

**GREAT ASPIRATIONS
SCHOLARSHIP PROGRAM, INC.**

Audited Financial Statements

**Years Ended
June 30, 2019 and 2018**

Owen, PLC

*Certified Public Accountants
Accounting • Tax • Consulting*

7294 Ellingham Court Office: (804) 241-3258
Glen Allen, Virginia 23059-7172 Fax: (804) 719-9431
E-mail: towen@owenco.com

**GREAT ASPIRATIONS
SCHOLARSHIP PROGRAM, INC.**

Contents

	Page
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-16

Owen, PLC

Certified Public Accountants
Accounting • Tax • Business Consulting

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
GReat Aspirations Scholarship Program, Inc.

We have audited the accompanying financial statements of GReat Aspirations Scholarship Program, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of GReat Aspirations Scholarship Program, Inc. as of June 30, 2019 and 2018, and its statements of activities and changes in 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.



Glen Allen, Virginia
November 14, 2019

7294 Ellingham Court
Glen Allen, Virginia 23059-7172

E-mail: towen@owenco.com

Phone: (804) 241-3258
Fax: (804) 719-9431

GREAT ASPIRATIONS SCHOLARSHIP PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,	2019	2018
ASSETS		
Current assets		
Cash	\$ 440,857	\$ 505,435
Investments in Virginia529 Plans	3,261,093	3,333,583
Accounts receivable	13,007	30,750
Total current assets	3,714,957	3,869,768
Property and equipment		
Office equipment	22,795	35,041
Accumulated depreciation	(13,955)	(22,253)
Property and equipment, net	8,840	12,788
Total assets	\$ 3,723,797	\$ 3,882,556
LIABILITIES AND NET ASSETS		
Net assets		
Without donor restrictions	\$ 3,524,209	\$ 3,324,881
With donor restrictions	199,588	557,675
Total net assets	3,723,797	3,882,556
Total liabilities and net assets	\$ 3,723,797	\$ 3,882,556

See accompanying notes.

GREAT ASPIRATIONS SCHOLARSHIP PROGRAM, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30,	2019	2018
Changes in net assets without donor restrictions		
Revenues and gains		
Donations - private donors	\$ 412,010	\$ 612,513
Donations - foundations	386,068	169,500
Commonwealth of Virginia	400,000	400,000
SOAR Virginia®	58,500	56,000
Public school advisor fees	61,000	58,000
Donated (in - kind) services	20,775	27,702
Chancellor's 2+2 scholarship	6,500	26,500
Fees earned scholarships	3,000	1,300
General program fees	-	500
Event Income	42,515	18,852
Small donor fund	2,629	1,065
Summer concert series	-	3,194
Library program fees	250	250
Investment income	119,757	73,073
Total revenues and gains without donor restrictions	1,513,004	1,448,449
Net assets released from restrictions		
Net assets released for scholarships	964,767	575,733
10% fee released for administrator	67,028	41,286
Brokerage transactions expense	(508)	(691)
Total net assets released from restrictions	1,031,287	616,328
Total revenues, gains and other support without donor restrictions	2,544,291	2,064,777
Expenses		
Program services	2,112,516	1,593,325
Management and general support services	232,447	206,056
Total costs and expenses	2,344,963	1,799,381
Increase in net assets without donor restrictions	199,328	265,396
Changes in net assets with donor restrictions		
Education Improvement Scholarship Tax Credit Program K-12 Support	669,777	412,168
Investment income	3,423	4,792
Net assets released from restrictions	(1,031,287)	(616,328)
Decrease in net assets with donor restrictions	(358,087)	(199,368)
Increase (decrease) in total net assets	(158,759)	66,028
Net assets, beginning of year	3,882,556	3,816,528
Net assets, end of year	\$ 3,723,797	\$ 3,882,556

See accompanying notes.

