Alliance for Choice in Education and Subsidiaries

Consolidated Financial Report
with Supplemental Information
December 31, 2018

Contents

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Independent Auditor's Report

To the Board of Directors
Alliance for Choice in Education and Subsidiaries

We have audited the accompanying consolidated financial statements of Alliance for Choice in Education and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of activities and changes in net assets (deficiency in net assets), functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Choice in Education and Subsidiaries as of December 31, 2018 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Alliance for Choice in Education and Subsidiaries adopted the provisions under Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Alliance for Choice in Education and Subsidiaries as of and for the year ended December 31, 2017 were audited by EKS&H LLLP, whose report dated June 14, 2018 expressed an unmodified opinion on those statements prior to the restatement described in Note 9.

To the Board of Directors
Alliance for Choice in Education and Subsidiaries

Prior Period Adjustment

As part of our audit of the 2018 consolidated financial statements, we also audited the adjustments described in Note 9 that were applied to restate the 2017 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements of Alliance for Choice in Education and Subsidiaries other than with respect to the adjustments, and, accordingly, we do not express and opinion or any other form of assurance on the 2017 consolidated financial statements as a whole.

Plante & Moran, PLLC

January 31, 2020

Consolidated Statement of Financial Position

December 31, 2018 and 2017

	2018	2017 (as Restated)
Assets		
Current Assets		
Cash and cash equivalents	$ 26,786,307	$ 10,376,690
Short-term investments	710,616	710,037
Promises to give - Current portion	6,425,550	6,230,888
Other receivable	543	7,908
Prepaid expenses	314,784	58,928
Total current assets	34,237,800	17,384,451
Promises to Give - Net of current portion	2,391,402	1,800,706
Furniture and Equipment - Net	137,885	197,047
Total noncurrent assets	2,529,287	1,997,753
Total assets	**$ 36,767,087**	**$ 19,382,204**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 938,476	$ 398,090
Scholarships payable	8,940,873	6,575,556
Total liabilities	9,879,349	6,973,646
Net Assets (Deficiency in Net Assets)		
Without donor restrictions	7,265	(192,551)
With donor restrictions	26,880,473	12,601,109
Total net assets	26,887,738	12,408,558
Total liabilities and net assets	**$ 36,767,087**	**$ 19,382,204**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets (Deficiency in Net Assets)

Years Ended December 31, 2018 and 2017

	2018			2017 (as Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	$ 14,005,809	$ 24,996,671	$ 39,002,480	$ 13,752,529	$ 12,339,109	$ 26,091,638
In-kind contributions	225,703	-	225,703	13,700	-	13,700
Other	34,987	-	34,987	12,967	-	12,967
Net assets released from restrictions	10,717,307	(10,717,307)	-	4,340,237	(4,340,237)	-
Total support and revenue	24,983,806	14,279,364	39,263,170	18,119,433	7,998,872	26,118,305
Expenses						
Program services:						
Primary and secondary scholarships	18,004,810	-	18,004,810	13,368,070	-	13,368,070
Other education support programs	2,514,501	-	2,514,501	1,681,970	-	1,681,970
Total program services	20,519,311	-	20,519,311	15,050,040	-	15,050,040
Support services:						
Fundraising	3,409,831	-	3,409,831	2,483,144	-	2,483,144
General and administrative	854,848	-	854,848	783,343	-	783,343
Total support services	4,264,679	-	4,264,679	3,266,487	-	3,266,487
Total expenses	24,783,990	-	24,783,990	18,316,527	-	18,316,527
Change in Net Assets from Operations	199,816	14,279,364	14,479,180	(197,094)	7,998,872	7,801,778
Nonoperating Loss - Loss on disposal of assets	-	-	-	(17,317)	-	(17,317)
Increase (Decrease) in Net Assets	199,816	14,279,364	14,479,180	(214,411)	7,998,872	7,784,461
Net Assets (Deficiency of Net Assets) - Beginning of year	(192,551)	12,601,109	12,408,558	21,860	4,602,237	4,624,097
Net Assets (Deficiency of Net Assets) - End of year	**$ 7,265**	**$ 26,880,473**	**$ 26,887,738**	**$ (192,551)**	**$ 12,601,109**	**$ 12,408,558**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Fundraising	General and Administrative	Total
Scholarship expense	$ 18,004,810	$ -	$ -	$ 18,004,810
Wages	1,644,628	2,076,284	579,825	4,300,737
Events and awareness	61,270	748,230	-	809,500
Office and general business expenses	161,392	156,964	117,199	435,555
Professional services	183,582	19,560	90,819	293,961
Marketing and communication	137,087	137,087	-	274,174
Travel	71,894	117,145	4,456	193,495
IT	70,399	65,008	23,084	158,491
Community engagement	127,516	-	-	127,516
Staff expenses	49,728	36,409	17,541	103,678
Governing board	-	-	21,924	21,924
Expansion	7,005	7,005	-	14,010
Loss from uncollectible promises to give	-	46,139	-	46,139
Total functional expenses	**$ 20,519,311**	**$ 3,409,831**	**$ 854,848**	**$ 24,783,990**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017
(as Restated)

