



# 2018–2019 REPORT OF EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN PROGRAM

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South Carolina Department of Revenue

JANUARY 15, 2020

[dor.sc.gov](http://dor.sc.gov)

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Columbia, SC 29210

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# INTRODUCTION

The following report was prepared in accordance with Act 247 of 2018 regarding the Educational Credit for Exceptional Needs Children (ECENC) program. The data and information contained in this report are from Fiscal Year 2019 (FY19) and were provided by the South Carolina Department of Revenue (SCDOR), the South Carolina Education Oversight Committee (EOC), and Exceptional SC.

The ECENC program was reorganized under a proviso in 2016 to better serve South Carolina's exceptional needs students. In 2018, the program was codified under Act 247.



## **SOUTH CAROLINA DEPARTMENT OF REVENUE**

In concert with Exceptional SC, the SCDOR assists in record keeping, account management, and disbursing grants awarded pursuant to Act 247.

The SCDOR implements and oversees the tax credit for Exceptional SC donors.

The SCDOR develops and implements a process for eligible parents to reserve, apply, and receive the ECENC Parental Tax Credit.



## **SOUTH CAROLINA EDUCATION OVERSIGHT COMMITTEE**

The EOC determines the eligibility of schools to participate in the ECENC program. Once a school is designated as eligible, it must submit an annual compliance audit to maintain eligibility.

The EOC establishes an advisory committee, including parents, representatives of independent schools, and independent school associations, to provide recommendations to the EOC on assessment reporting and other matters as requested.



## **EXCEPTIONAL SC**

Exceptional SC is a 501(c)(3) that provides scholarship grants to exceptional needs students in South Carolina to attend credentialed private schools.

Exceptional SC fundraises, accepts and reviews student grant applications, and awards scholarship grants based on a number of criteria. Students who are awarded the scholarship must attend a school that the EOC has approved for program participation.

# EXCEPTIONAL SC

Exceptional SC is dedicated to supporting exceptional needs students and families in South Carolina.

To be eligible for a scholarship from Exceptional SC, students must be residents of South Carolina, be eligible to attend a public school, complete an application with proof of disability (Medical/Professional Form or Educator Eligibility Form), and must attend an EOC approved school. Per legislation, scholarships are awarded to incumbents (students who have previously participated in the program) first and then to students who are new to the program.

**\$12,000,000**  
tax year  
2018  
donations

**628**  
individual and  
corporate donors

**\$19,108**  
average  
donation

**2,295**  
scholarship  
recipients  
(657 new and  
1,638 incumbent)

**116**  
school recipients

**20**  
average  
scholarship grants  
per school

**\$11,834,656**  
scholarship grants  
disbursed

**\$6,857**  
average incumbent  
scholarship grant

**\$600**  
average  
new student  
scholarship grant

## Board Members

Board Chair,

Mr. Thomas Persons,  
President & CEO, South  
Carolina Technology Alliance

Mr. Michael Acquilano,  
Director, South Carolina  
Catholic Conference

Mr. Edward Earwood,  
Executive Director, South  
Carolina Association of  
Christian Schools

Mrs. Betsy Fanning,  
Head of School,  
Trident Academy

Dr. Spencer Jordan,  
Director, South Carolina  
Independent School  
Association

## Executive Director

Chad Connelly

# DONOR TAX CREDIT

Individuals and corporations who pay South Carolina taxes are eligible to donate to the Exceptional SC 501(c)(3) scholarship fund. Donations to Exceptional SC are claimed as state tax credits.



South Carolina individuals and/or businesses make a donation to Exceptional SC.



Donors complete the Exceptional SC Donation Form, and Exceptional SC notifies the SCDOR of the donation.



The SCDOR confirms the credit amount, provided the statewide \$12 million cap has not been met.



Donors claim the credit amount with their SC income taxes using SC1040TC or SC1120TC (code 057).

