



**SCHOLARSHIP AMERICA, INC.**

Financial Statements and Supplemental Schedules

June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)

# SCHOLARSHIP AMERICA, INC.

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**KPMG LLP**  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## **Independent Auditors' Report**

The Board of Trustees  
Scholarship America, Inc.  
St. Peter, Minnesota:

We have audited the accompanying statements of financial position of Scholarship America, Inc. (Scholarship America) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Scholarship America's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Scholarship America's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scholarship America as of June 30, 2006 and 2005, and its changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**KPMG LLP**

Minneapolis, Minnesota  
August 25, 2006

**SCHOLARSHIP AMERICA, INC.**

Statements of Financial Position

June 30, 2006 and 2005

<b>Assets</b>	<b>2006</b>	<b>2005</b>
Current assets:		
Cash and cash equivalents	\$ 23,953,307	19,328,003
Accounts, interest, and other receivables	2,688,590	2,772,419
Contributions receivable, net (note 3)	790,508	828,406
Prepaid expenses and other assets	684,338	649,375
Total current assets	<u>28,116,743</u>	<u>23,578,203</u>
Contributions receivable, less current portion, net (note 3)	<u>1,229,950</u>	<u>1,222,709</u>
Investments (note 4)	<u>143,240,376</u>	<u>145,406,080</u>
Cash value of life insurance	<u>252,335</u>	<u>229,924</u>
Property and equipment:		
Land	329,436	329,436
Building and improvements	4,524,543	4,520,039
Furniture and equipment	3,066,645	2,992,033
	<u>7,920,624</u>	<u>7,841,508</u>
Less accumulated depreciation	<u>4,382,149</u>	<u>4,063,186</u>
Property and equipment, net	<u>3,538,475</u>	<u>3,778,322</u>
Total assets	<u>\$ 176,377,879</u>	<u>174,215,238</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 420,616	662,986
Accrued expenses	502,202	299,999
Current portion of long-term debt (note 6)	88,249	591,148
Scholarships payable	15,475,832	14,580,367
Refundable deposits	15,476,046	13,945,823
Total current liabilities	<u>31,962,945</u>	<u>30,080,323</u>
Long-term debt (note 6)	<u>2,034,348</u>	<u>3,123,008</u>
Total liabilities	<u>33,997,293</u>	<u>33,203,331</u>
Commitments (note 8)		
Net assets:		
Unrestricted:		
Designated for endowment	445,257	445,257
Undesignated	5,051,372	2,729,056
Total unrestricted	<u>5,496,629</u>	<u>3,174,313</u>
Temporarily restricted (note 5)	120,070,123	121,228,558
Permanently restricted (note 5)	16,813,834	16,609,036
Total net assets	<u>142,380,586</u>	<u>141,011,907</u>
Total liabilities and net assets	<u>\$ 176,377,879</u>	<u>174,215,238</u>

See accompanying notes to financial statements.

**SCHOLARSHIP AMERICA, INC.**

Statements of Activities

Years ended June 30, 2006 and 2005

	<b>2006</b>	<b>2005</b>
Changes in unrestricted net assets:		
Total scholarships raised	\$ 146,018,878	131,006,665
Less scholarships designated by donors for specific beneficiaries	(58,415,206)	(51,599,870)
Scholarship revenue	87,603,672	79,406,795
Program management fees	8,629,445	7,872,381
Investment income (note 4)	1,155,577	446,408
Contributions	537,234	841,556
Other income	259,502	419,415
Dollars for Scholars®	358,127	339,936
ScholarShop®	30,134	138,903
Revenues and support	98,573,691	89,465,394
Net assets released from restrictions:		
Satisfaction of program restrictions	12,172,185	11,464,897
Total unrestricted revenues and support	110,745,876	100,930,291
Expenses:		
Program services:		
Total scholarship distributions	155,909,198	140,327,781
Less scholarships designated by donors for specific beneficiaries	(58,415,206)	(51,599,870)
Scholarship awards	97,493,992	88,727,911
Scholarship Management Services™	3,597,787	3,189,860
Dollars for Scholars®	2,736,457	3,044,547
ScholarShop®	63,278	236,505
Supporting services:		
General and administration	3,276,491	3,485,072
Fundraising	1,255,555	1,398,203
Total expenses	108,423,560	100,082,098
Change in unrestricted net assets	2,322,316	848,193
Changes in temporarily restricted net assets:		
Contributions and project grants	10,108,076	5,586,326
Investment income (note 4)	905,674	10,893,257
Net assets released from restrictions:		
Satisfaction of program restrictions	(12,172,185)	(11,464,897)
Change in temporarily restricted net assets	(1,158,435)	5,014,686
Changes in permanently restricted net assets:		
Endowment contributions	204,798	424,809
Change in permanently restricted net assets	204,798	424,809
Increase in net assets	1,368,679	6,287,688
Net assets:		
Balance at beginning of year	141,011,907	134,724,219
Balance at end of year	\$ 142,380,586	141,011,907