GREAT ASPIRATIONS SCHOLARSHIP PROGRAM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30,	2019		2018	
	Program Services	Management and General	Program Services	Management and General
Expenses				
Salaries and wages	\$ 584,791	\$ 194,930	\$ 507,863	\$ 169,288
Scholarships	1,217,992	-	805,033	-
Fundraising expenses	44,255	-	30,590	-
Consulting administrative services	160	-	1,036	-
Occupancy costs	40,759	13,586	40,249	13,417
Payroll taxes	44,692	14,898	38,851	12,951
Office supplies and expenses	34,890	-	33,453	-
Training expenses	25,454	-	22,681	-
Professional fees	15,581	5,194	19,191	6,397
Computer database services	12,343	-	20,486	-
Mileage reimbursement	30,250	-	25,200	-
Costs associated with Reach for the Stars	10,998	-	10,371	-
Miscellaneous	332	-	288	-
Depreciation	3,577	-	3,572	-
Loss on property and equipment disposals	371	-	-	-
Employee benefits	11,891	-	4,224	-
Cellular communications	6,914	2,304	6,887	2,296
Postage and delivery	3,694	-	3,870	-
Bank service charges	1,567	-	2,199	-
Workers' compensation insurance	2,460	820	2,834	945
Liability insurance	1,576	525	1,572	524
Program expense	15,382	-	10,021	-
SOAR Virginia ® expenses, excluding payroll	328	-	452	-
Licenses and permits	571	190	712	238
Background checks	1,088	-	416	-
Dues and subscriptions	600	-	1,274	-
Total expenses	\$ 2,112,516	\$ 232,447	\$ 1,593,325	\$ 206,056

See accompanying notes.

GREAT ASPIRATIONS SCHOLARSHIP PROGRAM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30,	2019	2018
Cash flows from operating activities		
Cash received from program activities	\$ 1,390,215	\$ 1,348,816
Cash received temporarily restricted donations	669,777	412,168
Cash paid to employees, scholarships and vendors	(2,320,240)	(1,768,452)
Investment income received	123,180	77,865
Net cash provided by (used in) operating activities	(137,068)	70,397
Cash flows from investing activities		
Investment in Virginia529 Plans	(475,778)	(279,649)
Proceeds from Virginia 529 Plans	548,268	-
Purchase of office equipment	-	(11,448)
Net cash provided by (used in) investing activities	72,490	(291,097)
Net decrease in cash and cash equivalents	(64,578)	(220,700)
Cash and cash equivalents, beginning of period	505,435	726,135
Cash and cash equivalents, end of period	\$ 440,857	\$ 505,435
Reconciliation of changes in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ (158,759)	\$ 66,028
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,577	3,572
Loss on property and equipment disposals	371	-
Changes in:		
Accounts receivable	17,743	1,142
Payroll taxes payable	-	(345)
	\$ (137,068)	\$ 70,397
Supplemental Information:		
Non-cash transactions:		
In kind donations	\$ 20,775	\$ 27,702
Disposition of office equipmen	(12,246)	-

See accompanying notes.

GREAT ASPIRATIONS SCHOLARSHIP PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

NOTE 1 - Organization and Business

Great Aspirations Scholarship Program, Inc. (“GRASP”) is a non-profit, 501(c)(3) tax exempt organization founded in 1983.

Thirty-six years ago, an educator saw a need. Athletes and affluent students were guided to college by coaches and parents. But others were left behind. Virginia’s Great Aspirations Scholarship Program (GRASP) emerged to help those students and their families reach their educational goals, regardless of their financial circumstances. From our beginnings in Richmond to our expansion in 2019 into Mecklenburg, Halifax, and Dinwiddie counties, our persistent presence has inspired students to pursue futures they had not known were possible.

GRASP’s mission is to help all students and their families, with a focus on financially disadvantaged households, by: giving inspiration and hope that their goals are attainable; assisting them with the financial aid process and awarding scholarships; and supporting them in the attainment of their post-secondary goals at the lowest possible cost. GRASP is the only organization in the regions we serve that is primarily focused on assisting students with the postsecondary financial aid process and scholarship searching for all students. Financial aid is critical to increasing college access and success and is most effective when students and families learn about it early enough to make informed choices and plans. GRASP fills a substantial gap in the college access and success pipeline and fulfills our mission to ensure that every student has an equal opportunity for continuing education after high school through a balanced continuum of services.

