G.R.A.C.E. Scholars, Inc. **FINANCIAL STATEMENTS** May 31, 2025 and 2024

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REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management 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. (a nonprofit organization), which comprise the statements of financial position as of May 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 financial statements referred to above present fairly, in all material respects, the financial position of G.R.A.C.E. Scholars, Inc. (the Organization) as of May 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Plans for Ceasing Operations

As discussed in Note 1 to the financial statements, during the year ended May 31, 2024, the members decided to cease operations by February 2025. The Organization entered into an agreement with an unrelated student scholarship organization to transfer its scholarship funds and related scholarship liabilities during the year ended May 31, 2025. Our opinion is not modified with respect to that matter.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 & Ungram, L.L.C.

Atlanta, Georgia July 25, 2025



FINANCIAL STATEMENTS

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

May 31,		2025		2024
Assets				
Cash and cash equivalents	\$	1,023,763	¢	327,647
Restricted cash	Ą	1,023,703	ڔ	6,669,592
Restricted cash Restricted certificates of deposit		-		1,423,008
Restricted investments in marketable securities		-		
Restricted investments in marketable securities		<u>-</u>		9,608,398
Total assets	\$	1,023,763	\$	18,028,645
	-			
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$	5,400	\$	-
Accrued expenses		452		24,300
Due to related party		-		31,087
Scholarships payable		-		14,610,486
Total liabilities		5,852		14,665,873
Net assets				
Without donor restrictions		1,017,911		2,205,244
With donor restrictions		, ,		, ,
Purpose restrictions		-		1,157,528
Total net assets		1,017,911		3,362,772
Total liabilities and net assets	Ś	1,023,763	\$	18,028,645

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

	Without Donor			Vith Donor		
	R	estrictions	R	estrictions		Total
Payanua and Other Sumport						
Revenue and Other Support			_		_	
Contributions	\$	-	\$	19,259	Ş	19,259
Administrative		1,541		(1,541)		-
Investment income, net		483,908		-		483,908
Net assets released from restrictions		1,175,246		(1,175,246)		<u> </u>
Total revenue and other support		1,660,695		(1,157,528)		503,167
Expenses						
Program expense		2,706,413		-		2,706,413
Fundraising		893		_		893
General and administrative		140,722		-		140,722
Total expenses		2,848,028		-		2,848,028
Change in net assets		(1,187,333)		(1,157,528)		(2,344,861)
Net assets at beginning of year		2,205,244		1,157,528		3,362,772
		,,		, - , ,		
Net assets at end of year	\$	1,017,911	\$	-	\$	1,017,911

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

	Without Donor			Vith Donor		
	Re	estrictions	R	estrictions		Total
Devenue and Other Consent						
Revenue and Other Support			_		_	
Contributions	\$	-	\$	4,076,020	Ş	4,076,020
Administrative		274,561		(274,561)		-
Investment income, net		528,957		-		528,957
Unrealized and realized gain						
on investments		171,111		-		171,111
Net assets released from restrictions		5,895,836		(5,895,836)		-
Total revenue and other support		6,870,465		(2,094,377)		4,776,088
Expenses						
Program expense		5,977,514		-		5,977,514
Fundraising		153,852		-		153,852
General and administrative		101,080		-		101,080
						_
Total expenses		6,232,446		-		6,232,446
Change in net assets		638,019		(2,094,377)		(1,456,358)
Net assets at beginning of year		1,567,225		3,251,905		4,819,130
ivet assets at beginning or year		1,307,223		J,ZJI,3UJ		+,013,130
Net assets at end of year	\$	2,205,244	\$	1,157,528	\$	3,362,772

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

	Program	F	General and Fundraising Administrative			Total
Scholarship awards	\$ 2,608,528	\$	-	\$	-	\$ 2,608,528
Payroll and benefits	70,322		-		70,322	140,644
Contract wages	27,563		-		27,563	55,126
Professional services	-		-		33,966	33,966
Office expense	-		-		7,567	7,567
Other expenses	-		-		1,304	1,304
Marketing and advertising	-		743		-	743
Other fundraising expenses	-		150		-	150
<u>Total</u>	\$ 2,706,413	\$	893	\$	140,722	\$ 2,848,028

