Net change in cash, cash equivalents and restricted cash	1,846,616	483,788
Cash, cash equivalents and restricted cash at beginning of year	7,412,681	6,928,893
Cash, cash equivalents and restricted cash at end of year	\$ 9,259,297	\$ 7,412,681
Reconciliation to Statements of Financial Position:		
Cash	\$ 716,097	\$ 732,247
Cash, restricted	8,543,200	6,680,434
Cash, cash equivalents and restricted cash at end of year	\$ 9,259,297	\$ 7,412,681

The accompanying notes are an integral part of these financial statements.

G.R.A.C.E. Scholars, Inc.
Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

G.R.A.C.E. Scholars, Inc. (the Organization) was formed on July 7, 2008, as a Georgia nonprofit Student Scholarship Organization (SSO). The Organization is a two member corporation which includes the individual serving as the Archbishop of the Roman Catholic Archdiocese of Atlanta and the individual serving as the Bishop of the Roman Catholic Diocese of Savannah. The mission of the Organization is to provide children from families with financial need throughout the state of Georgia with greater opportunities to secure a quality Pre-K through 12th grade Catholic education. As a qualified SSO, the Organization receives contributions from individuals and businesses and awards scholarships to eligible students. Under the SSO regulations, ninety-two to ninety-six percent of the scholarship contributions that SSO's receive must be used to fund scholarships, with the remaining percentage available to cover administrative and operating expenses. The required percentage used for scholarships increases as annual revenues increase.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to scholarships payable net present value discount calculation.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Restricted Cash

Restricted cash includes funds on deposit with a related party (Note 11) and is designated for the use of scholarship funding.

Investments

The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarships Payable

The Organization awards student scholarships based on financial need and the scholarships normally cover multiple years. In accordance with financial accounting standards, scholarship awards are considered to be unconditional promises to give when there are no significant conditions associated with the scholarship awards and there are no provisions preserving a right of return of the scholarship award. As such, the scholarship awards are considered to be unconditional promises to give and are recorded at the total award amount in the year the unconditional promise is made, discounted to the net present value of the future cash flows.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as when a donor stipulates that resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

The Organization reports gifts of cash and other assets as restricted support to the extent that, under Georgia law as amended, the Organization is required to obligate at least ninety-two to ninety-six percent of its annual revenue received from donations for scholarship awards or tuition grants. When a scholarship or tuition grant is awarded, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Fees

Georgia law allows an administrative fee on current-year contributions based on the amount of cumulative contributions during the year. For the years ending May 31, 2022 and 2021, the Organization has approved administrative fees of approximately 7% which is in line with the allowable legal limit. Administrative fees are recognized in the same manner and period as the related contributions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No donated services were contributed to the Organization during the years ended May 31, 2022 and 2021.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll are allocated based on actual percentages of time spent in each functional area.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. The Organization is considered to be an integrated auxiliary of a church and is, therefore, not required to file federal or state income tax returns. The Internal Revenue Service and State of Georgia have the right to examine the Organization from its inception, but have not indicated any intent to do so.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of May 31, 2022 and 2021, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 28, 2022, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

G.R.A.C.E. Scholars, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Guidance Not Yet Adopted

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU specifies requirements for contributed services. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and investments to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<u>May 31,</u>	<u>2022</u>	<u>2021</u>
Financial assets at year end	\$ 17,872,059	\$ 17,540,705
Less amounts not available for use:		
Cash, restricted	(8,543,200)	(6,680,434)
Other assets	(688)	-
Investments, restricted	(8,612,074)	(10,128,024)
<hr/> Total amounts not available for use	<hr/> (17,155,962)	<hr/> (16,808,458)
 Financial assets available to meet cash needs for general expenditures within one year	 <hr/> <hr/> \$ 716,097	 <hr/> <hr/> \$ 732,247

The Organization is principally supported by the administrative fees it collects for managing and awarding scholarships.

Note 4: RESTRICTED CASH AND INVESTMENTS

Georgia law requires that SSO's use at least ninety-two to ninety-six percent of the scholarship contributions they receive to fund scholarships and that the scholarship funds be maintained in separate accounts from the organization's general operating funds. The Organization deposits the required percentage of all contributions received plus any additional portion of contributions that the Organization intends to use for scholarship awards into a separate interest bearing account.

Restricted cash and investment balances at May 31, 2022 and 2021, were \$17,155,274 and \$16,808,458, respectively.