Since its founding, GRASP, through its cadre of highly trained advisors assigned to public schools and other venues, has educated thousands of students about how to fund post-secondary education and secure the resources to make their plans a reality. Through classroom presentations and individual meetings, GRASP advisors help students: explore an array of options for their futures from community colleges and universities to workforce credentials; overcome financial and motivational barriers; complete the Free Application for Federal Student Aid (FAFSA), the basis for receiving financial aid at post-secondary institutions, as well as other required applications, made more complicated by an array of deadlines and necessary information; access grants, scholarships, state/federal aid; and compare award letters from educational institutions so that choices support goals while minimizing debt. Services are provided at no cost to families and students in 80 high schools and other venues in Virginia. During the fiscal years ended June 30, 2019 and 2018, GRASP guided 8,205 and 7,315 students, respectively, through the maze of requirements to access funding for education leading to substantial amounts of financial aid (scholarships, grants, loans and other financial aid) being awarded to these students.

GRASP has earned a 4-star rating from Charity Navigator, a charity evaluator, the highest possible rating, five years in a row (2015-2019). Only 11% of charities evaluated receive four consecutive 4-star ratings. GRASP is proudly recognized by the Standards for Excellence Institute® as having met all the requirements of the Standards Basics program. In 2016, GRASP received the Cameron Foundation Handy L. Lindsey, Jr. Award for Excellence in Organizational Management, and in 2015, GRASP received the Richmond History Maker award from the Valentine Museum.

GRASP continues to work with students after high school graduation through the Summer Melt Program and the College Success Program. Each year, 10 to 20 percent of students who have already been admitted to postsecondary institutions fail to enroll. This so-called "summer melt" is higher among students from low-income backgrounds and those who would be first in their family to attend college. GRASP operates a texting program to give students a lifeline for help with roadblocks that arise between graduation and matriculation. The College Success Advisor mentors students as they matriculate to a post-secondary institution and throughout their undergraduate education. The program seeks to increase the college graduation rate for GRASP students and scholarship recipients by helping them re-file financial aid and scholarship forms each year; providing valuable tips regarding internships and summer jobs; acting as a liaison between the college financial aid offices and the students, should a problem arise; and awarding scholarships for those students with unmet financial need who attend Virginia colleges or technical programs. The program’s focus on post-secondary retention is achieved through social media and email programs and problem-solving services. The College Success Advisor leverages existing college support systems and provides specific financial aid counseling. During the fiscal years ending June 30, 2019 and 2018, 139 and 108 college students, respectively, actively participated in the College Success Program.

NOTE 1 - Organization and Business (Continued)

In 2019, GRASP began a pilot middle school program in one middle school in Henrico County that seeks to educate students in 7th and 8th grades about the importance of looking at career and education options before and during high school so they can determine their goals for training/education after high school. Having an early awareness of the wide variety of career and education options enables students to take a personal interest in their futures so they can better prepare for the next steps in high school and eventually after high school. This represents a critical organizational focus because it allows students to start thinking about and preparing for the training/education they want to pursue after high school. The program also introduces students to GRASP and informs students of the assistance a GRASP advisor can provide at their high school. During the fiscal year ending June 30, 2019, 750 middle school students participated in the program. This program is expanding to 3 middle schools during fiscal year ending June 30, 2020.

Scholarships provided to help students and their families consist of the following for the years ended June 30:

	2019	2018
Virginia’s Education Improvement Scholarship Tax Credit Program K-12 (“EISTCP”)	\$ 866,767	\$ 477,683
Post-secondary scholarships	351,225	327,350
	<u>\$ 1,217,992</u>	<u>\$ 805,033</u>

Also, during the fiscal years ending June 30, 2019 and 2018, GRASP disbursed \$303,725 and \$313,850 in scholarships to approximately 268 and 231 deserving graduating high school seniors or college students, respectively, most of whom are, financially disadvantaged.

GRASP is qualified to receive donations through Virginia’s EISTCP, which is structured for certain students from low-to-moderate-income households to receive scholarships for private K-12 Virginia schools. GRASP’s focus is on those students with learning differences or other special circumstances. Donations to the EISTCP fund are limited by the Code of Virginia to students who meet narrow criteria. This Code also requires 90% of all donations to the fund be awarded by the end of the fiscal year following the fiscal year of the donation. During the fiscal years ending June 30, 2019 and 2018, GRASP disbursed \$866,767 and \$477,683 to 165 and 137 students from low-to-moderate-income households, respectively.