See accompanying notes to financial statements.

**SCHOLARSHIP AMERICA, INC.**

Statements of Cash Flows

Years ended June 30, 2006 and 2005

	<b>2006</b>	<b>2005</b>
Cash flows from operating activities:		
Increase in net assets	\$ 1,368,679	6,287,688
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	320,836	378,503
Unrealized losses (gains) on investments	4,755,512	(5,981,209)
Realized gains on sale of investments	(396,809)	(271,463)
Scholarships designated by donors for specific beneficiaries	(58,415,206)	(51,599,870)
Scholarships designated by donors for specific beneficiaries	58,415,206	51,599,870
Permanently restricted contributions	(204,798)	(424,809)
Changes in assets and liabilities:		
Accounts, interest, and other receivables	83,829	(404,564)
Contributions receivable	30,657	2,209,414
Prepaid expenses and other assets	(34,963)	170,162
Cash value of life insurance	(22,411)	(8,977)
Accounts payable	(242,370)	47,012
Scholarships payable	6,941,689	(847,964)
Accrued expenses	202,203	(133,425)
Refundable deposits	(4,516,001)	4,295,333
Net cash provided by operating activities	8,286,053	5,315,701
Cash flows from investing activities:		
Purchase of investments	(50,882,938)	(39,803,402)
Proceeds from sale of investments	48,689,939	21,491,155
Purchase of property and equipment	(80,989)	(44,183)
Net cash used in investing activities	(2,273,988)	(18,356,430)
Cash flows from financing activities:		
Contributions received	204,798	424,809
Repayments of notes payable, net of proceeds	—	(300,000)
Repayments of long-term debt	(1,591,559)	(86,939)
Net cash (used in) provided by financing activities	(1,386,761)	37,870
Increase (decrease) in cash and cash equivalents	4,625,304	(13,002,859)
Cash and cash equivalents at beginning of year	19,328,003	32,330,862
Cash and cash equivalents at end of year	\$ 23,953,307	19,328,003
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 206,736	145,752

See accompanying notes to financial statements.

## SCHOLARSHIP AMERICA, INC.

### Notes to Financial Statements

June 30, 2006 and 2005

#### (1) Organization

Scholarship America, Inc. (Scholarship America) is a nonprofit corporation organized under the laws of the Commonwealth of Massachusetts to expand access to education opportunities by involving and assisting communities, corporations, foundations, organizations, and individuals in the support of students and in the encouragement of educational achievement. Until January 2003, the corporation was known as Citizens' Scholarship Foundation of America.

The financial statements include the Dollars for Scholars® regional offices that provide national support to Dollars for Scholars® chapters. The financial statements do not include assets, liabilities, revenues, or expenses of the individual Dollars for Scholars® chapters, because these chapters are treated as independent organizations.

In fiscal year 2002, the Families of Freedom Scholarship Fund (the Fund) was created to provide education assistance for postsecondary study to financially needy dependents of those killed or permanently disabled as a result of the terrorist attacks on September 11, 2001, and during the rescue activities related to those attacks. The Fund is intended for children and spouses of the victims, including airplane crew and passengers, World Trade Center and Pentagon workers and visitors, and rescue workers, including firefighters, emergency medical personnel, and law enforcement personnel. Assistance from the Fund must be used to defray costs of education at accredited colleges, universities, or vocational-technical schools based in the United States. Scholarship America may from time to time assess a charge to income of the Fund in an amount reasonably calculated to reimburse Scholarship America's direct and indirect costs incurred in the administration of the Fund.

In fiscal year 2003, Families of Freedom 2 was created to provide postsecondary education assistance to those working in the World Trade Center neighborhood who lost their jobs or businesses as a result of the attack.