G.R.A.C.E. Scholars, Inc.
Notes to Financial Statements

Note 5: INVESTMENTS

Investments in marketable securities consist of the following:

<i>May 31,</i>	2022		2021	
	Cost	Market Value	Cost	Market Value
Short-term investment and money market funds	\$ 377,288	\$ 377,288	\$ 1,840,896	\$ 1,840,896
Certificates of deposit	1,250,063	1,244,200	4,500,465	4,533,835
Corporate bonds	569,885	565,313	-	-
U.S. government and agency bonds	6,429,150	6,425,273	3,752,531	3,753,293
Total	\$ 8,626,386	\$ 8,612,074	\$ 10,093,892	\$ 10,128,024

The Organization's policy for recording fees paid for the management of its investments is to net the fees against investment income. There were no fees on investments for the years ended May 31, 2022 and 2021.

Note 6: SCHOLARSHIPS PAYABLE

Scholarships payable are reflected in the statements of financial position as of May 31, 2022 and 2021, in the amounts of \$12,872,531 and \$13,201,699, respectively. Scholarship awards expense in the statements of activities of \$4,377,510 and \$3,012,107, for the years ended May 31, 2022 and 2021, respectively, is the total of scholarships awarded, forfeited and change in discount required to reflect future scholarships payable at net present value (Note 9).

In 2021, a participating school informed the Organization of its decision to transfer its partnership to another Student Scholarship Organization (SSO). At May 31, 2021, the amount allocated to scholarship recipients at this school for future years totaled \$688,436 which was included in scholarships payable at May 31, 2021. The remaining donations received in the amount of \$800,270 were awarded during the year ended May 31, 2022 and transferred to the other SSO.

The schedule below is a reconciliation of scholarships awarded, scholarships forfeited and scholarships payable. The amounts below do not include the discount required to reflect future scholarships payable at net present value.

<i>For the years ended May 31,</i>	2022	2021
Scholarships payable, beginning of year	\$ 13,795,913	\$ 14,810,319
Scholarships awarded	8,994,704	6,817,901
Scholarships forfeited	(3,640,083)	(3,534,253)
Scholarships payments	(4,991,678)	(4,298,054)
Scholarships payable, end of year	\$ 14,158,856	\$ 13,795,913

G.R.A.C.E. Scholars, Inc.
Notes to Financial Statements

Note 6: SCHOLARSHIPS PAYABLE (Continued)

Remaining commitments associated with these scholarships are as follows:

<i>For the years ending May 31,</i>	Scheduled Cash Outlay	Discount Component	Net Present Value
2023	\$ 3,328,819	\$ -	\$ 3,328,819
2024	2,875,258	171,880	2,703,378
2025	2,334,608	206,180	2,128,428
2026	1,728,906	200,526	1,528,380
2027	1,216,089	173,675	1,042,414
Thereafter	2,675,176	534,064	2,141,112
Total	\$ 14,158,856	\$ 1,286,325	\$ 12,872,531

Note 7: NET ASSETS

There were no board designated net assets at May 31, 2022 and 2021.

Net assets with time restrictions of \$1,286,325 and \$594,214 at May 31, 2022 and 2021, respectively, are restricted for the net present value discount to scholarships payable as described in Notes 2 and 6.

Net assets with purpose restrictions of \$1,876,008 and \$2,159,329 at May 31, 2022 and 2021, respectively, are restricted for scholarships to be awarded in the subsequent year.

Note 8: CONTRIBUTIONS

Contributions are reflected in the statements of activities for the years ended May 31, 2022 and 2021, in the amounts of \$4,747,360 and \$5,053,319, respectively. Contributions consisted of the following:

<i>For the years ended May 31,</i>	2022	2021
General contributions	\$ 3,527,268	\$ 4,786,870
Contributions with no corresponding tax credits	787,857	68,616
Contributions and transfers from other SSOs	432,235	197,833
Total	\$ 4,747,360	\$ 5,053,319

Note 9: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2022 and 2021.

Short-term investment and money market funds: Carrying value approximates fair value based upon the nature of the instrument.

Corporate bonds and certificates of deposit: Valued using pricing models maximizing the use of observable inputs or similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Government and agency bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Scholarships payable: Valued at fair value utilizing Level 3 inputs, based on the present value of expected future cash flows and a discount rate of 3.13% and 1.52% at May 31, 2022 and 2021, respectively. A decrease in the discount rate would increase the scholarships payable obligation. The valuation of the scholarships payable is determined annually by management.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

G.R.A.C.E. Scholars, Inc.
Notes to Financial Statements

Note 9: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, are summarized for the years ended May 31, 2022 and 2021:

May 31, 2022	Level 1	Level 2	Level 3	Total
Investments				
Short-term investment and money market funds	\$ 377,288	\$ -	\$ -	\$ 377,288
Certificates of deposit	-	1,244,200	-	1,244,200
Corporate bonds	-	565,313	-	565,313
U.S. government and agency bonds	6,425,273	-	-	6,425,273
Total	\$ 6,802,561	\$ 1,809,513	\$ -	\$ 8,612,074
Scholarships payable	\$ -	\$ -	\$ 12,872,531	\$ 12,872,531