To support its in-school advising, College Success, and scholarship programs, GRASP relies upon financial support from private donors, business sponsors, grants from private foundations, fees from managing private companies’ scholarships, public schools, community fundraising activities and the Commonwealth of Virginia and related agency grants. Except for administration and training, the program costs coincide with the public-school year and commitments to serve each school are made in advance of the school year. Therefore, the Board has directed that funds be set aside to meet the future in-school services and to carry out the Board’s goals of providing substantial direct scholarship assistance to primarily financially disadvantaged students in the 80 Virginia schools. To take advantage of the investment knowledge of the successful Virginia College Savings PlanSM and to anticipate the commitments to serve the 80 schools, expand services and set aside scholarships, GRASP has created some special purpose Virginia529 inVESTSM 529 plans to serve as the funding mechanism for the future obligations to schools and students. The amount set aside for this purpose as of June 30, 2019 and 2018 was \$3,130,315 and \$3,110,728, respectively. Also, certain donations with restrictions have been invested in similar plans awaiting the students meeting the criteria of donors for financial aid awards.

In addition to in-school advising to the students directly, GRASP manages scholarship plans for businesses and community organizations as an independent and objective advisor to aid the companies and organizations in the selection and monitoring of scholarship recipients.

GRASP anticipates continuing to take advantage of the Virginia Neighborhood Assistance Act Tax Credit Program for Education (“NAP”) and the EISTCP. NAP and EISTCP provide significant tax incentives to Virginia private and business donors who support scholarships and other tuition assistance programs of (1) students and families of low to modest financial means and (2) provide scholastic assistance in developing post-secondary academic and vocational plans for students with one or more disabilities as defined under the federal IDEA legislation. NAP requires that more than 50% of GRASP tax credit derived revenues are used for education services in support of students and families with income at or below 300% of the recognized poverty level or 400% of the recognized poverty level for students with disabilities. EISTCP, a scholarship program for low-to-moderate income students (additional restrictions defined by the Code of Virginia) in K-12 who wish to attend a private school, requires that at least 90% of tax credit generated revenues under this program be paid out in scholarships for students at or below 300% of poverty, or in the case of students with disabilities, 400% of poverty.

NOTE 1 - Organization and Business (Continued)

The GRASP Board has directed that preference is given to scholarships for students with disabilities attending private schools with specialized disability services under the EISP Program.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

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. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The accompanying financial statements of GRASP have been prepared in accordance with Accounting Standards Codification (“ASC”) 958-205-45, formerly Statement of Financial Accounting Standards Board (“FASB”) No. 117, Financial Statements of Not-for-Profit Organizations. This Codification establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represents net assets not subject to donor-imposed restrictions, or stipulations and are available for current support of GRASP activities. As of June 30, 2019 and 2018, net assets without donor restrictions amounted to \$3,524,209 and \$3,324,881, respectively.

Net Assets With Donor Restrictions – Net assets with restrictions include planned giving and gifts and other assets whose use is limited by donor-imposed, time and/or purpose restrictions.

GRASP reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Earnings on net assets with restrictions are reported as an increase in net asset with restrictions. When a donor’s restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “net assets released from restrictions”. As of June 30, 2019 and 2018, net assets with donor restrictions amounted to \$199,058 and \$557,675, respectively. Of this amount, as of June 30, 2019 and 2018, \$68,809 and \$334,820, respectively, is for the EISTCP program.

Some net assets with donor restrictions, may include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting GRASP to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. As of June 30, 2019 and 2018, GRASP did not have any net assets with donor restrictions that met this criteria.

Cash and Cash Equivalents

For purposes of the statement of cash flows, GRASP considers all highly liquid debt instruments purchased and available for current use with an original maturity of three months or less to be cash equivalents.

Investments in Virginia 529 Plans

GRASP follows ASC 958-320-50, formerly FASB No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under ASC 958-320-50, investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are reported at their fair values. Unrealized gains and losses are included in the statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months. Donated securities are recorded at their estimated value at date of receipt.

The aforementioned accounting standard defines the fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE 2 - Summary of Significant Accounting Policies (Continued)

These tiers include:

- Level 1 – observable inputs such as quoted prices for identical instruments in active markets.
- Level 2 – inputs other than quoted prices in active markets that are directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active.
- Level 3 – unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant value drivers are observable.