#### (2) Summary of Significant Accounting Policies

The accounting policies of Scholarship America conform to U.S. generally accepted accounting principles. The significant accounting policies followed by Scholarship America are set forth below.

##### (a) *Basis of Presentation*

The financial statements of Scholarship America have been prepared on the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Scholarship America, and changes therein, are classified and reported as follows:

##### *Unrestricted Net Assets*

This classification contains net assets that are not subject to donor-imposed stipulations.

**SCHOLARSHIP AMERICA, INC.**

Notes to Financial Statements

June 30, 2006 and 2005

*Temporarily Restricted Net Assets*

This classification includes net assets that have been restricted by donors for specific purposes or are not available for use until a specific time. These consist primarily of contributions, project grants, and investment income.

*Permanently Restricted Net Assets*

This classification includes net assets that have been restricted by donors who stipulate the resources be maintained permanently by Scholarship America.

**(b) Accounting for Scholarships**

Scholarship America follows the guidance of Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, for its scholarship programs. Under SFAS No. 136, scholarship programs where the beneficiary has been specified by the donor or the determination of the beneficiary is under the control of another third party are treated as agency transactions and are not reported as scholarship revenues or scholarship distribution expenses in the statements of activities unless Scholarship America has variance power with respect to the determination of the beneficiary. Variance power is the unilateral ability to redirect the use of the transferred assets to another beneficiary.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in bank accounts and temporary investments with original maturities of less than three months when purchased.

**(d) Investments**

Investments are reported at fair value based on quoted market prices at the report date.

**(e) Property and Equipment**

Expenditures for the acquisition of property and equipment are capitalized at cost. Donated property and equipment is capitalized at fair value on the date of receipt. Depreciation is provided using the straight-line method over estimated useful lives as follows:

	<u>Years</u>
Building and improvements	35
Furniture and equipment	3–12

**(f) Contributed Services**

A number of volunteers have made significant donations of their time to program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.



## SCHOLARSHIP AMERICA, INC.

### Notes to Financial Statements

June 30, 2006 and 2005

**(g) Contributions**

Contributions, which include promises to give, are recognized as revenues in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor.

Promises to give are recorded as contributions receivable using a discount rate of 5%. Additionally, an allowance for uncollectible contributions is provided based on management's judgment, including factors such as prior collection history and nature of fundraising activity.

Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When a donor-imposed time restriction expires, or a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. This reclassification is reported as net assets released from restriction on the statements of activities.

Contributions of land, buildings, and equipment are recorded as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Scholarship America reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

**(h) Scholarships Payable and Refundable Deposits**

Scholarships payable represent awards that have been made, that Scholarship America has not yet distributed to the beneficiaries. Refundable deposits represent amounts held by Scholarship America for scholarship programs that, under terms of the program agreement, are refundable or revocable at the discretion of the resource provider. Refundable deposits also include amounts held by Scholarship America in connection with agreements that have stipulations that the assets be passed on to specific beneficiaries.

**(i) Program Management Fees**

Program management fees are recognized as revenue as the fees are earned. Approximately two-thirds of the program management fees are recognized as the program is developed and applications are processed, with the remaining one-third being recognized after final scholarship distributions have been made.

**(j) Grants**

Restricted grants are recognized as revenue and support only to the extent that expenses have been incurred during the period for the purpose specified.

**(k) Functional Expenses**

Scholarship America's financial statements segregate expenses by function, including general, administration, and fundraising. Expenses are charged directly to specific functions when

## SCHOLARSHIP AMERICA, INC.

### Notes to Financial Statements

June 30, 2006 and 2005

practicable. Expenses not identified as relating to specific functions are allocated primarily based on direct salary costs.

**(l) *Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(m) *Income Tax Status***

Scholarship America is a nonprofit organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3), is a publicly supported organization under Internal Revenue Code Section 170(b)(1)(A)(vi), and is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

**(n) *Retirement Plan***

Scholarship America has a 403(b) annuity retirement plan that covers substantially all employees. Employee participation is optional. Scholarship America contributes an amount equal to 4% of the employee's annual salary, which resulted in Scholarship America's contributions to the plan totaling \$195,352 and \$198,786 for the years ended June 30, 2006 and 2005, respectively.

