

G.R.A.C.E. SCHOLARS, INC.

Financial Statements

May 31, 2019 and 2018



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G.R.A.C.E. Scholars, Inc.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of G.R.A.C.E. Scholars, Inc. (the Organization), which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities, 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Organization'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 Organization'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 G.R.A.C.E. Scholars, Inc. as of May 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14, *Not-for-profit Entities* (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to that matter.

Caru, Riggs & Ingram, L.L.C.

Atlanta, Georgia
September 19, 2019

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

Statements of Financial Position

<i>May 31,</i>	2019	2018
Assets		
Cash	\$ 471,455	\$ 406,965
Cash, restricted	5,393,455	3,454,478
Investments, restricted	9,787,568	9,579,235
Total assets	\$ 15,652,478	\$ 13,440,678
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ -	\$ 1,008
Accrued expenses	21,383	16,500
Due to related party	23,489	33,631
Scholarships payable	12,825,782	11,291,319
Total liabilities	12,870,654	11,342,458
Net assets		
Without donor restrictions		
Undesignated	1,053,790	526,398
With donor restrictions		
Purpose restrictions	917,436	548,450
Time restrictions	810,598	1,023,372
Total net assets with donor restrictions	1,728,034	1,571,822
Total net assets	2,781,824	2,098,220
Total liabilities and net assets	\$ 15,652,478	\$ 13,440,678

The accompanying notes are an integral part of these statements.

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

Statement of Activities

Year ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Program revenue - scholarship contributions	\$ -	\$ 5,371,950	\$ 5,371,950
Administrative	352,317	(352,317)	-
Investment income	113,071	-	113,071
Realized and unrealized gain on investments	146,239	-	146,239
Other revenue	81	-	81
Net assets released from restrictions	4,863,421	(4,863,421)	-
Total revenues, gains, and support	5,475,129	156,212	5,631,341
Expenses			
Program expense	4,715,695	-	4,715,695
Fundraising	139,139	-	139,139
General and administrative	92,903	-	92,903
Total expenses	4,947,737	-	4,947,737
Change in net assets	527,392	156,212	683,604
Net assets at beginning of year	526,398	1,571,822	2,098,220
Net assets at end of year	\$ 1,053,790	\$ 1,728,034	\$ 2,781,824

The accompanying notes are an integral part of this statement.

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

Statement of Activities

Year ended May 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Program revenue - scholarship contributions	\$ -	\$ 3,175,131	\$ 3,175,131
Administrative	267,259	(267,259)	-
Investment income	172,307	-	172,307
Realized and unrealized gain on investments	24,142	-	24,142
Other revenue	131	-	131
Net assets released from restrictions	2,554,553	(2,554,553)	-
Total revenues, gains, and support	3,018,392	353,319	3,371,711
Expenses			
Program expense	2,922,851	-	2,922,851
Fundraising	131,149	-	131,149
General and administrative	81,688	-	81,688
Total expenses	3,135,688	-	3,135,688
Change in net assets	(117,296)	353,319	236,023
Net assets at beginning of year	643,694	1,218,503	1,862,197
Net assets at end of year	\$ 526,398	\$ 1,571,822	\$ 2,098,220

The accompanying notes are an integral part of this statement.

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

Statement of Functional Expenses

Year ended May 31, 2019

	Program	Fundraising	General and Administrative	Total
Scholarship awards	\$ 4,636,428	\$ -	\$ -	\$ 4,636,428
Office expense	-	-	16,635	16,635
Payroll	79,267	53,325	11,530	144,122
Professional services	-	-	54,233	54,233
Marketing & advertising	-	15,540	-	15,540
Other fundraising expenses	-	70,274	-	70,274
Other expenses	-	-	10,505	10,505
Total	\$ 4,715,695	\$ 139,139	\$ 92,903	\$ 4,947,737

The accompanying notes are an integral part of this statement.