	Program Services	Fundraising	General and Administrative	Total
Scholarship expense	$ 13,368,070	$ -	$ -	$ 13,368,070
Wages	997,364	1,268,814	408,182	2,674,360
Events and awareness	53,212	637,832	-	691,044
Office and general business expenses	189,517	166,474	118,682	474,673
Professional services	131,055	36,956	184,652	352,663
Marketing and communication	101,549	101,549	-	203,098
Travel	51,848	99,681	11,855	163,384
IT	59,166	42,012	30,054	131,232
Community engagement	36,560	-	111	36,671
Staff expenses	34,056	27,171	16,037	77,264
Governing board	-	-	10,315	10,315
Expansion	27,643	3,455	3,455	34,553
Loss from uncollectible promises to give	-	99,200	-	99,200
Total functional expenses	**$ 15,050,040**	**$ 2,483,144**	**$ 783,343**	**$ 18,316,527**

Consolidated Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017 (as Restated)
Cash Flows from Operating Activities		
Increase in net assets	$ 14,479,180	$ 7,784,461
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization expense	74,962	83,827
Loss from uncollectible promises to give	46,139	99,200
Loss on disposal of assets	-	17,317
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Promises to give	(831,497)	(5,799,655)
Other receivable	7,365	2,318
Prepaid expenses	(255,856)	36,779
Deposits	-	3,207
Accounts payable and accrued expenses	540,386	(268,519)
Scholarships payable	2,365,317	1,186,084
Net cash and cash equivalents provided by operating activities	16,425,996	3,145,019
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(15,800)	(66,368)
Purchases of investments	(579)	(701)
Net cash and cash equivalents used in investing activities	(16,379)	(67,069)
Net Increase in Cash and Cash Equivalents	16,409,617	3,077,950
Cash and Cash Equivalents - Beginning of year	10,376,690	7,298,740
Cash and Cash Equivalents - End of year	**$ 26,786,307**	**$ 10,376,690**

See notes to consolidated financial statements.

Note 1 - Nature of Business

Alliance for Choice in Education and Subsidiaries (ACE) was incorporated in the state of Colorado on February 3, 2000 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. ACE is dedicated to enhancing the quality and diversity of educational choices available to children by promoting greater accessibility to private schools through scholarships.

ACE upholds the mission that every child - regardless of family income - is of equal worth and equally deserving of a quality education and that providing every child with an educational choice will promote an accountable and competitive education marketplace that fosters effective private and public schools.

