

ARETE SCHOLARS FUND, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

ARETE SCHOLARS FUND, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Arete Scholars Fund, Inc.
Dacula, Georgia

We have audited the accompanying financial statements of Arete Scholars Fund, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arete Scholars Fund, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Arete Scholars Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arete Scholars Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Arete Scholars Fund, Inc.
Dacula, Georgia

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arete Scholars Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arete Scholars Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Lawrenceville, Georgia
November 10, 2022

ARETE SCHOLARS FUND, INC.

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS:		
Cash and cash equivalents:		
Operating		
Restricted for scholarships		
Other assets		
Total Assets		
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses		
Total liabilities		
Net assets:		
Without donor restrictions:		
Available at board discretion		
With donor restrictions:		
Scholarships		
Total net assets		
Total Liabilities and Net Assets		

See notes to financial statements

ARETE SCHOLARS FUND, INC.

Statements of Activities

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Support:						
Contributions						
Tax credit contributions						
Government grant						
Interest and other revenue						
Total Support and Revenue						
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions						
Government grant						
Administrative assessments (Note 1)						
Total Reclassifications						
EXPENSES:						
Program services:						
Scholarship awards						
Other scholarship related costs						
Supporting activities:						
General and administrative						
Fundraising						
Total Expenses						
Change in Net Assets						
Net Assets, Beginning of Year						
Net Assets, End of Year						

See notes to financial statements

ARETE SCHOLARS FUND, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets		
Adjustments to reconcile change in net assets to		
net cash provided (used) by operating activities:		
Non-cash government grant (forgiveness of loan payable)		
Change in other assets		
Change in accounts payable and accrued expenses		
Net Cash Provided (Used) by Operating Activities		
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year		
Cash and Cash Equivalents, End of Year		

See notes to financial statements

ARETE SCHOLARS FUND, INC.

Notes to Financial Statements

June 30, 2022 and 2021

1. NATURE OF ORGANIZATION:

Arete Scholars Fund, Inc. (Arete) was incorporated in June 2010, for the purpose of helping economically disadvantaged children discover and use their unique gifts and talents through educational opportunity. Arete accomplishes this by providing K-12 scholarships to low-income families, enabling their children to reach their highest potential. Arete is a non-profit organization as defined in section 501(c)(3) of the Internal Revenue Code (Code) and not a private foundation as defined in section 509 of the Code. The primary source of funding is contributions received from the general public, including individuals and corporations.

Arete operates as a Georgia Student Scholarship Organization (SSO). The state of Georgia has approved the existence of SSOs for the purpose of providing student scholarships to parents that will help cover the cost of a private school education for their children in the state of Georgia. Georgia taxpayers (individuals and corporations) are able to make contributions to SSOs and receive a dollar for dollar tax credit, within limits prescribed by the law, against their Georgia state income tax liability. An approved SSO can take administrative assessments against tax credit contributions received as follows: (a) up to 8% on the first \$1,500,000, (b) up to 6% on the next \$8,500,000, (c) up to 5% on the next \$10,000,000, and (d) up to 4% on all remaining amounts. An approved SSO must designate available amounts to particular students prior to December 31 of the calendar year in which the available amounts were received. As of June 30, 2022 and 2021, Arete was in compliance with these requirements. The following shows this transactional flow:

	Year Ended June 30,	
	2022	2021
Support and revenue received for scholarships:		
Tax credit contributions		
Administrative assessment against tax credit contributions:		
From corporations		
From individuals		
Amount eligible for scholarships, subject to the assessment and distribution requirements listed above		
Balance restricted for scholarships, beginning of year		
Amount available for scholarships in the current year		
Scholarship expense		
Balance restricted for scholarships, end of year		

ARETE SCHOLARS FUND, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and money market accounts at one financial institution. While Arete maintains cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits, it has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NET ASSETS

The financial statements report amounts separately by class of net assets:

Without donor restrictions amounts are currently available at the discretion of the board of directors.

With donor restrictions amounts are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

REVENUES, EXPENSES, AND RECLASSIFICATIONS

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to Arete.

Arete reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, restricted net assets are reclassified to without restrictions net assets and reported in the statements of activities as net assets released from restrictions.

During the year ended June 30, 2022, [REDACTED] of total contributions were provided by [REDACTED] donors. During the year ended June 30, 2021, [REDACTED] of total contributions were provided by [REDACTED] donors. Arete understands the implications of these concentrations.

ARETE SCHOLARS FUND, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Allocations are made based on employee time and effort analysis.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. [REDACTED]

Arete files information tax returns in the U.S. and the state of Georgia. [REDACTED]

LIQUIDITY AND FUNDS AVAILABLE

The following table reflects Arete's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for specific purposes.

Financial assets available to meet cash needs for general expenditures within one year:

	June 30,	
	2022	2021
Cash and cash equivalents	[REDACTED]	

ARETE SCHOLARS FUND, INC.

Notes to Financial Statements

June 30, 2022 and 2021

3. FUNCTIONAL EXPENSES:

Functional expenses have been allocated as follows:

	Year Ended June 30, 2022			
	Program	General and Administrative	Fundraising	Total
Scholarship awards				
Bank fees				
Accounting fees				
Outside contract services				
Rent, parking, and utilities				
Books and subscriptions				
Postage and mailing				
Office supplies				
Telephone				
Marketing				
Insurance				
Donor events				
Employee compensation				
Payroll expenses				
Employee benefits				
Travel and other				

ARETE SCHOLARS FUND, INC.

Notes to Financial Statements

June 30, 2022 and 2021

3. FUNCTIONAL EXPENSES, continued:

	Year Ended June 30, 2021			
	Program	General and Administrative	Fundraising	Total
Scholarship awards				
Bank fees				
Accounting fees				
Outside contract services				
Rent, parking, and utilities				
Books and subscriptions				
Postage and mailing				
Office supplies				
Telephone				
Marketing				
Insurance				
Donor events				
Employee compensation				
Payroll expenses				
Employee benefits				
Travel and other				

4. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Arete for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

ARETE SCHOLARS FUND, INC.

Notes to Financial Statements

June 30, 2022 and 2021

5. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 10, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.