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

Statement of Functional Expenses

Year ended May 31, 2018

	Program	Fundraising	General and Administrative	Total
Scholarship awards	\$ 2,818,526	\$ -	\$ -	\$ 2,818,526
Office expense	-	-	13,901	13,901
Payroll	104,325	70,182	15,175	189,682
Professional services	-	-	40,800	40,800
Marketing & advertising	-	16,379	-	16,379
Other fundraising expenses	-	44,588	-	44,588
Other expenses	-	-	11,812	11,812
Total	\$ 2,922,851	\$ 131,149	\$ 81,688	\$ 3,135,688

The accompanying notes are an integral part of this statement.

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

Statements of Cash Flows

<i>Years ended May 31,</i>	2019	2018
Operating activities		
Change in net assets	\$ 683,604	\$ 236,023
Adjustments to reconcile change in net assets to cash provided by operating activities		
Realized and unrealized gain on investments	(146,239)	(24,142)
Net present value adjustment - scholarships payable	212,774	(250,572)
Changes in assets and liabilities		
Restricted cash	(1,938,977)	7,982,785
Accounts payable	(1,008)	(64)
Accrued expenses	4,883	(3,350)
Due to related party	(10,142)	3,634
Scholarships payable	1,321,689	853
Net cash provided by operating activities	126,584	7,945,167
Investing activities		
Purchase of investments	(7,432,367)	(9,656,093)
Proceeds from sale of investments	7,370,273	101,000
Net cash used in investing activities	(62,094)	(9,555,093)
Net increase (decrease) in cash and cash equivalents	64,490	(1,609,926)
Cash and cash equivalents, beginning of year	406,965	2,016,891
Cash and cash equivalents, end of year	\$ 471,455	\$ 406,965

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Reporting

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with or without donor restrictions, based on stipulations made by the donor.

A summary of the significant accounting principles of the Organization applied in the preparation of the accompanying financial statements follows.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions

Unconditional promises to give and contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of donor restrictions on the use of contributions to provide scholarships at participating eligible schools. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

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

Other assets acquired by gift are recorded at their fair market value on the date of receipt. A number of volunteers have donated their time to the Organization's programs and supporting services. If donated services received either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated, the value of those donated services are recorded. There were no donated services for the years ended May 31, 2019 and 2018.

Income Taxes

The Organization is considered to be an integrated auxiliary of a church and is, therefore, not required to file federal or state income tax returns. The Internal Revenue Service and State of Georgia have the right to examine the Organization from its inception, but have not indicated any intent to do so. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization considers all of its activities to be directly related to its exempt purpose in 2019 and 2018, and does not believe it has any uncertain tax positions through the year ended May 31, 2019.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are recognized as changes in net assets in the periods they occur. Investment income and realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarships Payable

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

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and had no impact on previously reported net assets.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Guidance not yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance specifies that an 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 exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. The Organization is currently evaluating the impact of the guidance on its financial statements.

In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. For non-public entities, the ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

In November 2016, the FASB issued 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

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

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:

Cash	\$ 471,455
Cash, restricted	5,393,455
Investments, restricted	9,787,568
<hr/>	
Total financial assets	15,652,478
Less amounts not available for use:	
Cash, restricted	5,393,455
Investments, restricted	9,787,568
<hr/>	
Total amounts not available for use	15,181,023
<hr/>	
	\$ 471,455

Part of the Organization's liquidity management policy has structured its financial assets to be available for its general expenditures and other obligations that come due.

Restricted cash and investments not available for general expenditure consists of funds on deposit with the AoA Deposit and Loan Fund Trust (Note 9) and investments with a financial institution (Note 5), respectively, and are designated for future scholarship obligations. Included in restricted cash and restricted investments are funds totaling \$3,354,225 which have been set aside to fund the scholarship obligations due within the upcoming school year (Note 7).