May 31, 2021	Level 1	Level 2	Level 3	Total
Investments				
Short-term investment and money market funds	\$ 1,840,896	\$ -	\$ -	\$ 1,840,896
Certificates of deposit	-	4,533,835	-	4,533,835
U.S. government and agency bonds	3,753,293	-	-	3,753,293
Total	\$ 5,594,189	\$ 4,533,835	\$ -	\$ 10,128,024
Scholarships payable	\$ -	\$ -	\$ 13,201,699	\$ 13,201,699

The following is a reconciliation of the change in fair value for the years ended May 31, 2022 and 2021, for Level 3, scholarships payable:

For the years ended May 31,	2022	2021
Beginning of period	\$ 13,201,699	\$ 14,487,646
Scholarships awarded	8,994,704	6,817,901
Scholarships forfeited	(3,640,083)	(3,534,253)
Scholarship payments	(4,991,678)	(4,298,054)
Change in discount to net present value	(692,111)	(271,541)
Total	\$ 12,872,531	\$ 13,201,699

Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Note 9: FAIR VALUE MEASUREMENTS (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended May 31, 2022 and 2021, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 10: CONCENTRATIONS OF CREDIT RISK

Cash consists of demand deposits with financial institutions. Restricted cash consists of funds on deposit with the AoA Deposit and Loan Fund Trust (Note 11). The Federal Deposit Insurance Company (FDIC) coverage is limited to \$250,000 for all funds in non-interest bearing bank accounts. Funds on deposit with the AoA Deposit and Loan Fund Trust are not FDIC insured. The Organization consistently maintains cash balances over the FDIC limit of \$250,000. Management is of the opinion that there is no risk of loss because of the financial strength of the institutions.

Note 11: RELATED PARTY TRANSACTIONS

Restricted Cash

A portion of the scholarship funds (Notes 4 and 6) are invested in the AoA Deposit and Loan Fund Trust (an interest-bearing deposit account). The Organization's funds invested in the AoA Deposit and Loan Fund Trust earned interest at the rate of 0.75% and the total deposit balance was \$8,543,200 and \$6,680,434, at May 31, 2022 and 2021, respectively.

Advance from Catholic Education of North Georgia, Inc.

During the year ended May 31, 2022, the Organization received \$800,000 from the Catholic Education of North Georgia, Inc. (CENGI) to be used to fund scholarships for students enrolled in the new K through 12th grade school, St. Mary's Academy, a division of CENGI.

During the year ended May 31, 2022, the Organization awarded \$285,000 to students at St. Mary's Academy and, as a result, recognized \$15,000 of the administrative fee as revenue. The remaining \$475,000 will be awarded to students during the year ended May 31, 2023, and is recorded as an agency obligation on the statements of financial position at May 31, 2022. The corresponding \$25,000 of administrative fees is recorded as a refundable advance on the statements of financial position, and will be recognized into revenue as the remaining funds are awarded to students.

Management Services

The Organization entered into a Management Agreement (the Agreement) with RCAA Administrative Services, Inc. (Services) effective June 1, 2018. The Agreement extends through June 1, 2028 with incremental annual increases.

Note 11: RELATED PARTY TRANSACTIONS (Continued)

Management Services (continued)

The annual billing from Services for the year ended May 31, 2022, includes the following services:

Financial reporting	\$	8,201
Cash management		2,653
Accounts payable		4,775
Payroll		2,122
Office space		7,505
IT and telephone usage		1,274
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Total	\$	26,530

As part of the Agreement, Services hired onto its payroll full-time employees who work one-hundred percent of the time for the Organization. These employees are employed by Services and receive all pay and benefits other full-time employees of Services in similar positions receive. Services processes all payroll and related costs for these employees and charges the Organization one-hundred percent of the actual cost. Payroll and related costs charged to the Organization for the employees are billed on a monthly basis. There were two employees covered under this arrangement and compensation and related benefits totaled approximately \$165,000 and \$163,000, for the years ended May 31, 2022 and 2021, respectively.

The amounts due to Services totaled \$18,255 and \$20,874, as of May 31, 2022 and 2021, respectively.

Note 12: CERTIFICATION FOR GEORGIA DEPARTMENT OF REVENUE

For the years ended May 31, 2022 and 2021, the Organization has met all the requirements under Georgia law O.C.G.A. § 20-2A-2, and is a SSO as defined in O.C.G.A. § 20-2A-1. The 2021 and 2020 calendar year reports submitted to the Georgia Department of Revenue pursuant to O.C.G.A. § 20-2A-3 are correct in all material respects.

Note 13: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.