Note 2 - Significant Accounting Policies

Principles of Consolidation

Since 2012, ACE has expanded its programs to several markets outside of Colorado: Kansas, SGO Kansas, Louisiana, Montana, Houston, Dallas, Wyoming, Arkansas, and Missouri, and expects to add more markets each year. ACE has formed single-member LLCs, with ACE as the sole member, for each market operation. Each LLC is a disregarded entity for federal income tax purposes, and its accounts are included with ACE's accounts (collectively referred to as the "Organization") in these consolidated financial statements. All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018 and retroactively applied to all years presented, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. For the year ended December 31, 2017, net assets that were previously reported as temporarily restricted have been identified as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. Certain expenses were reclassified between functional expense categories as a result of adopting the amendment.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2020 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on the Organization’s financial statements as a result of the Organization's operating leases, as disclosed in Note 7, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization’s year ended December 31, 2019 and will be applied on a modified prospective basis. The Organization has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Organization periodically maintains cash balances in excess of the FDIC's insurance limit of $250,000.

Short-term Investments

Short-term investments consisted of certificates of deposit carried at cost plus accrued interest at December 31, 2018 and 2017.

Note 2 - Significant Accounting Policies (Continued)

Promises to Give

Promises to give consist of unconditional pledges of future contributions from donors. The allowance method is used to determine uncollectible unconditional promises to give. The allowance is based on management's analysis of specific pledges. The allowance for uncollectible promises to give as of December 31, 2018 and 2017 was $0 and $65,000, respectively.

Promises to give that are expected to be collected within one year are recorded at their net realizable values. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Concentration of Risk

Of the $8,816,952 of total promises to give at December 31, 2018, no donor contributed more than 10 percent. Of the $8,031,594 of total promises to give at December 31, 2017, approximately $3,805,000 was from three donors.

Of the $39,002,480 of total contributions received during 2018, no donor contributed more than 10 percent. Of the $26,091,638 of total contributions received during 2017, approximately $5,037,000 was from two donors.

Furniture and Equipment

The Organization capitalizes all furniture and equipment with a cost or fair value of $1,000 or greater. Furniture and equipment purchased by the Organization are recorded at cost. Donated furniture and equipment are capitalized at fair value at the date of donation. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from three to seven years. The cost of leasehold improvements is amortized over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received. The gifts are reported as either without donor restrictions or with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which contributions are received are reported as unrestricted contributions in the accompanying financial statements.

Functional Allocation of Expenses

Expenses incurred directly for a program service are charged to such service. Fringe benefits are allocated to all services based on a pro rata basis of total direct salary expenses incurred. Allocations of certain overhead costs are also allocated services on a pro rata basis of headcount in each department.

Other Educational Support Programs

The Organization's major program is granting K-12 scholarships. Other educational support programs include allocated support services.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 31, 2020, which is the date the financial statements were available to be issued.

Note 3 - Liquidity

The Organization's financial assets are as follows:

	2018	2017
Cash and cash equivalents	$ 26,786,307	$ 10,376,690
Short-term investments	710,616	710,037
Promises to give - Current portion	6,425,550	6,230,888
Other receivable	543	7,908
Total	$ 33,923,016	$ 17,325,523

Approximately $10,100,000 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure, as defined below, within one year of the consolidated statement of financial position date. This represents funds raised in the state of Louisiana restricted for scholarships in 2020 and beyond. The promises to give - current portion are subject to implied time restrictions but are expected to be collected within one year.

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors.

The Organization considers general expenditures to be scholarship payments and operational expenses, which are expected to be approximately $27,900,000 in 2019. During the years from 2012 to 2018, the Organization grew its breadth into several additional markets. In 2018, the Organization initiated a four-year plan in order to grow available financial assets on hand to meet 365 days of general expenditures on a mark-to-market basis. In the meantime, the Organization will extend short-term loans between markets if necessary. To date, short-term loans have not been required. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The Organization also realizes there could be unanticipated liquidity needs.