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Cash consists of demand deposits with financial institutions. Restricted cash consists of funds on deposit with the AoA Deposit and Loan Fund Trust (Note 9). The Federal Deposit Insurance Company (FDIC) coverage is limited to \$250,000 for all funds in non-interest bearing bank accounts. Funds on deposit with the AoA Deposit and Loan Fund Trust are not FDIC insured.

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

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

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

Restricted cash and investment balances at May 31, 2019 and 2018, were \$15,181,023 and \$13,033,713, respectively.

NOTE 5 - INVESTMENTS

At May 31, 2019 and 2018, investments consisted of the following:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Short-term investment and money				
market funds	\$ 30,321	\$ 30,321	\$ 346,151	\$ 346,151
Certificates of deposit	250,100	250,000	-	-
Corporate bonds	700,347	694,887	-	-
U.S. government and agency bonds	8,806,800	8,739,354	9,233,084	9,208,523
	\$ 9,787,568	\$ 9,714,562	\$ 9,579,235	\$ 9,554,674

The Organization pays fees for the management of its investments and nets the fees against investment income. Those fees totaled approximately \$6,000 for the year ended May 31, 2018. There were no fees on investments for the year ended May 31, 2019.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Net assets with time restrictions of \$810,598 and \$1,023,372 at May 31, 2019 and 2018, respectively, were restricted for the net present value adjustment to scholarships payable as described in Note 7.

Net assets with purpose restrictions of \$917,436 and \$548,450 at May 31, 2019 and 2018, respectively, are restricted for scholarships to be awarded in the subsequent year.

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

NOTE 7 - SCHOLARSHIPS PAYABLE

Scholarships payable are reflected in the statements of financial position as of May 31, 2019 and 2018, in the amount of \$12,825,782 and \$11,291,319, respectively.

Remaining commitments associated with these scholarships are as follows:

<i>Year ending May 31,</i>	Scheduled Cash Outlay	Discount Component	Net Present Value
2020	\$ 3,354,225	\$ -	\$ 3,354,225
2021	2,911,711	116,903	2,794,808
2022	2,300,624	137,152	2,163,472
2023	1,591,300	125,213	1,466,087
2024	1,112,571	108,332	1,004,239
Thereafter	2,365,949	322,998	2,042,951
	\$ 13,636,380	\$ 810,598	\$ 12,825,782

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

	2019	2018
Scholarships payable, beginning of year	\$ 12,314,691	\$ 12,313,838
Scholarships awarded	4,423,654	3,069,098
Scholarships payments	(3,101,965)	(3,068,245)
Scholarships payable, end of year	\$ 13,636,380	\$ 12,314,691

NOTE 8 - CONTRIBUTIONS

Contributions are reflected in the statements of activities for the years ended May 31, 2019 and 2018, in the amounts of \$5,371,950 and \$3,175,131, respectively. Contributions consisted of the following:

	2019	2018
General contributions	\$ 5,178,878	\$ 2,956,286
Contributions with no corresponding tax credits	61,656	58,524
Contributions and transfers from other SSOs	131,416	160,321
	\$ 5,371,950	\$ 3,175,131

NOTE 9 - RELATED PARTY TRANSACTIONS

Restricted Cash

A portion of the scholarship funds (Note 4) are invested in the AoA Deposit and Loan Fund Trust (an interest-bearing deposit account). The Organization's funds invested in the AoA Deposit and Loan Fund Trust earned interest at the rate of 1.75% and total \$5,393,455 and \$3,454,478, at May 31, 2019 and 2018, respectively.

Management Services

During the year ended May 31, 2010, the Organization entered into a Management Agreement (the Agreement) with the Roman Catholic Archdiocese of Atlanta. The Agreement covered the twenty-four month period June 1, 2009 through May 31, 2011, and automatically renewed for twelve months on June 1 until a final renewal ended on May 31, 2018. The annual billing from the Roman Catholic Archdiocese of Atlanta for the year ended May 31, 2018, was set at \$24,000.