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

		Program				eneral and ninistrative		Total
Scholarship awards	\$	5,836,017	\$	_	\$	-	\$	5,836,017
Payroll and benefits		103,049	•	69,324	•	14,989	•	187,362
Contract wages		38,448		25,864		5,592		69,904
Professional services		-		-		57,502		57,502
Other fundraising expenses		-		44,003		-		44,003
Marketing and advertising		-		14,661		-		14,661
Other expenses		-		-		13,537		13,537
Office expense		-		-		9,460		9,460
	•							
<u>Total</u>	\$	5,977,514	\$	153,852	\$	101,080	\$	6,232,446

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

For the years ended May 31,		2025		2024
Operating Activities				
Change in net assets	ċ	(2 2// 961)	¢	(1,456,358)
Adjustments to reconcile change in net assets	Ą	(2,344,801)	Ą	(1,430,338)
to net cash provided by (used in) operating activities:				
Unrealized and realized (gain) loss on investments		_		(171,111)
Net present value adjustment - scholarships payable		_		1,636,850
Changes in operating assets and liabilities:				1,030,030
Restricted certificates of deposit		_		2,648,816
Accounts payable		5,400		(362)
Accrued expenses		(23,848)		2,200
Due to related party		(31,087)		15,568
Scholarships payable	((14,610,486)		(881,388)
p. p. p. p.	'	(= 1,0=0,100)		(002)0007
Net cash provided by (used in) operating activities		(17,004,882)		1,794,215
Investing Activities				
Purchase of investments		(11,798,607)		(12,659,673)
Proceeds from sale of investments	'	22,830,013		10,010,647
				10,010,017
Net cash provided by (used in) investing activities		11,031,406		(2,649,026)
Net change in cash, cash equivalents and restricted cash		(5,973,476)		(854,811)
Cash, cash equivalents and restricted cash at beginning of year		6,997,239		7,852,050
Cash, cash equivalents and restricted cash at end of year	\$	1,023,763	\$	6,997,239
Presented on Statements of Financial Position as:				
Cash and cash equivalents	\$	1,023,763	\$	327,647
Restricted cash	т	-	г	6,669,592
				, ,
Cash, cash equivalents, and restricted cash at end of year	\$	1,023,763	\$	6,997,239

Note 1: DESCRIPTION OF THE ORGANIZATION

G.R.A.C.E. Scholars, Inc. (the Organization) is 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 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.

The Organization's program consists of awarding scholarships. The Organization awards scholarships based on financial need to assist with individual student tuition costs.

On May 28, 2024, the members of the Organization signed an agreement with Georgia Goal Scholarship Program, Inc. (GOAL), an unrelated entity, that qualifies as an SSO. Under the terms of the agreement, the Organization agreed to transfer all scholarship funds for the 2025-2026 school year and beyond to GOAL during the year ended May 31, 2025. Management interprets all scholarship funds to mean all gross scholarship liabilities along with the assets necessary to fund those liabilities. The Organization also ceased accepting tax credit applications for calendar year 2025 on July 1, 2024.

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 the allocation of functional expenses.

Cash and Cash Equivalents

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

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

Investments in Marketable Securities

The Organization reports investments in equity 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.

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. As of May 31, 2024, scholarships payable was recorded without a net present value adjustment due to the Organization anticipating fulfillment of its scholarships payable liabilities within the next year (Note 1). As of May 31, 2025, all scholarships payable liabilities were either fulfilled or transferred to GOAL.

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 it 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 condition.

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.