Note 4 - Promises to Give

The following is the detail of unconditional promises to give:

	2018	2017
Due in less than one year	$ 6,425,550	$ 6,295,888
Due in one to five years	2,582,517	1,904,000
Less allowance for uncollectible pledges	-	(65,000)
Total	9,008,067	8,134,888
Less unamortized discount on promises to give	(191,115)	(103,294)
Total	8,816,952	8,031,594
Less current portion	(6,425,550)	(6,230,888)
Promises to give - Net of current portion	$ 2,391,402	$ 1,800,706

The average discount rate used on long-term promises to give for the year ended December 31, 2018 and 2017 was 2.53 percent and 1.65 percent, respectively, which represents the prevailing rate at the date of the pledge.

Note 5 - Furniture and Equipment

Furniture and equipment are summarized as follows:

	2018	2017
Computers and software	$ 161,575	$ 153,022
Furniture and fixtures	56,112	48,865
Leasehold improvements	128,494	128,494
Total cost	346,181	330,381
Less accumulated depreciation and amortization	208,296	133,334
Net property and equipment	$ 137,885	$ 197,047

Depreciation and amortization expense for 2018 and 2017 was $74,962 and $83,827, respectively.

Note 6 - Net Assets

The net assets with donor restrictions represent the net proceeds of donations that have been restricted by the donors to be used only for scholarship awards, general and administrative expenses or market-specific use or that have time restrictions placed on them.

Note 6 - Net Assets (Continued)

Net assets with donor restrictions at December 31, 2018 consisted of the following:

	Scholarships	General and Administrative	Market-specific Use	Promises to Give in Support of Future Operations	Total
National	$ -	$ -	$ -	$ 245,086	$ 245,086
Colorado	150,000	-	1,777,946	4,902,113	6,830,059
Montana	-	-	-	1,036,768	1,036,768
Louisiana	13,192,034	297,436	-	366,500	13,855,970
Kansas	-	-	11,495	565,500	576,995
Houston	-	-	970,146	506,646	1,476,792
Wyoming	-	-	312,984	834,339	1,147,323
Dallas	-	-	278,244	110,000	388,244
Missouri	-	-	125,825	200,000	325,825
Kansas SGO	589,701	-	-	-	589,701
Arkansas	-	-	357,710	50,000	407,710
Total	$ 13,931,735	$ 297,436	$ 3,834,350	$ 8,816,952	$ 26,880,473

Net assets with donor restrictions at December 31, 2017 consisted of the following:

	Scholarships	General and Administrative	Market-specific Use	Promises to Give in Support of Future Operations	Total
National	$ -	$ -	$ -	$ 55,958	$ 55,958
Colorado	78,500	-	2,222,536	967,184	3,268,220
Montana	-	-	-	735,100	735,100
Louisiana	649,703	-	-	1,143,967	1,793,670
Kansas	-	-	-	1,523,209	1,523,209
Houston	500,000	-	429,644	1,380,172	2,309,816
Wyoming	50,000	-	119,748	1,073,149	1,242,897
Dallas	-	-	119,384	760,000	879,384
Missouri	-	-	-	392,855	392,855
Kansas SGO	360,000	40,000	-	-	400,000
Total	$ 1,638,203	$ 40,000	$ 2,891,312	$ 8,031,594	$ 12,601,109

Note 7 - Operating Leases

The Organization leases a facility under a noncancelable operating lease from a related party and has month-to-month leases primarily for parking and storage. The leases expire at various dates through December 31, 2021. The leases require the Organization to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was $157,335 and $137,672 for 2018 and 2017, respectively.

Note 7 - Operating Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31		Amount
2019	$	106,922
2020		109,483
2021		27,531
Total	$	243,936

Note 8 - Retirement Plans

The Organization sponsors a 401(k) plan (the "Plan") for all employees. In order to participate in the Plan, an employee must be at least 21 years of age. Employees may contribute from 1 percent to 84 percent of their eligible earnings. The Organization matches 100 percent of the employee contribution up to a maximum of a 6 percent contribution. Contributions to the Plan totaled $164,901 and $108,673 for the years ended December 31, 2018 and 2017, respectively.