All valuation techniques are consistently applied.

Interpretation of Relevant Law

The Board has determined that Uniform Prudent Management of Institution Funds Act (UPMIFA) would apply to any endowment fund maintained by GRASP. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations. Also, UPMIFA imposes additional duties on those who manage and invest charitable funds. These duties provide additional protections of those who manage and invest charitable funds. These duties provide additional protection for charities and also protects the interest of donors who want to see their contributions used wisely.

GRASP classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of the gifts donated to the donor restricted endowment fund, if any, and the original value of subsequent gifts to the donor restricted endowment, if any. Investment income from any donor restricted endowment is classified as net assets with donor restrictions (a purpose on restriction) until those amounts are appropriated for expenditure by GRASP's in a manner consistent with donor stipulated purpose within the standard of prudence prescribed by the UFMIFA. GRASP does not currently maintain any endowment funds.

Investment Policy Statement

The fundamental investment objectives for investments are to ensure safety and preservation of principal, meet liquidity needs, apply diversification and risk limits appropriate to the investment pools and achieve optimal net investment returns subject to the risk tolerance, investment pool objectives and policy constraints. The asset pools in which the endowment funds are invested require current income which the minimum needed for expenses and prudent liquidity, growth of income for planning and execution of distributions, and capital growth for long-term growth and sustainability. GRASP does not currently maintain any endowment funds.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair market value at the time of the donation. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$250. Depreciation is to be calculated using the straight-line method over an estimated useful life of five to thirty years. Lesser amounts are generally expensed.

Donations of property and equipment are reported as contributions without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, GRASP reports expirations of donor restrictions when the donated or acquired assets are placed in service. GRASP reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Credit Risk

Financial instruments which potentially subject GRASP to the concentration of credit risk consist primarily of temporary cash investments and investments in Virginia municipal instruments managed by Virginia529. GRASP maintains its cash investments with high credit quality financial institutions and, by policy, reviews the amount of credit exposure to any one financial institution. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the current standard maximum FDIC deposit insurance limit to \$250,000.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Credit Risk (Continued)

After December 31, 2012, deposits held in noninterest-bearing transaction account are now aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured is up to at least \$250,000, per depositor and per FDIC-insured financial institution.

The term “noninterest-bearing transaction account” includes a traditional checking account or demand deposit account on which the insured depository institution pays no interest. It does *not* include other accounts, such as traditional checking or demand deposit accounts that may earn interest, NOW accounts and money-market deposit accounts.

At June 30, 2019 and 2018, GRASP maintained its cash with two financial institutions. At June 30, 2019, the amount of cash maintained by GRASP with one of its financial institution exceeded federally established limits in the amount of \$149,960. At June 30, 2018, the amount of cash maintained by GRASP with its financial institution exceeded federally established limits in the amount of \$7,461.

The scholarships managed for businesses generate fees for such services and are subject to cancellation by the sponsoring companies; public school and state support of activities are dependent on continued appropriation by the respective governing organizations for such purpose. Additionally, the anticipated use of future tax credits as incentives for increased private and business donations to GRASP’s continued mission are subject to future legislative changes.

Donations and grants received from Virginia agencies amounted to 20.97% and 24.45% of total revenue without and with donor restrictions during the years ended June 30, 2019 and 2018, respectively.

Income Taxes

GRASP is a Virginia nonprofit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and Commonwealth of Virginia Title 58; therefore, no provision for income taxes is required. GRASP qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1), of the Internal Revenue Service Code.

GRASP has evaluated its tax position for all open tax years subject to examination by the Internal Revenue Service which include the fiscal years ended June 30, 2019, 2018 and 2017. Based on the evaluation of GRASP’s tax positions, management believes all tax positions taken by GRASP will be upheld for any examination that may follow in the open tax years previously mentioned. Therefore, no provision for the effects of uncertain tax positions has been made by management for the year ended June 30, 2019.

Donation Revenue

GRASP recognizes donations received and made, including unconditional promises to give, as revenue in the period received or made. It tracks those donations in various categories according to source. Donations received are reported as either as revenues without donor restrictions or revenue with donor restrictions. Donations with donor restrictions that are used for the purpose specified by the donor in the same year as the donation is received are recognized as revenue with restrictions and are reclassified as net assets released from restrictions in the same year. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended June 30, 2019 and 2018.

