

# ARETE SCHOLARS LOUISIANA, INC.

Financial Statements  
With Independent Auditors' Report

June 30, 2024 and 2023

# ARETE SCHOLARS LOUISIANA, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Arete Scholars Louisiana, Inc.  
Baton Rouge, Louisiana

### ***Opinion***

We have audited the accompanying financial statements of Arete Scholars Louisiana, Inc., which comprise the statements of financial position as of June 30, 2024 and 2023, 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 Louisiana, Inc. as of June 30, 2024 and 2023, 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 audits 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 Louisiana, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Louisiana, 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 Louisiana, Inc.  
Baton Rouge, Louisiana

***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 auditor's 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 Louisiana 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 Louisiana, 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  
December 11, 2024

# ARETE SCHOLARS LOUISIANA, INC.

## Statements of Financial Position

	June 30,	
	2024	2023
ASSETS:		
Cash and cash equivalents:		
Operating	\$ 974,176	\$ 275,824
Restricted for scholarship	134,120	2,929,231
	<u>1,108,296</u>	<u>3,205,055</u>
Other assets	117,326	-
Investments	<u>19,782,659</u>	<u>11,794,968</u>
Total Assets	<u><u>\$ 21,008,281</u></u>	<u><u>\$ 15,000,023</u></u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 75,264	\$ 70,093
Total liabilities	<u>75,264</u>	<u>70,093</u>
Net assets:		
Without donor restrictions and available at board discretion	1,016,238	302,110
With donor restrictions for scholarships	<u>19,916,779</u>	<u>14,627,820</u>
Total net assets	<u>20,933,017</u>	<u>14,929,930</u>
Total Liabilities and Net Assets	<u><u>\$ 21,008,281</u></u>	<u><u>\$ 15,000,023</u></u>

See notes to financial statements

# ARETE SCHOLARS LOUISIANA, INC.

## Statements of Activities

	Year Ended June 30,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 67,981	\$ 12,068,918	\$ 12,136,899	\$ 77,759	\$ 9,020,921	\$ 9,098,680
Interest and other income	905,254	-	905,254	158,467	-	158,467
Total Support and Revenue	<u>973,235</u>	<u>12,068,918</u>	<u>13,042,153</u>	<u>236,226</u>	<u>9,020,921</u>	<u>9,257,147</u>
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	6,244,511	(6,244,511)	-	3,872,122	(3,872,122)	-
Administrative assessments (Note 1)	535,448	(535,448)	-	400,247	(400,247)	-
Total Reclassifications	<u>6,779,959</u>	<u>(6,779,959)</u>	<u>-</u>	<u>4,272,369</u>	<u>(4,272,369)</u>	<u>-</u>
EXPENSES:						
Program services	<u>6,623,375</u>	<u>-</u>	<u>6,623,375</u>	<u>4,121,363</u>	<u>-</u>	<u>4,121,363</u>
Supporting activities:						
General and administrative	159,204	-	159,204	112,782	-	112,782
Fundraising	256,487	-	256,487	181,598	-	181,598
	<u>415,691</u>	<u>-</u>	<u>415,691</u>	<u>294,380</u>	<u>-</u>	<u>294,380</u>
Total Expenses	<u>7,039,066</u>	<u>-</u>	<u>7,039,066</u>	<u>4,415,743</u>	<u>-</u>	<u>4,415,743</u>
Change in Net Assets	714,128	5,288,959	6,003,087	92,852	4,748,552	4,841,404
Net Assets, Beginning of Year	<u>302,110</u>	<u>14,627,820</u>	<u>14,929,930</u>	<u>209,258</u>	<u>9,879,268</u>	<u>10,088,526</u>
Net Assets, End of Year	<u>\$ 1,016,238</u>	<u>\$ 19,916,779</u>	<u>\$ 20,933,017</u>	<u>\$ 302,110</u>	<u>\$ 14,627,820</u>	<u>\$ 14,929,930</u>

See notes to financial statements

# ARETE SCHOLARS LOUISIANA, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 6,003,087	\$ 4,841,404
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized losses on investments	(222,869)	94,659
Change in other assets	(117,326)	-
Change in accounts payable and accrued expenses	5,171	(110,107)
Net Cash Provided by Operating Activities	<u>5,668,063</u>	<u>4,825,956</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales on investments	249,852	-
Purchases of investments	(8,014,674)	(11,889,627)
Net Cash Used by Investing Activities	<u>(7,764,822)</u>	<u>(11,889,627)</u>
Net Change in Cash and Cash Equivalents	(2,096,759)	(7,063,671)
Cash and Cash Equivalents, Beginning of Year	<u>3,205,055</u>	<u>10,268,726</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,108,296</u></u>	<u><u>\$ 3,205,055</u></u>

See notes to financial statements

# ARETE SCHOLARS LOUISIANA, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

1. NATURE OF ORGANIZATION:

Arete Scholars Louisiana, Inc. (Arete) was incorporated in 2013, 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 Louisiana School Tuition Organization (STO). The state of Louisiana has approved the existence of STOs 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 Louisiana. Louisiana tax filers (individuals and corporations) are able to make contributions to STOs and receive a credit against their Louisiana state tax liability equal to 95% of their contribution, within limits prescribed by the law. STOs can take administrative assessments against these tax credit contributions of up to 5%. As of June 30, 2024 and 2023, Arete was in compliance with these requirements. The following shows this transactional flow:

	Year Ended June 30,	
	2024	2023
Contributions:		
Tax credit receipts	\$ 12,068,918	\$ 9,020,921
Up to 5% assessment against these receipts	(535,448)	(400,247)
Amount eligible for scholarships, subject to the assessment and distribution requirements listed above	11,533,470	8,620,674
Balance restricted for scholarships, beginning of year	14,627,820	9,879,268
Amount available for scholarships in the current year	26,161,290	18,499,942
Scholarship expense	(6,244,511)	(3,872,122)
Balance restricted for scholarships, end of year	<u>\$ 19,916,779</u>	<u>\$ 14,627,820</u>



# ARETE SCHOLARS LOUISIANA, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

### 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 financial 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 savings accounts. 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.

#### INVESTMENTS

Investments in equity securities, exchange-traded funds, and mutual funds with readily determinable fair values and fixed income securities are recorded at fair value with gains and losses reported in the statements of activities. Certificates of deposit are recorded at cost plus accrued interest. Donated investments are recorded at fair value at the date of donation and thereafter carried in conformity with the stated policy.

#### NET ASSETS

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

*Without donor restrictions* amounts are currently available at the discretion of or designated for specific purposes by 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 support 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, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statements of activities as net assets released from restrictions.

# ARETE SCHOLARS LOUISIANA, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

During the year ended June 30, 2024, 21% of total contributions were provided by four donors. During the year ended June 30, 2023, 24% of total contributions were provided by four donors. Arete understands the implications of these concentrations.

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 based on employee time and effort.

#### LIQUIDITY AND FUNDS AVAILABLE

The following table reflects Arete's financial assets, 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.

	June 30,	
	2024	2023
Financial assets available to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ 1,108,296	\$ 3,205,055
Investments	19,782,659	11,794,968
	<u>\$ 20,890,955</u>	<u>\$ 15,000,023</u>

# ARETE SCHOLARS LOUISIANA, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

4. INVESTMENTS:

Investments consist of:

	June 30,	
	2024	2023
Held at cost:		
Cash and cash equivalents	\$ 915,630	\$ 267,790
Certificate of deposit	7,521,670	-
	<u>8,437,300</u>	<u>267,790</u>
Held at fair value:		
Mutual funds	3,326,273	3,372,772
United States Treasury notes	3,785,070	4,667,348
Corporate debt securities	4,234,016	3,487,058
	<u>11,345,359</u>	<u>11,527,178</u>
	<u>\$ 19,782,659</u>	<u>\$ 11,794,968</u>

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. Arete uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Arete measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

# ARETE SCHOLARS LOUISIANA, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

4. INVESTMENTS, continued:

The fair values of mutual funds are based on quoted market prices or dealer quotes. The fair values United States Treasury notes and corporate debt securities are based upon yields currently available on comparable securities of issuers with similar credit ratings.

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Mutual funds	\$ 3,326,273	\$ -	\$ -	\$ 3,326,273
Fixed income:				
US Treasuries	-	3,785,070	-	3,785,070
Corporate debt	-	4,234,016	-	4,234,016
	-	8,019,086	-	8,019,086
	<u>\$ 3,326,273</u>	<u>\$ 8,019,086</u>	<u>\$ -</u>	<u>\$ 11,345,359</u>
June 30, 2023				
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Mutual funds	\$ 3,372,772	\$ -	\$ -	\$ 3,372,772
Fixed income:				
US Treasuries	-	4,667,348	-	4,667,348
Corporate debt	-	3,487,058	-	3,487,058
	-	8,154,406	-	8,154,406
	<u>\$ 3,372,772</u>	<u>\$ 8,154,406</u>	<u>\$ -</u>	<u>\$ 11,527,178</u>

# ARETE SCHOLARS LOUISIANA, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

### 5. FUNCTIONAL EXPENSES:

Functional expenses have been allocated as follows:

Year Ended June 30, 2024				
	Program Services	General and Administrative	Fundraising	Total
Scholarship awards	\$ 6,244,511	\$ -	\$ -	\$ 6,244,511
Personnel	277,525	51,633	187,168	516,326
Marketing and advertising	-	36,403	-	36,403
Testing	36,995	-	-	36,995
Office supplies and other	64,344	71,168	69,319	204,831
	<u>\$ 6,623,375</u>	<u>\$ 159,204</u>	<u>\$ 256,487</u>	<u>\$ 7,039,066</u>
Year Ended June 30, 2023				
	Program Services	General and Administrative	Fundraising	Total
Scholarship awards	\$ 3,872,122	\$ -	\$ -	\$ 3,872,122
Personnel	192,390	35,793	129,751	357,934
Marketing and advertising	-	27,965	-	27,965
Testing	16,975	-	-	16,975
Office supplies and other	39,876	49,024	51,847	140,747
	<u>\$ 4,121,363</u>	<u>\$ 112,782</u>	<u>\$ 181,598</u>	<u>\$ 4,415,743</u>

### 6. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the date of the auditors' report, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.