
Alliance for Choice in Education and Subsidiaries

**Consolidated Financial Report
with Supplemental Information
December 31, 2019**

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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, 2019 and 2018 and the related consolidated statements of activities and changes 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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, 2019 and 2018 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

July 14, 2020

Alliance for Choice in Education and Subsidiaries

Consolidated Statement of Financial Position

	December 31, 2019 and 2018	
	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 26,509,276	\$ 26,786,307
Short-term investments	5,774,026	710,616
Promises to give - Current portion	7,770,733	6,425,550
Other receivable	25,331	543
Prepaid expenses	185,901	314,784
Total current assets	40,265,267	34,237,800
Promises to Give - Net of current portion	1,685,011	2,391,402
Investments	258,993	-
Furniture and Equipment - Net	66,056	137,885
Total noncurrent assets	2,010,060	2,529,287
Total assets	\$ 42,275,327	\$ 36,767,087
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,479,281	\$ 938,476
Scholarships payable	9,459,855	8,940,873
Total liabilities	10,939,136	9,879,349
Net Assets		
Without donor restrictions	2,918,589	7,265
With donor restrictions	28,417,602	26,880,473
Total net assets	31,336,191	26,887,738
Total liabilities and net assets	\$ 42,275,327	\$ 36,767,087

Alliance for Choice in Education and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 12,362,630	\$ 18,755,752	\$ 31,118,382	\$ 14,005,809	\$ 24,996,671	\$ 39,002,480
In-kind contributions	36,201	-	36,201	225,703	-	225,703
Other	221,079	-	221,079	34,987	-	34,987
Net assets released from restrictions	17,218,623	(17,218,623)	-	10,717,307	(10,717,307)	-
Total support and revenue	29,838,533	1,537,129	31,375,662	24,983,806	14,279,364	39,263,170
Expenses						
Program services:						
Primary and secondary scholarships	18,970,577	-	18,970,577	18,004,810	-	18,004,810
Other education support programs	2,738,961	-	2,738,961	2,514,501	-	2,514,501
Total program services	21,709,538	-	21,709,538	20,519,311	-	20,519,311
Support services:						
Fundraising	4,367,665	-	4,367,665	3,409,831	-	3,409,831
General and administrative	850,006	-	850,006	854,848	-	854,848
Total support services	5,217,671	-	5,217,671	4,264,679	-	4,264,679
Total expenses	26,927,209	-	26,927,209	24,783,990	-	24,783,990
Increase in Net Assets	2,911,324	1,537,129	4,448,453	199,816	14,279,364	14,479,180
Net Assets (Deficiency of Net Assets) - Beginning of year	7,265	26,880,473	26,887,738	(192,551)	12,601,109	12,408,558
Net Assets - End of year	\$ 2,918,589	\$ 28,417,602	\$ 31,336,191	\$ 7,265	\$ 26,880,473	\$ 26,887,738

Alliance for Choice in Education and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Fundraising	General and Administrative	Total
Scholarship expense	\$ 18,970,577	\$ -	\$ -	\$ 18,970,577
Wages	1,641,356	2,005,293	623,806	4,270,455
Events and awareness	146,372	1,552,555	-	1,698,927
Office and general business expenses	161,560	142,714	119,507	423,781
Professional services	380,018	-	55,356	435,374
Travel	80,048	116,964	7,088	204,100
Marketing and communication	105,740	105,740	-	211,480
IT	72,726	51,085	23,579	147,390
Community engagement	94,729	-	-	94,729
Staff expenses	45,880	37,110	14,578	97,568
Expansion	10,532	4,482	-	15,014
Governing board	-	-	6,092	6,092
Loss from uncollectible promises to give	-	351,722	-	351,722
Total functional expenses	<u>\$ 21,709,538</u>	<u>\$ 4,367,665</u>	<u>\$ 850,006</u>	<u>\$ 26,927,209</u>

Alliance for Choice in Education and Subsidiaries

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	<u>\$ 20,519,311</u>	<u>\$ 3,409,831</u>	<u>\$ 854,848</u>	<u>\$ 24,783,990</u>