Note 9 - Restatement

During 2018, the Organization determined that the scholarships awarded each fall represented a commitment to fund the scholarship for the school year; therefore, the spring portion of the scholarship should be accrued for at December 31. The effect of this error on the 2017 financial statements increased scholarships payable by $6,575,556 and scholarship expense by $1,186,084. Beginning net assets as of December 31, 2016 decreased by $5,389,472.

The following financial statement line items for 2017 were affected by the correction of the misstatement:

	As Originally Reported	As Restated	Effect of Change
Consolidated Statement of Financial Position			
Scholarships payable	$ -	$ 6,575,556	$ (6,575,556)
Net assets without donor restrictions	(16,152)	(192,551)	176,399
Net assets with donor restrictions	19,000,266	12,601,109	6,399,157
Consolidated Statement of Activities and Changes in Net Assets			
Primary and secondary scholarships	12,181,986	13,368,070	(1,186,084)
Total program services	14,101,917	15,050,040	(948,123)
Total expenses	17,031,243	18,316,257	(1,285,014)
Change in net assets from operations	9,087,062	7,801,778	1,285,284
Increase in net assets	8,970,545	7,784,461	1,186,084
Consolidated Statement of Cash Flows			
Increase in net assets	8,970,545	7,784,461	1,186,084
Scholarships payable	-	1,186,084	(1,186,084)

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Board of Directors
Alliance for Choice in Education and Subsidiaries

We have audited the consolidated financial statements of Alliance for Choice in Education and Subsidiaries as of and for the year ended December 31, 2018 and have issued our report thereon dated January 31, 2020, which contained an unmodified opinion on those consolidated financial statements. The consolidated financial statements of Alliance for Choice in Education and Subsidiaries as of and for the year ended December 31, 2017 were audited by EKS&H LLLP, whose report dated June 14, 2018 expressed an unmodified opinion on those statements prior to the restatement described in Note 9. Our audit was performed for the purpose of forming an opinion on the 2018 consolidated financial statements as a whole. The supplemental information is presented for the purpose of additional analysis rather than to present the financial position, change in net assets, and cash flows of the individual entities and departments and is not a required part of the consolidated 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 2018 and 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 and 2017 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 2018 and 2017 consolidated financial statements as a whole.