**(o) *Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents; accounts, interest, and other receivables; accounts payable and accrued expenses; scholarships payable; and refundable deposits approximate fair value because of the short maturity of these financial instruments. The fair value of cash surrender values of insurance policies is based upon market information provided from the respective insurance companies. Contributions to be received after one year are discounted at a rate commensurate with the risk associated with the contribution. Investments are carried at fair value, as indicated in note 2(d).

**(p) *Reclassifications***

Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

**SCHOLARSHIP AMERICA, INC.**

Notes to Financial Statements

June 30, 2006 and 2005

**(3) Contributions Receivable**

Contributions are to be collected during the following time frames at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Less than one year	\$ 790,508	828,406
One to five years	956,064	953,508
Greater than five years	800,000	855,000
	<u>2,546,572</u>	<u>2,636,914</u>
Less:		
Discounts for the time value of money	419,774	477,846
Allowance for uncollectible contributions	106,340	107,953
	<u>\$ 2,020,458</u>	<u>2,051,115</u>

Conditional promises to give are not recognized as assets and total \$35,000 at June 30, 2005. There are no conditional promises to give at June 30, 2006.

**(4) Investments and Investment Income**

Investments consisted of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
U.S. Government obligations	\$ 12,966,675	23,049,361
Equity mutual funds	47,460,107	38,559,722
Bond mutual funds	74,820,202	80,779,412
Money market and certificates of deposit	7,993,392	3,017,585
	<u>\$ 143,240,376</u>	<u>145,406,080</u>

Investment income is recorded in the statements of activities and is comprised of the following for the years ended June 30, 2006 and 2005:

	<u>Interest and dividends</u>	<u>Unrealized gain (loss)</u>	<u>Realized gain (loss)</u>	<u>Total</u>
2006:				
Unrestricted	\$ 1,109,668	46,263	(354)	1,155,577
Temporarily restricted	5,310,286	(4,801,775)	397,163	905,674
2005:				
Unrestricted	\$ 413,780	32,628	—	446,408
Temporarily restricted	4,673,213	5,948,581	271,463	10,893,257

**SCHOLARSHIP AMERICA, INC.**

Notes to Financial Statements

June 30, 2006 and 2005

**(5) Net Assets**

Temporarily restricted net assets are available at June 30, 2006 and 2005 for the following purposes:

	<u>2006</u>	<u>2005</u>
Scholarships	\$ 117,437,059	118,358,153
Regions	961,853	1,064,510
Other projects	<u>1,671,211</u>	<u>1,805,895</u>
Total	<u>\$ 120,070,123</u>	<u>121,228,558</u>

Permanently restricted net asset balances at June 30, 2006 and 2005 and the purposes for which the income can be used are as follows:

	<u>2006</u>	<u>2005</u>
Scholarships	\$ 15,136,104	15,038,297
Regions	<u>1,677,730</u>	<u>1,570,739</u>
Total	<u>\$ 16,813,834</u>	<u>16,609,036</u>

**SCHOLARSHIP AMERICA, INC.**

Notes to Financial Statements

June 30, 2006 and 2005

**(6) Long-term Debt**

A summary of long-term debt as of June 30, 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
Note payable to The First National Bank of St. Peter with interest at 5.75%, payable in semi-annual installments of \$90,000 through September 2025. Such payments are secured by a mortgage and security interest granted to the creditor by Scholarship America.	\$ 2,069,412	2,128,282
Note payable to The First National Bank of St. Peter with interest at 4%, payable in annual installments of \$500,000 through September 2007. Such payments are secured by a mortgage and security interest granted to the creditor by Scholarship America.	—	1,500,000
Note payable to the City of St. Peter with interest at 3%, payable in monthly installments of \$1,448 through January 2009. Such payments are secured by a mortgage and security interest granted to the creditor by Scholarship America.	43,112	58,936
Note payable to the City of St. Peter with interest at 3%, payable in monthly installments of \$1,453 through January 2007. Such payments are secured by a mortgage and security interest granted to the creditor by Scholarship America.	10,073	26,938
	2,122,597	3,714,156
Less current maturities	(88,249)	(591,148)
	\$ 2,034,348	3,123,008

Aggregate annual maturities of long-term debt are as follows:

2007	\$ 88,249
2008	82,020
2009	79,529
2010	73,332
2011	77,610
Thereafter	1,721,857
	\$ 2,122,597

## SCHOLARSHIP AMERICA, INC.

### Notes to Financial Statements

June 30, 2006 and 2005

#### (7) Revolving Credit Line Agreement

On August 24, 2004, Scholarship America signed agreements to convert a \$1,800,000 outstanding line of credit into a \$1,500,000 second mortgage and the \$300,000 line of credit. The second mortgage is reported as long-term debt at June 30, 2005, and during fiscal 2006 the balance was fully paid (note 6). Amounts outstanding under the line of credit bear interest at a fixed rate of 4% and are secured by a mortgage and security interest granted to the creditor by Scholarship America. At June 30, 2005, no amounts were outstanding under this line of credit, and the line was allowed to expire on June 25, 2006.