Donated (In Kind) Services

The fair value of donated services during the fiscal year ended June 30, 2019 and 2018 consisted of professional fees and occupancy costs with a fair value of \$20,775 and \$27,702, respectively. These amounts are reflected in the statements of activities as donated services revenue and professional fees expense in the amounts of \$20,775 and \$27,702, respectively, for the years ended June 30, 2019 and 2018. These professional fees consist of accounting and tax services. Occupancy costs include office space, high-speed Internet access, utilities, shared office equipment and office supplies.

Functional Expenses

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of GRASP are reported as expenses of those functional areas.

GRASP allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated by services offered.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Advertising

Advertising costs are expensed as incurred, unless such costs are for future periods. Advertising costs in the amount of \$0 were incurred during the fiscal years ended June 30, 2019 and 2018, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is a comprehensive new revenue recognition that will supersede existing revenue recognition guidance. The core principle of the guidance is that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in an exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for GRASP until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each reporting period presented or with the cumulative effect being recognized at the date of initial application. GRASP has adopted the early application of ASU 2015-14.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958). This ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include:

- Requiring the presentation of only two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions”,
- Modifying the presentation of underwater endowment funds and related disclosures,
- Requiring the use of the placed in-service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise,
- Requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs,
- Requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources,
- Presenting investment return net of external and direct internal investment expenses, and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

In addition, ASU 2016-14 removes the requirement that not-for profit entities that chose to prepare the statement of cash flows using the direct method must also present a reconciliation (the indirect method). GRASP has chosen to early-adopt this ASU as of and for the year ended June 30, 2017. Also, GRASP will continue to present its statement of cash flows using the direct method that includes the presentation of the reconciliation of changes in net assets to net cash provided by or used in operating activities.

NOTE 3 - Investments - Securities

Investments at June 30, 2019 are carried at fair market value and are maintained with Virginia529 Plans, as follows:

	Cost	Market
74th District Fund – mutual funds consisting of municipal bonds	\$ 37,290	\$ 41,595
Virginia Tech Real Estate Fund – mutual funds consisting of municipal bonds	51,785	56,512
All Saints Fund – mutual funds consisting of municipal bonds	22,346	24,366
GRASP Master Scholarship – mutual funds consisting of municipal bonds and equities	2,776,069	3,130,315
VCU Fund – mutual funds consisting of municipal bonds	7,463	8,306
	<u>\$ 2,894,953</u>	<u>\$ 3,261,094</u>

Investments at June 30, 2018 are carried at fair market value and are maintained with Virginia529 Plans, as follows:

	Cost	Market
74th District Fund – mutual funds consisting of municipal bonds	\$ 40,944	\$ 44,628
Virginia Tech Real Estate Fund – mutual funds consisting of municipal bonds	91,001	97,041
All Saints Fund – mutual funds consisting of municipal bonds	26,527	28,265
GRASP Master Scholarship – mutual funds consisting of municipal bonds and equities	2,871,059	3,110,728
VCU Fund – mutual funds consisting of municipal bonds	48,660	52,921
	<u>\$ 3,078,191</u>	<u>\$ 3,333,583</u>

Investment income for the year ended June 30, 2019 consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	\$ 170	\$ -	\$ 170
Unrealized gains	119,587	3,423	123,010
	<u>\$ 119,757</u>	<u>\$ 3,423</u>	<u>\$ 123,180</u>

Investment income for the year ended June 30, 2018 consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	\$ 166	\$ -	\$ 166
Unrealized gains	72,907	4,792	77,699
	<u>\$ 73,073</u>	<u>\$ 4,792</u>	<u>\$ 77,865</u>

GRASP's portfolios in its Virginia529 investment accounts noted above consist of mutual funds and municipal investment securities in the form of municipal bonds. Such securities are considered as trading securities and are also considered Level 2 inputs that are measurable in inactive markets at fair value at the measurement date (each fiscal year end). The net increase in investment income of \$123,180 from June 30, 2018 to June 30, 2019 on trading securities consists of unrealized gains and is included in the statement of activities and changes in net assets and is a result of favorable market conditions existing for the Program's holdings at June 30, 2019.