Alliance for Choice in Education and Subsidiaries

Consolidated Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	\$ 4,448,453	\$ 14,479,180
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization expense	78,142	74,962
Loss from uncollectible promises to give	351,722	46,139
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Promises to give	(990,514)	(831,497)
Other receivable	(24,788)	7,365
Prepaid expenses	128,883	(255,856)
Accounts payable and accrued expenses	540,805	540,386
Scholarships payable	518,982	2,365,317
Net cash and cash equivalents provided by operating activities	5,051,685	16,425,996
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(6,313)	(15,800)
Purchases of investments	(5,322,403)	(579)
Net cash and cash equivalents used in investing activities	(5,328,716)	(16,379)
Net (Decrease) Increase in Cash and Cash Equivalents	(277,031)	16,409,617
Cash and Cash Equivalents - Beginning of year	26,786,307	10,376,690
Cash and Cash Equivalents - End of year	\$ 26,509,276	\$ 26,786,307

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, Texas, Wyoming, Arkansas, and Missouri. ACE has formed single-member limited liability companies (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

Effective January 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): 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 Organization elected to apply the new revenue recognition guidance using the modified prospective approach. The adoption did not have a material impact to the financial statements, and the Organization's revenue recognition practices were substantially unchanged as a result of applying ASU No. 2018-08.

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.

Note 2 - Significant Accounting Policies (Continued)

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 Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000.

Investments

Investments consisted of certificates of deposit carried at cost plus accrued interest and equities at December 31, 2019 and 2018.

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. There was no allowance for uncollectible promises to give as of December 31, 2019 and 2018.

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 (see Note 6).

Concentration of Risk

Of the \$9,455,744 of total promises to give at December 31, 2019, approximately \$2,150,000 was from two donors. Of the \$8,816,952 of total promises to give at December 31, 2018, no donor contributed more than 10 percent.

Of the \$31,118,382 of total contributions received during 2019, approximately \$5,000,000 was from one donor. Of the \$39,002,480 of total contributions received during 2018, no donor contributed more than 10 percent.

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.

Scholarships Payable

Scholarships payable represent amounts committed to specific students for the remainder of the current school year. Scholarships payable are generally paid in January of the following fiscal year to cover student tuition for the spring semester.

Note 2 - Significant Accounting Policies (Continued)

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 consolidated 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

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Expenses incurred directly for a program service are charged to such service. Salaries are allocated on the basis on time and effort. Fringe benefits are allocated to all services based on a pro rata basis of total direct salary expenses incurred. Allocations of certain overhead costs, such as depreciation, information technology, and office expenses, 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.

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).

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (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 activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of activities 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, 2022 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. 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.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including July 14, 2020, which is the date the consolidated financial statements were available to be issued.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the consolidated financial statements, the Organization's operations have not been significantly impacted. However, the Organization has responded to the outbreak by allowing natural attrition to occur in each market and by reducing staff expenses, travel, events, and some benefits. The Organization also received a \$625,300 loan from the Paycheck Protection Program through the Coronavirus Aid, Relief, and Economic Security Act to support staffing and administrative costs. No impairments were recorded as of the consolidated statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 3 - Liquidity and Availability of Resources

The Organization's financial assets are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 26,509,276	\$ 26,786,307
Short-term investments	5,774,026	710,616
Promises to give - Current portion	7,770,733	6,425,550
Other receivable	<u>25,331</u>	<u>543</u>
Total	<u>\$ 40,079,366</u>	<u>\$ 33,923,016</u>

Approximately \$8,960,000 and \$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 December 31, 2019 and 2018, respectively. This represents funds raised in the state of Louisiana restricted for scholarships in 2021 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 \$24,300,000 and \$27,900,000 in 2020 and 2019, respectively. 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. 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 equities.

The Organization also realizes there could be unanticipated liquidity needs.