Plante & Moran, PLLC

January 31, 2020

Departmental Statement of Financial Position

December 31, 2018

	National Office	Colorado	Montana	Louisiana	Kansas	Houston	Wyoming	Dallas	Missouri	Kansas SGO	Arkansas	Eliminating Entries	Total
Assets													
Current Assets													
Cash and cash equivalents	$ 1,997,601	$ 4,027,085	$ 910,987	$16,505,171	$ 438,574	$ 1,211,605	$ 553,582	$ 299,714	$ 115,590	$ 662,803	$ 63,595	$ -	$26,786,307
Short-term investments	-	710,616	-	-	-	-	-	-	-	-	-	-	710,616
Promises to give - Current portion	245,086	3,122,814	1,000,000	366,500	565,500	270,650	495,000	110,000	200,000	-	50,000	-	6,425,550
Other receivable	-	-	-	-	-	-	-	-	-	-	543	-	543
Interorganization receivable	-	228,192	-	-	-	659,623	55,131	378,000	146,029	-	583,876	(2,050,851)	-
Prepaid expenses	222,881	91,518	132	-	253	-	-	-	-	-	-	-	314,784
Total current assets	2,465,568	8,180,225	1,911,119	16,871,671	1,004,327	2,141,878	1,103,713	787,714	461,619	662,803	698,014	(2,050,851)	34,237,800
Promises to Give - Net of current portion	-	1,779,299	36,768	-	-	235,996	339,339	-	-	-	-	-	2,391,402
Furniture and Equipment - Net	131,135	6,175	-	575	-	-	-	-	-	-	-	-	137,885
Total noncurrent assets	131,135	1,785,474	36,768	575	-	235,996	339,339	-	-	-	-	-	2,529,287
Total assets	**$ 2,596,703**	**$ 9,965,699**	**$ 1,947,887**	**$16,872,246**	**$ 1,004,327**	**$ 2,377,874**	**$ 1,443,052**	**$ 787,714**	**$ 461,619**	**$ 662,803**	**$ 698,014**	**$ (2,050,851)**	**$36,767,087**
Liabilities and Net Assets													
Current Liabilities													
Accounts payable and accrued expenses	$ 364,106	$ 329,458	$ 3,547	$ 215,187	$ 9,101	$ 4,465	$ 5,229	$ 3,189	$ 711	$ -	$ 3,483	$ -	$ 938,476
Scholarships payable	-	2,806,182	1,031,475	2,667,901	360,013	896,617	290,500	396,281	135,083	70,000	286,821	-	8,940,873
Interorganization payable	1,779,904	-	56,305	133,188	58,218	-	-	-	-	23,236	-	(2,050,851)	-
Total liabilities	2,144,010	3,135,640	1,091,327	3,016,276	427,332	901,082	295,729	399,470	135,794	93,236	290,304	(2,050,851)	9,879,349
Net Assets (Deficiency in Net Assets)													
Without donor restrictions	207,607	-	(180,208)	-	-	-	-	-	-	(20,134)	-	-	7,265
With donor restrictions	245,086	6,830,059	1,036,768	13,855,970	576,995	1,476,792	1,147,323	388,244	325,825	589,701	407,710	-	26,880,473
Total net assets	452,693	6,830,059	856,560	13,855,970	576,995	1,476,792	1,147,323	388,244	325,825	569,567	407,710	-	26,887,738
Total liabilities and net assets	**$ 2,596,703**	**$ 9,965,699**	**$ 1,947,887**	**$16,872,246**	**$ 1,004,327**	**$ 2,377,874**	**$ 1,443,052**	**$ 787,714**	**$ 461,619**	**$ 662,803**	**$ 698,014**	**$ (2,050,851)**	**$36,767,087**

Alliance for Choice in Education and Subsidiaries

Departmental Statement of Financial Position

December 31, 2017
(as Restated)