Gross unrealized gains on trading securities and mutual funds held at June 30, 2019 and 2018 were \$123,180 and \$77,865, respectively. The gross unrealized and realized gains are principally in holdings of bonds in municipalities.

NOTE 3 - Investments – Securities (Continued)

During the fiscal year June 30, 2017, management of GRASP decided to increase its risk weighting in its Master Scholarship investment portfolio. The Master Scholarship portfolio consists of two accounts. One of these accounts increased its risk by balancing its portfolio with 60% growth equities and 40% municipal bonds. It is expected that such yields generated from the increase in risk may generate additional sources to fund scholarships or operations as needed. There can be no guarantee that favorable results will be achieved. However, management will closely monitor the performance of its investments and is expected to react as conditions warrant.

NOTE 4 - Pledges Receivables

Unconditional promises to give may be recognized as revenue in the period when made as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no unconditional promises as of June 30, 2019 and 2018.

NOTE 5 - Grants

Scholarships awarded during the year ended June 30, 2019 were \$1,217,992, as compared with \$805,033 for the same period a year earlier.

During the years ended June 30, 2019 and 2018, GRASP served as an intermediary for individuals, private companies and community service organizations and received a fee for managing the scholarship process in the amount of \$3,000 and \$1,300, respectively. GRASP, as intermediary, managed scholarships that were then remitted to colleges and universities on behalf of selected students. During the years ended June 30, 2019 and 2018, additional GRASP's revenues supported \$1,217,992 and \$805,033, respectively, for scholarships and tuition assistance. The remainder of generated revenues was invested primarily in the salaries of advisors and related payroll expenses and Virginia529 Plans.

During the fiscal years ended June 30, 2019 and 2018, the Commonwealth of Virginia awarded \$400,000 each year, respectively, in grants to be used for in-school advisor services and assembly of financial aid sources by GRASP.

During its fiscal year ending June 30, 2011, GRASP entered into an agreement with the Virginia College Savings PlanSM, an independent agency of the Commonwealth of Virginia, to promote and administer SOAR Virginia[®] at participating Virginia high schools.

SOAR Virginia[®] is an early commitment scholarship program created to inspire and assist high school students to reach their post-secondary education goals. To participate, eligible students pledge to meet program requirements. In return, participating students receive a range of assistance and accumulate scholarship support of up to \$2,000 to apply toward their post-secondary education expenses.

SOAR Virginia[®] is a unique program created by the Virginia College Savings PlanSM to further its mission to make college more affordable and accessible to all Virginians.

During the fiscal years ended June 30, 2019 and 2018, revenue from the SOAR Virginia[®] program amounted to \$58,500 and \$56,000, respectively.

NOTE 6 - Occupancy Costs

GRASP subleases its administrative offices under a cancellable office sharing arrangement with other tenants that is cancellable at any time. However, the tenants are subject themselves to a noncancellable operating lease which expires in September 2018. GRASP operates primarily in public schools and has a central office leased space for administrative and training purposes.

NOTE 6 - Occupancy Costs (Continued)

Anticipated future minimum lease payments under cancellable operating leases that coincides with the noncancellable lease of its tenant at June 30, 2019 are as follows:

	June 30,
2020	\$ 64,351
2021	\$ 16,088
	<u>\$ 80,439</u>

Occupancy costs, including donated office space, incurred during the fiscal year ended June 30, 2019 and 2018 was \$54,345 and \$53,666, respectively. Occupancy costs include office space, high-speed Internet access, utilities, shared office equipment and \$900 annually for office supplies. GRASP benefits from an in-kind donation for a portion of the office space for fiscal year ended June 30, 2018 of \$2,115. There were no in-kind donations for office space for the fiscal year ended June 30, 2019.

NOTE 7 - Affiliations

GRASP is not considered part of another organization and it is not a member of an affiliated group for tax reporting purposes

NOTE 8 - Contingencies

GRASP is not currently a party to any litigation or claims arising in the normal course of business. The Board of Directors, after consultation with legal counsel, believes that the liabilities, if any, arising from any litigation and claims will not be material to GRASP's financial position.