Alliance for Choice in Education and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 4 - Investments

The details of the Organization's investments at December 31 are as follows:

	2019	2018
Certificates of deposit	\$ 5,948,291	\$ 710,616
Equities	84,728	-
Total	<u>\$ 6,033,019</u>	<u>\$ 710,616</u>

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at December 31, 2019 and the valuation techniques used by the Organization to determine those fair values. There were no assets measured at fair value on a recurring basis at December 31, 2018.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Equities	\$ 84,728	\$ -	\$ -	\$ 84,728

Alliance for Choice in Education and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 6 - Promises to Give

The following is the detail of unconditional promises to give:

	2019	2018
Due in less than one year	\$ 7,770,733	\$ 6,425,550
Due in one to five years	1,746,305	2,582,517
Total	9,517,038	9,008,067
Less unamortized discount on promises to give	(61,294)	(191,115)
Total	9,455,744	8,816,952
Less current portion	(7,770,733)	(6,425,550)
Promises to give - Net of current portion	<u>\$ 1,685,011</u>	<u>\$ 2,391,402</u>

The average discount rate used on long-term promises to give for the years ended December 31, 2019 and 2018 was 2.07 percent and 2.53 percent, respectively, which represents the prevailing rate at the date of the pledge.

Note 7 - Furniture and Equipment

Furniture and equipment are summarized as follows:

	2019	2018
Computers and software	\$ 166,074	\$ 161,575
Furniture and fixtures	56,112	56,112
Leasehold improvements	128,494	128,494
Total cost	350,680	346,181
Less accumulated depreciation and amortization	284,624	208,296
Net furniture and equipment	<u>\$ 66,056</u>	<u>\$ 137,885</u>

Depreciation and amortization expense for 2019 and 2018 was \$78,142 and \$74,962, respectively.

Note 8 - 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.

Alliance for Choice in Education and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 8 - Net Assets (Continued)

Net assets with donor restrictions at December 31, 2019 consisted of the following:

	Scholarships	General and Administrative	Market-specific Use	Promises to Give in Support of Future Operations	Total
National	\$ -	\$ -	\$ -	\$ 1,140,956	\$ 1,140,956
Colorado	-	-	2,884,269	5,308,095	8,192,364
Montana	-	-	760,787	79,883	840,670
Louisiana	11,788,976	135,771	-	1,800,612	13,725,359
Kansas	-	-	72,292	198,447	270,739
Houston	-	-	368,461	444,716	813,177
Wyoming	-	-	1,302,917	349,435	1,652,352
Dallas	-	-	134,987	133,600	268,587
Missouri	-	-	365,698	-	365,698
Kansas SGO	596,403	-	-	-	596,403
Arkansas	-	-	551,297	-	551,297
Total	\$ 12,385,379	\$ 135,771	\$ 6,440,708	\$ 9,455,744	\$ 28,417,602

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

Note 9 - Operating Leases

The Organization leases a facility under a noncancelable operating lease 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 \$163,004 and \$157,335 for 2019 and 2018, respectively.

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

Years Ending December 31	Amount
2020	\$ 109,483
2021	27,531
Total	\$ 137,014

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 10 - 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 \$167,534 and \$164,901 for the years ended December 31, 2019 and 2018, respectively.

Supplemental Information

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 years ended December 31, 2019 and 2018 and have issued our report thereon dated July 14, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the 2019 and 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 2019 and 2018 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 and 2018 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 2019 and 2018 consolidated financial statements as a whole.