	National Office	Colorado	Montana	Louisiana	Kansas	Houston	Wyoming	Dallas	Missouri	Kansas SGO	Eliminating Entries	Total
Assets												
Current Assets												
Cash and cash equivalents	$ 33,035	$ 3,821,308	$ 713,596	$ 3,268,488	$ 569,711	$ 1,570,201	$ 255,351	$ -	$ -	$ 145,000	$ -	$ 10,376,690
Short-term investments	-	710,037	-	-	-	-	-	-	-	-	-	710,037
Promises to give - Current portion	55,958	871,693	735,100	1,143,967	1,056,500	912,670	495,000	760,000	200,000	-	-	6,230,888
Other receivable	-	7,069	839	-	-	-	-	-	-	-	-	7,908
Interorganization receivable	-	62,808	-	5,599	-	-	104,008	181,362	-	250,484	(604,261)	-
Prepaid expenses	47,838	11,090	-	-	-	-	-	-	-	-	-	58,928
Total current assets	136,831	5,484,005	1,449,535	4,418,054	1,626,211	2,482,871	854,359	941,362	200,000	395,484	(604,261)	17,384,451
Promises to Give - Net of current portion	-	95,491	-	-	466,709	467,502	578,149	-	192,855	-	-	1,800,706
Furniture and Equipment - Net	185,582	10,250	-	1,215	-	-	-	-	-	-	-	197,047
Total noncurrent assets	185,582	105,741	-	1,215	466,709	467,502	578,149	-	192,855	-	-	1,997,753
Total assets	**$ 322,413**	**$ 5,589,746**	**$ 1,449,535**	**$ 4,419,269**	**$ 2,092,920**	**$ 2,950,373**	**$ 1,432,508**	**$ 941,362**	**$ 392,855**	**$ 395,484**	**$ (604,261)**	**$ 19,382,204**
Liabilities and Net Assets												
Current Liabilities												
Accounts payable and accrued expenses	$ 216,302	$ 57,191	$ 11,941	$ 47,239	$ 31,463	$ 19,244	$ 3,673	$ 11,037	$ -	$ -	$ -	$ 398,090
Scholarships payable	39,987	2,264,335	740,781	2,578,360	303,746	411,468	185,938	50,941	-	-	-	6,575,556
Interorganization payable	60,475	-	23,096	-	309,531	209,845	-	-	1,314	-	(604,261)	-
Total current liabilities	316,764	2,321,526	775,818	2,625,599	644,740	640,557	189,611	61,978	1,314	-	(604,261)	6,973,646
Net Assets (Deficiency in Net Assets)												
Without donor restrictions	(50,309)	-	(61,383)	-	(75,029)	-	-	-	(1,314)	(4,516)	-	(192,551)
With donor restrictions	55,958	3,268,220	735,100	1,793,670	1,523,209	2,309,816	1,242,897	879,384	392,855	400,000	-	12,601,109
Total net assets	5,649	3,268,220	673,717	1,793,670	1,448,180	2,309,816	1,242,897	879,384	391,541	395,484	-	12,408,558
Total liabilities and net assets	**$ 322,413**	**$ 5,589,746**	**$ 1,449,535**	**$ 4,419,269**	**$ 2,092,920**	**$ 2,950,373**	**$ 1,432,508**	**$ 941,362**	**$ 392,855**	**$ 395,484**	**$ (604,261)**	**$ 19,382,204**

Alliance for Choice in Education and Subsidiaries

Departmental Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018

	National Office	Colorado	Montana	Louisiana	Kansas	Houston	Wyoming	Dallas	Missouri	Kansas SGO	Arkansas	Eliminating Entries	Total
Support and Revenue													
Contributions	$ 2,530,898	$ 11,284,675	$ 2,431,130	$ 18,116,492	$ 155,416	$ 1,442,970	$ 611,690	$ 666,689	$ 277,070	$ 365,500	$ 1,119,950	$ -	$ 39,002,480
In-kind contributions	23,379	202,324	-	-	-	-	-	-	-	-	-	-	225,703
Other	1,121	24,850	1,204	6,735	242	451	105	111	-	168	-	-	34,987
Shared services revenue	1,466,667	-	-	-	-	-	-	-	-	-	-	(1,466,667)	-
Total support and revenue	4,022,065	11,511,849	2,432,334	18,123,227	155,658	1,443,421	611,795	666,800	277,070	365,668	1,119,950	(1,466,667)	39,263,170
				-									
Expenses													
Program services:													
Primary and secondary scholarshi	26,994	5,661,826	1,988,842	5,413,328	723,517	1,802,543	588,000	799,062	282,667	139,250	578,781	-	18,004,810
Other education support programs	1,616,193	733,626	125,479	238,600	78,028	143,342	50,285	124,271	25,294	23,895	38,379	(682,891)	2,514,501
Total program services	1,643,187	6,395,452	2,114,321	5,651,928	801,545	1,945,885	638,285	923,333	307,961	163,145	617,160	(682,891)	20,519,311
Support services:													
Fundraising	1,176,582	1,380,673	113,703	350,295	203,667	295,191	57,969	201,946	23,771	17,994	65,398	(477,358)	3,409,831
General and administrative	755,252	173,885	21,467	58,704	21,631	35,369	11,115	32,661	11,054	10,446	29,682	(306,418)	854,848
Total support services	1,931,834	1,554,558	135,170	408,999	225,298	330,560	69,084	234,607	34,825	28,440	95,080	(783,776)	4,264,679
Total expenses	3,575,021	7,950,010	2,249,491	6,060,927	1,026,843	2,276,445	707,369	1,157,940	342,786	191,585	712,240	(1,466,667)	24,783,990
Increase in Net Assets	447,044	3,561,839	182,843	12,062,300	(871,185)	(833,024)	(95,574)	(491,140)	(65,716)	174,083	407,710	-	14,479,180
Net Assets - Beginning of year	5,649	3,268,220	673,717	1,793,670	1,448,180	2,309,816	1,242,897	879,384	391,541	395,484	-	-	12,408,558
Net Assets - End of year	**$ 452,693**	**$ 6,830,059**	**$ 856,560**	**$ 13,855,970**	**$ 576,995**	**$ 1,476,792**	**$ 1,147,323**	**$ 388,244**	**$ 325,825**	**$ 569,567**	**$ 407,710**	**$ -**	**$ 26,887,738**