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

The annual billing from Services, Inc. for the year ended May 31, 2019 includes the following services:

Financial reporting	\$	7,700
Cash management		2,500
Accounts payable		4,500
Payroll		2,000
Office space		7,100
IT and telephone usage		1,200
		Total
		\$ 25,000

As part of the Agreement and the New Agreement (collectively, the Agreements), Services, Inc. hired onto its payroll full-time employees who work one-hundred percent of the time for the Organization. These employees are employed by Services, Inc. and receive all pay and benefits other full-time employees of Services, Inc. in similar positions receive. Services, Inc. processes all payroll and related costs for these employees and charges the Organization one-hundred percent of the actual cost. Payroll and related costs charged to the Organization for the employees are billed on a monthly basis. There were two employees covered under this arrangement and compensation and related benefits totaled approximately \$144,000 and \$190,000, for the years ended May 31, 2019 and 2018, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS (CONTINUED)

Management Services (continued)

The amounts due to related party totaled \$23,489 and \$33,631, as of May 31, 2019 and 2018, respectively.

NOTE 10 - CERTIFICATION FOR GEORGIA DEPARTMENT OF REVENUE

For the years ended May 31, 2019 and 2018, the Organization has met all the requirements under Georgia law O.C.G.A. § 20-2A-2, and is a SSO as defined in O.C.G.A. § 20-2A-1. The 2018 and 2017 calendar year reports submitted to the Georgia Department of Revenue pursuant to O.C.G.A. § 20-2A-3 are correct in all material respects.

NOTE 11 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be measured at fair value on a recurring basis. For the Organization, assets and liabilities that are adjusted to fair value on a recurring basis are investments and scholarships payable. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Cash, restricted cash, accounts payable, accrued expenses, and related party payables - reported at carrying value, which approximates fair value based upon the nature of the instruments.

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

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Investments - reported at fair value utilizing Level 1 and 2 inputs utilizing quoted market prices, if available. If quoted prices are not available, fair values are based on observable data that may include dealer quotes, market spreads, cash flows, U.S. Treasury yield curve, credit information and other similar attributes.

Scholarships payable - reported at fair value utilizing Level 3 inputs, based on the present value of expected future cash flows and a discount rate of 2.07% and 2.91% at May 31, 2019 and 2018, respectively. A decrease in the discount rate would increase the scholarships payable obligation. The valuation of the scholarships payable is determined annually by management.

The following tables set forth by level within the fair value hierarchy, the Organization's financial assets and liabilities measured at fair value on a recurring basis as of May 31, 2019 and 2018:

<i>May 31, 2019</i>	Total	Level 1	Level 2	Level 3
Investments				
Short-term investment and money market funds	\$ 30,321	\$ 30,321	\$ -	\$ -
Certificates of deposit	250,100	-	250,100	-
Corporate bonds	700,347	-	700,347	-
U.S. government and agency bonds	8,806,800	-	8,806,800	-
	\$ 9,787,568	\$ 30,321	\$ 9,757,247	\$ -
Scholarships payable	\$ 12,825,782	\$ -	\$ -	\$ 12,825,782

<i>May 31, 2018</i>	Total	Level 1	Level 2	Level 3
Investments				
Short-term investment and money market funds	\$ 346,151	\$ 346,151	\$ -	\$ -
U.S. government and agency bonds	9,233,084	-	9,233,084	-
	\$ 9,579,235	\$ 346,151	\$ 9,233,084	\$ -
Scholarships payable	\$ 11,291,319	\$ -	\$ -	\$ 11,291,319

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

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of the change in fair value for the years ended May 31, 2019 and 2018, for Level 3:

	2019	2018
Beginning of period	\$ 11,291,319	\$ 11,541,038
Scholarship awards	4,423,654	3,069,098
Scholarship payments	(3,101,965)	(3,068,245)
Change in discount to net present value	212,774	(250,572)
	<u>\$ 12,825,782</u>	<u>\$ 11,291,319</u>

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

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 19, 2019, which is the date that the financial statements were available to be issued.