Plante & Moran, PLLC

July 14, 2020

Alliance for Choice in Education and Subsidiaries

Departmental Statement of Financial Position

December 31, 2019

	National Office	Colorado	Montana	Louisiana	Kansas	Texas	Wyoming	Missouri	Kansas SGO	Arkansas	Eliminating Entries	Total
Assets												
Current Assets												
Cash and cash equivalents	\$ 6,362,512	\$ 3,738,759	\$ 1,334,243	\$ 11,894,256	\$ 424,855	\$ 1,031,638	\$ 470,737	\$ 164,959	\$ 737,916	\$ 349,401	\$ -	\$ 26,509,276
Short-term investments	-	2,260,352	-	3,513,674	-	-	-	-	-	-	-	5,774,026
Promises to give - Current portion	220,775	4,622,846	77,500	1,800,612	150,000	564,000	335,000	-	-	-	-	7,770,733
Other receivable	5,432	8,198	-	-	6,300	5,401	-	-	-	-	-	25,331
Interorganization receivable	-	-	204,028	-	-	573,317	1,107,540	349,366	-	491,326	(2,725,577)	-
Prepaid expenses	69,443	113,208	-	3,250	-	-	-	-	-	-	-	185,901
Total current assets	6,658,162	10,743,363	1,615,771	17,211,792	581,155	2,174,356	1,913,277	514,325	737,916	840,727	(2,725,577)	40,265,267
Promises to Give - Net of current portion	920,181	685,249	2,383	-	48,447	14,316	14,435	-	-	-	-	1,685,011
Investments	-	-	258,993	-	-	-	-	-	-	-	-	258,993
Furniture and Equipment - Net	61,902	3,208	-	45	901	-	-	-	-	-	-	66,056
Total noncurrent assets	982,083	688,457	261,376	45	49,348	14,316	14,435	-	-	-	-	2,010,060
Total assets	<u>\$ 7,640,245</u>	<u>\$ 11,431,820</u>	<u>\$ 1,877,147</u>	<u>\$ 17,211,837</u>	<u>\$ 630,503</u>	<u>\$ 2,188,672</u>	<u>\$ 1,927,712</u>	<u>\$ 514,325</u>	<u>\$ 737,916</u>	<u>\$ 840,727</u>	<u>\$ (2,725,577)</u>	<u>\$ 42,275,327</u>
Liabilities and Net Assets												
Current Liabilities												
Accounts payable and accrued expenses	\$ 1,209,647	\$ 219,225	\$ 5,610	\$ 28,952	\$ 5,789	\$ 6,336	\$ (640)	\$ -	\$ -	\$ 4,362	\$ -	\$ 1,479,281
Scholarships payable	18,375	2,845,094	1,030,867	3,277,582	325,670	1,100,572	276,000	148,627	152,000	285,068	-	9,459,855
Interorganization payable	2,330,986	175,137	-	179,944	28,305	-	-	-	11,205	-	(2,725,577)	-
Total liabilities	3,559,008	3,239,456	1,036,477	3,486,478	359,764	1,106,908	275,360	148,627	163,205	289,430	(2,725,577)	10,939,136
Net Assets (Deficiency in Net Assets)												
Without donor restrictions	2,940,281	-	-	-	-	-	-	-	(21,692)	-	-	2,918,589
With donor restrictions	1,140,956	8,192,364	840,670	13,725,359	270,739	1,081,764	1,652,352	365,698	596,403	551,297	-	28,417,602
Total net assets	4,081,237	8,192,364	840,670	13,725,359	270,739	1,081,764	1,652,352	365,698	574,711	551,297	-	31,336,191
Total liabilities and net assets	<u>\$ 7,640,245</u>	<u>\$ 11,431,820</u>	<u>\$ 1,877,147</u>	<u>\$ 17,211,837</u>	<u>\$ 630,503</u>	<u>\$ 2,188,672</u>	<u>\$ 1,927,712</u>	<u>\$ 514,325</u>	<u>\$ 737,916</u>	<u>\$ 840,727</u>	<u>\$ (2,725,577)</u>	<u>\$ 42,275,327</u>

Alliance for Choice in Education and Subsidiaries

Departmental Statement of Financial Position

December 31, 2018

	National Office	Colorado	Montana	Louisiana	Kansas	Texas	Wyoming	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	\$ 1,511,319	\$ 553,582	\$ 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	380,650	495,000	200,000	-	50,000	-	6,425,550
Other receivable	-	-	-	-	-	-	-	-	-	543	-	543
Interorganization receivable	-	228,192	-	-	-	1,037,623	55,131	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	2,929,592	1,103,713	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	\$ 3,165,588	\$ 1,443,052	\$ 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	\$ 7,654	\$ 5,229	\$ 711	\$ -	\$ 3,483	\$ -	\$ 938,476
Scholarships payable	-	2,806,182	1,031,475	2,667,901	360,013	1,292,898	290,500	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	1,300,552	295,729	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	1,865,036	1,147,323	325,825	589,701	407,710	-	26,880,473
Total net assets	452,693	6,830,059	856,560	13,855,970	576,995	1,865,036	1,147,323	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	\$ 3,165,588	\$ 1,443,052	\$ 461,619	\$ 662,803	\$ 698,014	\$ (2,050,851)	\$ 36,767,087