NOTE 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are related to donations made for donor stipulated restrictions on certain scholarships. These are donations made by individuals, businesses and foundations to fund scholarships for primarily low income or disabled students to attend educational institutions. During the fiscal years ended June 30, 2019 and 2018, donations received for this purpose amounted to \$669,777 and \$412,168. Those restrictions are considered to expire and are released from their donor restriction when payments are made. Net assets with donor restrictions are available for scholarships in the amount of \$199,588 and \$557,675 at June 30, 2019 and 2018, respectively.

Net assets with restrictions set aside for donor restricted purposes were as follows at June 30:

	2019	2018
Education Improvement Scholarship Program K-12 Support – Cash	\$ 68,809	\$ 334,820
	<u>68,809</u>	<u>334,820</u>
74th District Fund – Investments in Virginia529 Plans	41,595	44,628
Virginia Tech Real Estate Fund in Virginia529 Plans	56,512	97,041
All Saints Fund – Investments in Virginia529 Plans	24,366	28,265
VCU Fund – Investments in Virginia529 Plans	8,306	52,921
	<u>130,779</u>	<u>222,855</u>
	<u>\$ 199,588</u>	<u>\$ 557,675</u>

NOTE 10 - Net Assets Released from Donor Restrictions

Changes in net assets with donor restrictions were as follows for the year ended June 30, 2019:

	EISTCP	Post- Secondary and All Other Programs	Total
Net assets with donor restrictions at July 1, 2018	\$ 334,820	\$ 222,855	\$ 557,675
Education Improvement Scholarship Tax Credit Program			
K-12 Support	669,777	-	669,777
Investment income	-	3,423	3,423
Net assets released for scholarships	(866,767)	(98,000)	(964,767)
10% fee released for administration	(67,028)	-	(67,028)
Brokerage transactions expense	508	-	508
Other	-	-	-
Net assets with donor restrictions at June 30, 2019	<u>\$ 71,310</u>	<u>\$ 128,278</u>	<u>\$ 199,588</u>

Changes in net assets with donor restrictions were as follows for the year ended June 30, 2018:

	EISTCP	Post- Secondary and All Other Programs	Total
Net assets with donor restrictions at July 1, 2017	\$ 440,930	\$ 316,113	\$ 757,043
Education Improvement Scholarship Tax Credit Program			
K-12 Support	412,168	-	412,168
Investment income	-	4,792	4,792
Net assets released for scholarships	(477,683)	(98,050)	(575,733)
10% fee released for administration	(41,286)	-	(41,286)
Brokerage transactions expense	691	-	691
Other	-	-	-
Net assets with donor restrictions at June 30, 2018	<u>\$ 334,820</u>	<u>\$ 222,855</u>	<u>\$ 557,675</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows at June 30:

	2019	2018
Net assets released for scholarships	\$ 964,767	\$ 575,733
10% fee released for administration	67,028	41,286
Brokerage transactions expense	(508)	(691)
Net assets released from restrictions	<u>\$ 1,031,287</u>	<u>\$ 616,328</u>

NOTE 11 - Liquidity and Availability of Resources

GRASP's financial assets available within one year of the balance sheet date for expenditures are as follows at June 30:

	2019	2018
Cash and cash equivalents	\$ 440,857	\$ 505,435
Investments in Virginia529 Plans	3,261,093	3,333,583
Accounts receivable	13,007	30,750
Total financial assets available within one year	3,714,957	3,869,768
<i>Less:</i>		
Amounts unavailable for general expenditures		
Within one year due to:		
Scholarships restricted by donors with purpose restrictions	-	-
Total financial assets available to management		
for general expenditures within one year	\$ 3,714,957	\$ 3,869,768

GRASP maintains a policy of structuring its financial assets to be available as its expenditures, liabilities and other obligations come due.

NOTE 12 - Subsequent Events and Future Prospects

Management has evaluated the Program's financial statements for events and transactions (through the date of issuance of its financial statements on November 14, 2019) that provide additional evidence about conditions that existed at June 30, 2019, including the estimates inherent in the process of preparing financial statements (recognized subsequent events), as well as events and transactions that provide evidence about conditions that did not exist at June 30, 2019 but arose subsequent to that date (nonrecognized subsequent events).

The Commonwealth of Virginia has appropriated \$500,000 for GRASP to support its mission of education services assistance for its fiscal year ending in June 2020.