#### (8) Leases

Rental expense for office space was \$235,247 and \$279,049 for the years ended June 30, 2006 and 2005, respectively. Lease agreements having an original term of more than one year expire on various dates through fiscal 2009. Minimum annual payments under terms of these operating leases are as follows:

Year ending June 30:		
2007	\$	240,425
2008		152,254
2009		95,758

#### (9) Deferred Compensation Plan

Scholarship America has a senior management deferred compensation plan with eligibility for participation in this plan limited to the president and those vice presidents of Scholarship America who are recommended by the president for participation, and who are approved by the board of trustees of Scholarship America. Upon termination, a participant has a right to the participant's account balance if one of the following conditions has been met: attainment of age 55 and completion of 10 years of participation in the plan, death or total and permanent disability, or attainment of age 60. Cumulative commitments to contribute totaled approximately \$68,601 at June 30, 2005 and were paid during the year-ended June 30, 2006.

**SCHOLARSHIP AMERICA, INC.**

Notes to Financial Statements

June 30, 2006 and 2005

**(10) Supporting Services Expense Ratios**

Scholarship America's supporting services expense ratios as a percentage of unrestricted revenues and support, excluding scholarships designated by donors for specific beneficiaries, for the years ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>		<u>2005</u>	
General and administration	\$ 3,276,491	2.96%	\$ 3,485,072	3.45%
Fundraising	<u>1,255,555</u>	<u>1.13%</u>	<u>1,398,203</u>	<u>1.39%</u>
Total	<u>\$ 4,532,046</u>	<u>4.09%</u>	<u>\$ 4,883,275</u>	<u>4.84%</u>
Unrestricted revenues and support, excluding scholarships designated by donors for specific beneficiaries	<u>\$ 110,745,876</u>		<u>\$ 100,930,291</u>	

Fundraising costs also include costs related to the generation of scholarships raised and designated by donors for specific beneficiaries.

**SCHOLARSHIP AMERICA, INC.**  
 Families of Freedom Scholarship Fund  
 Schedule of Financial Position  
 June 30, 2006

**Assets**

Current assets:		
Cash and cash equivalents	\$	2,860,104
Contributions receivable, net		<u>665,000</u>
Total current assets		3,525,104
Contributions receivable, less current portion, net		1,131,412
Investments		<u>100,491,969</u>
Total assets	\$	<u><u>105,148,485</u></u>

**Liabilities and Net Assets**

Refundable deposits	\$	5,360,373
Net assets:		
Temporarily restricted		<u>99,788,112</u>
Total liabilities and net assets	\$	<u><u>105,148,485</u></u>

See accompanying independent auditors' report.



**Schedule 2**

**SCHOLARSHIP AMERICA, INC.**

Families of Freedom Scholarship Fund

Schedule of Activities

Year ended June 30, 2006

Changes in unrestricted net assets:	
Net assets released from restrictions:	
Satisfaction of program restrictions	\$ 5,264,675
Total unrestricted revenues and support	<u>5,264,675</u>
Expenses:	
Program services:	
Scholarship awards	5,116,211
Scholarship Management Services™	120,122
Supporting services:	
General and administration	27,930
Fundraising	412
Total expenses	<u>5,264,675</u>
Change in unrestricted net assets	<u>—</u>
Changes in temporarily restricted net assets:	
Contributions for scholarships	1,333,555
Investment income	201,086
Net assets released from restrictions:	
Satisfaction of program restrictions	<u>(5,264,675)</u>
Change in temporarily restricted net assets	<u>(3,730,034)</u>
Change in net assets	(3,730,034)
Net assets:	
Balance at beginning of year	<u>103,518,146</u>
Balance at end of year	<u>\$ 99,788,112</u>

See accompanying independent auditors' report.