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, 2025 and 2024, the Organization has approved administrative fees of approximately 8% and 7%, respectively, which is in line with the allowable legal limit. Administrative fees are recognized in the same manner and period as the related contributions.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll and benefits and contract wages 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 had no unrelated business income for the years ended May 31, 2025 and 2024. 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, 2025 and 2024, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 25, 2025, 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.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The Organization adopted ASU 2016-13 on June 1, 2023. The impact of the adoption was not considered material to 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.

May 31,	2025	 2024
Financial assets at year-end	\$ 1,023,763	\$ 18,028,645
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted cash	-	(6,669,592)
Restricted certificates of deposit	-	(1,423,008)
Restricted investments in marketable securities	-	(9,608,398)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,023,763	\$ 327,647

The Organization is principally supported by the administrative fees it collects for managing and awarding scholarships. The Organization plans to allocate all assets remaining towards scholarships after setting its remaining obligations, subsequent to May 31, 2025.

Note 4: RESTRICTED CASH, CERTIFICATES OF DEPOSIT 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, certificates of deposit and investment balances at May 31, 2024, were \$17,700,998. The Organization held no restricted cash, certificates of deposit or investment balances at May 31, 2025.

Note 5: INVESTMENTS

The Organization held no investments in marketable securities as of May 31, 2025.

Investments in marketable securities consist of the following as of May 31, 2024:

May 31, 2024	Cost	Fair Value
Short-term investment and money market funds U.S. government and agency bonds	\$ 170,245 9,249,113	\$ 170,245 9,438,153
Total investments in marketable securities	\$ 9,419,358	\$ 9,608,398

The Organization's policy for recording fees paid for the management of its investments is to net the fees against investment income.

During the year ended May 31, 2024, a transfer from the Organization's investment account to a cash account was recorded as a decrease in investments, and a corresponding decrease in unrealized and realized gain from investments. The transfer should have been recorded as an increase in cash, rather than a decrease in unrealized and realized gain on investments, and prior period figures have been adjusted to account for this transaction. Cash and cash equivalents and unrealized and realized gain from investments of \$227,647 and \$71,111, respectively, have been adjusted to \$327,647 and \$171,111 within the current year financial statements. Further, net assets as of May 31, 2024, within the prior year issued financial statements of \$3,262,772 have been adjusted to \$3,362,772 within these financial statements.

Note 6: SCHOLARSHIPS PAYABLE

Scholarships payable are reflected in the statement of financial position as of May 31, 2024, in the amount of \$14,610,486. There were no scholarships payable as of May 31, 2025. Scholarship awards expense in the statements of activities of \$2,608,528 and \$5,836,017, for the years ended May 31, 2025 and 2024, respectively, is the total of scholarships awarded during each year.

During the years ended May 31, 2025 and 2024, scholarship awards totaling \$1,452,863 and \$3,330,689, respectively, were returned by students to the Organization and were reassigned to other qualified students.

Note 6: SCHOLARSHIPS PAYABLE (Continued)

The schedule below is a reconciliation of scholarships awarded, scholarship payments and scholarships payable.

For the years ended May 31,	2025	2024
Scholarships payable, beginning of year	\$ 14,610,486 \$	15,491,874
Scholarships awarded	2,608,528	4,199,167
Scholarships payments	(4,454,952)	(5,080,555)
Scholarships payable transferred to GOAL (Note 1)	(12,764,062)	<u>-</u>
Scholarships payable, end of year	\$ - \$	14,610,486

Under the terms of the agreement with GOAL (Note 1), scholarships payable totaling \$14,610,486 as of May 31, 2024, along with any scholarships awarded during the year ended May 31, 2025, were to be transferred to GOAL during the year ended May 31, 2025. All scholarships payable were fulfilled, or transferred to GOAL, during the year ended May 31, 2025.

Note 7: NET ASSETS

Net assets with purpose restrictions of \$1,157,528 at May 31, 2024, were restricted for scholarships to be awarded in 2025. There were no net assets with donor restrictions at May 31, 2025. Releases of net assets with donor restrictions totaled \$1,175,246 and \$5,895,836 for the years ended May 31, 2025 and 2024, respectively.