Alliance for Choice in Education and Subsidiaries

Departmental Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

	National Office	Colorado	Montana	Louisiana	Kansas	Texas	Wyoming	Missouri	Kansas SGO	Arkansas	Eliminating Entries	Total
Support and Revenue												
Contributions	\$ 5,519,684	\$ 9,773,749	\$ 2,201,567	\$ 6,986,577	\$ 808,923	\$ 2,562,400	\$ 1,308,472	\$ 506,687	\$ 325,516	\$ 1,124,807	\$ -	\$ 31,118,382
In-kind contributions	2,456	6,199	-	-	-	27,546	-	-	-	-	-	36,201
Other	1,617	53,998	5,672	157,706	416	742	395	1	532	-	-	221,079
Shared services revenue	2,300,000	-	-	-	-	-	-	-	-	-	(2,300,000)	-
Total support and revenue	7,823,757	9,833,946	2,207,239	7,144,283	809,339	2,590,688	1,308,867	506,688	326,048	1,124,807	(2,300,000)	31,375,662
Expenses												
Program services:												
Primary and secondary scholarships	67,972	5,722,371	1,984,104	6,590,945	670,791	2,208,421	565,500	298,103	286,261	576,109	-	18,970,577
Other education support programs	1,921,936	749,689	99,012	334,309	109,528	336,540	59,461	49,229	14,342	157,415	(1,092,500)	2,738,961
Total program services	1,989,908	6,472,060	2,083,116	6,925,254	780,319	2,544,961	624,961	347,332	300,603	733,524	(1,092,500)	21,709,538
Support services:												
Fundraising	1,425,898	1,772,149	114,328	285,953	306,364	744,358	163,781	109,200	10,569	217,065	(782,000)	4,367,665
General and administrative	779,407	227,432	25,685	63,687	28,912	84,641	15,096	10,283	9,732	30,631	(425,500)	850,006
Total support services	2,205,305	1,999,581	140,013	349,640	335,276	828,999	178,877	119,483	20,301	247,696	(1,207,500)	5,217,671
Total expenses	4,195,213	8,471,641	2,223,129	7,274,894	1,115,595	3,373,960	803,838	466,815	320,904	981,220	(2,300,000)	26,927,209
Increase (Decrease) in Net Assets	3,628,544	1,362,305	(15,890)	(130,611)	(306,256)	(783,272)	505,029	39,873	5,144	143,587	-	4,448,453
Net Assets - Beginning of year	452,693	6,830,059	856,560	13,855,970	576,995	1,865,036	1,147,323	325,825	569,567	407,710	-	26,887,738
Net Assets - End of year	\$ 4,081,237	\$ 8,192,364	\$ 840,670	\$ 13,725,359	\$ 270,739	\$ 1,081,764	\$ 1,652,352	\$ 365,698	\$ 574,711	\$ 551,297	\$ -	\$ 31,336,191

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	Texas	Wyoming	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	\$ 2,109,659	\$ 611,690	\$ 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	562	105	-	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	2,110,221	611,795	277,070	365,668	1,119,950	(1,466,667)	39,263,170
Expenses												
Program services:												
Primary and secondary scholarships	26,994	5,661,826	1,988,842	5,413,328	723,517	2,601,605	588,000	282,667	139,250	578,781	-	18,004,810
Other education support programs	1,616,193	733,626	125,479	238,600	78,028	267,613	50,285	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	2,869,218	638,285	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	497,137	57,969	23,771	17,994	65,398	(477,358)	3,409,831
General and administrative	755,252	173,885	21,467	58,704	21,631	68,030	11,115	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	565,167	69,084	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	3,434,385	707,369	342,786	191,585	712,240	(1,466,667)	24,783,990
Increase (Decrease) in Net Assets	447,044	3,561,839	182,843	12,062,300	(871,185)	(1,324,164)	(95,574)	(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	3,189,200	1,242,897	391,541	395,484	-	-	12,408,558
Net Assets - End of year	<u>\$ 452,693</u>	<u>\$ 6,830,059</u>	<u>\$ 856,560</u>	<u>\$ 13,855,970</u>	<u>\$ 576,995</u>	<u>\$ 1,865,036</u>	<u>\$ 1,147,323</u>	<u>\$ 325,825</u>	<u>\$ 569,567</u>	<u>\$ 407,710</u>	<u>\$ -</u>	<u>\$ 26,887,738</u>