## SCHOLARSHIP AMERICA, INC.

## Schedule of Functional Expenses

Year ended June 30, 2006

	Program Services				Supporting Services		Total
	Scholarship awards	Scholarship Management Services™	Dollars for Scholars®	ScholarShop®	General and administrative	Fundraising	
Scholarship awards	\$ 97,493,992	—	—	—	—	—	97,493,992
Personnel	—	2,581,867	1,442,675	39,560	1,608,005	925,002	6,597,109
Meetings and travel	—	52,503	223,337	1,111	236,089	82,791	595,831
Telephone	—	34,439	39,408	415	25,272	18,367	117,901
Printing	—	101,695	58,867	839	19,619	14,605	195,625
Professional services	—	61,247	129,829	27,661	1,009,026	54,731	1,282,494
Publications and promotions	—	3,915	516,323	833	13,090	26,450	560,611
Cost of sales	—	—	38,000	(30,217)	—	—	7,783
Postage	—	207,887	42,865	3,568	13,332	8,020	275,672
Occupancy	—	119,327	97,587	1,643	130,148	72,048	420,753
Insurance	—	47,380	28,360	703	19,330	5,140	100,913
Supplies and equipment	—	105,908	39,051	1,302	36,628	11,986	194,875
Dues and subscriptions	—	1,943	3,222	—	17,667	8,543	31,375
Depreciation	—	163,946	29,237	14,440	89,730	23,483	320,836
Miscellaneous	—	115,730	47,696	1,420	58,555	4,389	227,790
Total expenses	\$ 97,493,992	3,597,787	2,736,457	63,278	3,276,491	1,255,555	108,423,560

See accompanying independent auditors' report.

## SCHOLARSHIP AMERICA, INC.

Dollars for Scholars® Chartered Regions Financial Report

Year ended June 30, 2006

	<u>New England</u>	<u>Iowa</u>	<u>New York</u>	<u>Washington</u>	<u>Nebraska</u>	<u>California</u>	<u>North Dakota</u>	<u>Minnesota</u>	<u>Indiana</u>	<u>Illinois</u>	<u>Total</u>
Revenues:											
Grants and contributions	\$ 167,280	114,003	4,549	340,798	—	379,731	88,909	2,050	313,152	242,016	1,652,488
Dues	46,190	26,440	22,430	25,390	—	9,720	1,410	23,550	14,900	13,365	183,395
Interest and gains	28,369	7,475	3,923	5,539	31	8,776	2,629	—	14,968	6,380	78,090
Total revenues	<u>241,839</u>	<u>147,918</u>	<u>30,902</u>	<u>371,727</u>	<u>31</u>	<u>398,227</u>	<u>92,948</u>	<u>25,600</u>	<u>343,020</u>	<u>261,761</u>	<u>1,913,973</u>
Expenses:											
Staff	135,776	84,828	99,432	208,374	—	244,021	90,693	—	123,444	69,657	1,056,225
Travel	3,044	3,621	4,677	6,691	—	12,447	3,790	—	2,631	18,927	55,828
Program	27,052	38,686	(5,132)	35,154	1,473	48,845	189,396	2,198	124,866	146,176	608,714
Office	27,311	17,447	10,145	26,072	—	27,689	7,104	—	5,873	3,860	125,501
Total expenses	<u>193,183</u>	<u>144,582</u>	<u>109,122</u>	<u>276,291</u>	<u>1,473</u>	<u>333,002</u>	<u>290,983</u>	<u>2,198</u>	<u>256,814</u>	<u>238,620</u>	<u>1,846,268</u>
Excess (deficit)	48,656	3,336	(78,220)	95,436	(1,442)	65,225	(198,035)	23,402	86,206	23,141	67,705
Net assets (deficit) at beginning of year	<u>1,507,354</u>	<u>205,679</u>	<u>171,042</u>	<u>73,055</u>	<u>2,316</u>	<u>108,123</u>	<u>198,723</u>	<u>(49,360)</u>	<u>420,744</u>	<u>159,279</u>	<u>2,796,955</u>
Net assets (deficit) at end of year	<u>\$ 1,556,010</u>	<u>209,015</u>	<u>92,822</u>	<u>168,491</u>	<u>874</u>	<u>173,348</u>	<u>688</u>	<u>(25,958)</u>	<u>506,950</u>	<u>182,420</u>	<u>2,864,660</u>

See accompanying independent auditors' report.