Alliance for Choice in Education and Subsidiaries

Departmental Statement of Activities and Changes in Net Assets

Year Ended December 31, 2017 (Restated)

Support and Revenue												
Contributions	$ 1,729,751	$ 6,908,055	$ 1,765,769	$ 6,512,405	$ 2,249,709	$ 3,412,445	$ 1,710,649	$ 1,010,000	$ 392,855	$ 400,000		$ 26,091,638
In-kind contributions	11,500	-	300	-	-	1,900	-	-	-	-	-	13,700
Other	12	12,128	505	-	322	-	-	-	-	-	-	12,967
Shared serives revenue	887,734	-	-	-	-	-	-	-	-	-	(887,734)	-
Total support and revenue	2,628,997	6,920,183	1,766,574	6,512,405	2,250,031	3,414,345	1,710,649	1,010,000	392,855	400,000	(887,734)	26,118,305
Expenses												
Program services:												
Primary and secondary scholarships	46,987	4,585,463	1,603,608	5,207,595	614,701	830,823	377,009	101,884	-	-	-	13,368,070
Other education support programs	1,044,014	636,966	99,511	102,556	59,805	95,750	32,738	22,995	806	4,064	(417,235)	1,681,970
Total program services	1,091,001	5,222,429	1,703,119	5,310,151	674,506	926,573	409,747	124,879	806	4,064	(417,235)	15,050,040
Support services:												
Fundraising	809,199	1,162,940	224,641	237,169	138,576	152,599	47,671	3,301	-	-	(292,952)	2,483,144
General and administrative	727,691	136,059	20,898	26,445	10,710	25,357	10,334	2,436	508	452	(177,547)	783,343
Total support services	1,536,890	1,298,999	245,539	263,614	149,286	177,956	58,005	5,737	508	452	(470,499)	3,266,487
Total expenses	2,627,891	6,521,428	1,948,658	5,573,765	823,792	1,104,529	467,752	130,616	1,314	4,516	(887,734)	18,316,527
Change in Net Assets from Operations	1,106	398,755	(182,084)	938,640	1,426,239	2,309,816	1,242,897	879,384	391,541	395,484	-	7,801,778
Nonoperating Loss												
Loss on disposal of assets	(17,317)	-	-	-	-	-	-	-	-	-	-	(17,317)
Total nonoperating loss	(17,317)	-	-	-	-	-	-	-	-	-	-	(17,317)
Increase (Decrease) in Net Assets	(16,211)	398,755	(182,084)	938,640	1,426,239	2,309,816	1,242,897	879,384	391,541	395,484	-	7,784,461
Net Assets - Beginning of year	21,860	2,869,465	855,801	855,030	21,941	-	-	-	-	-	-	4,624,097
Net Assets - End of year	**$ 5,649**	**$ 3,268,220**	**$ 673,717**	**$ 1,793,670**	**$ 1,448,180**	**$ 2,309,816**	**$ 1,242,897**	**$ 879,384**	**$ 391,541**	**$ 395,484**	**$ -**	**$ 12,408,558**