Note 8: CONTRIBUTIONS

Contributions are reflected in the statements of activities for the years ended May 31, 2025 and 2024, in the amounts of \$19,259 and \$4,076,020, respectively. Contributions consisted of the following:

For the years ended May 31,	2025	2024
General contributions Contributions with no corresponding tax credits Contributions and transfers from other SSOs	\$ - \$ 19,259 -	5 2,959,892 645,232 470,896
_Total	\$ 19,259	4,076,020

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 and liabilities measured at fair value. There have been no changes in the methodologies used at May 31, 2025 and 2024.

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

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. There was no present value discount applied at May 31, 2024, due to the expectation of the liabilities being satisfied through a transfer to another SSO within the next fiscal year (Note 1).

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.

Note 9: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, consists of the following:

May 31, 2024	Level 1	Level 2	Level 3	Total
Investments				
Short-term investment and money market funds	\$ 170,245	\$ -	\$ -	\$ 170,245
U.S. government and agency bonds	9,438,153	-	-	9,438,153
Total	\$ 9,608,398	\$ -	\$ -	\$ 9,608,398
Scholarships payable	\$ -	\$ -	\$ 14,610,486	\$14,610,486

The following is a reconciliation of the change in fair value for the years ended May 31, 2025 and 2024 for Level 3, scholarships payable:

For the years ended May 31,	2025	2024
Beginning of year	\$ 14,610,486	\$ 13,855,024
Scholarships awarded	2,608,528	4,199,167
Scholarship payments	(4,454,952)	(5,080,555)
Scholarships payable transferred to GOAL	(12,764,062)	-
Change in net present value discount	-	1,636,850
		_
<u>Total</u>	\$ -	\$14,610,486

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 year ended May 31, 2024, there were no significant transfers in or out of Levels 1, 2 or 3. The Organization held no investments in marketable securities as of May 31, 2025.

Note 10: CONCENTRATIONS OF CREDIT RISK

The Organization maintained cash deposits with financial institutions at May 31, 2025, in excess of federally insured limits of approximately \$773,000. Cash deposits with financial institutions at May 31, 2024, were within the federally insured limits. Restricted cash on deposit with the AoA Deposit and Loan Fund Trust (Note 11) are not FDIC insured.

Note 11: RELATED PARTY TRANSACTIONS

Restricted Cash on Deposit with AoA Deposit and Loan Fund Trust

A portion of the scholarship funds (Notes 4 and 6) were invested in the AoA Deposit and Loan Fund Trust (an interest-bearing deposit account), during the years ended May 31, 2025 and 2024. The Organization's funds invested in the AoA Deposit and Loan Fund Trust earned interest at the rate of 3.00% at May 31, 2025 and 2024. The total funds on deposit were \$6,669,592, at May 31, 2024. There were no funds on deposit at May 31, 2025. Funds on deposit are presented as restricted cash in the statements of financial position.

Management Services

The Organization entered into a Management Agreement (the Agreement) with RCAA Administrative Services, Inc. (Services) effective June 1, 2018. The agreement automatically renews annually on June 1st of each year and will terminate if either party in the agreement gives notice to the other party. Administrative support and financial reporting are among the services provided. The Organization terminated the agreement with Services effective February 28, 2025. The annual billing from Services totaled \$18,722 and \$27,602 as of May 31, 2025 and 2024, respectively.

As part of the Agreement, Services hired onto its payroll full-time employees who worked one-hundred percent of the time for the Organization. These employees were employed by Services and received all pay and benefits other full-time employees of Services in similar positions receive. Services processed all payroll and related costs for these employees and charged 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 \$141,000 and \$187,000, for the years ended May 31, 2025 and 2024, respectively.

The amounts due to Services totaled \$31,087, as of May 31, 2024. There were no amounts due to Services as of May 31, 2025.

Note 12: CERTIFICATION FOR GEORGIA DEPARTMENT OF REVENUE

For the years ended May 31, 2025 and 2024, 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 2024 and 2023 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.