## Donors are:

- Eligible to claim a dollar-for-dollar credit on state income tax liability
  - (or) Entitled to a tax credit against bank taxes imposed pursuant to Chapter 11, Title 12
- Limited to a maximum credit claim that is 60% of their one-year tax liability
- Not allowed to designate a specific student or school as beneficiary
- Limited by a first come, first served annual statewide cap of \$12 million

**\$12,000,000**  
donor credits  
issued

**\$19,108**  
average gift  
per donor

**628**  
individual and  
corporate donors

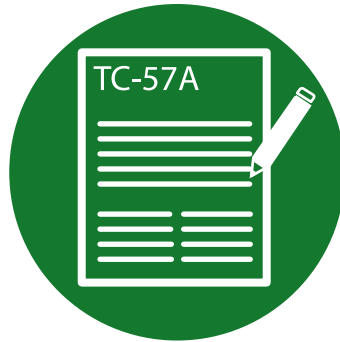
**100% of the statewide cap met**

# PARENTAL TAX CREDIT

Parents or guardians of exceptional needs students attending eligible schools can apply for a refundable Parental Tax Credit toward their South Carolina income tax bill. Parental Tax Credits can only be claimed for actual out-of-pocket spending on tuition, up to \$11,000. There is a statewide cap of \$2 million in credits, reserved on a first come, first served basis.



Parents make their payment to an eligible school for an exceptional needs student's tuition.



Parents complete and submit Form TC-57A to the SCDOR to request a Parental Tax Credit. Parents should retain documentation of their child's eligibility for their own records.



The SCDOR confirms the "reservation" of a Parental Tax Credit, so long as the statewide \$2 million cap has not been met.



When the family files SC income taxes, the Parental Tax Credit amount is used to complete Form I-361.

**\$4,881,687.75** credits applied for

**1,137**  
applicants

**410**  
recipients

**\$4,878**  
average amount  
per recipient

**\$2 million** credits approved

# STUDENTS

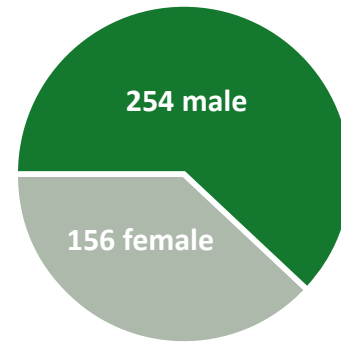
Act 247 calls for reporting demographic and socio-economic data of participants and their families, including the distribution of scholarship funds by income ranges. Collection of socio-economic data began for the 2018/2019 school year. All information below was reported by applicants.

## PARENTAL TAX CREDIT RECIPIENTS

Data reported by applicants on TC-57A (credit application)

Household Income Range	# of Recipients
\$0-50,000	41
\$50,001-100,000	71
\$100,001-150,000	88
\$150,001-200,000	51
\$200,001-250,000	34
\$250,001-300,000	50
\$300,001+	75

Ages	# of Students
5-10	156
11-15	198
16+	54
No response	2



**\$5,060**  
avg. est. additional expenses from caring for exceptional needs child

**2**  
average number of children in household

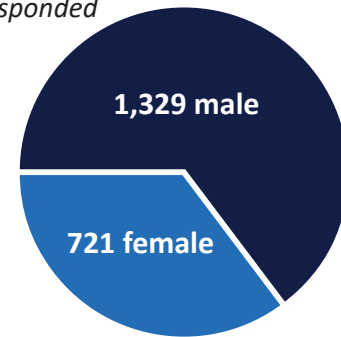
**1**  
average number of exceptional needs children in household

## SCHOLARSHIP RECIPIENTS

Data reported by applicants on scholarship application - not all applicants responded

Household Income Range	# of Recipients
\$0-50,000	493
\$50,001-100,000	715
\$100,001-150,000	499
\$150,001-200,000	202
\$200,001-250,000	153
\$250,001-300,000	96
\$300,001+	159

*Ages	# of Students
5-10	not available
11-15	not available
16+	not available
No response	not available



**\$10,000**  
avg. est. additional expenses from caring for exceptional needs child

**1.5**  
average number of children in household

**1**  
average number of exceptional needs children in household

# SCHOOLS

Schools apply to the EOC to participate in the ECENC program. A list of eligible schools is available on the EOC's website ([eoc.sc.gov](http://eoc.sc.gov)).

In order to receive an Exceptional SC scholarship grant for an exceptional needs student, the school must: be a private primary or secondary school physically located within South Carolina; not discriminate on basis of race, color, or national origin in their admission of students; use a curriculum which includes courses listed in state diploma requirements; use national or state standardized testing and provide test scores to the EOC; have physical facilities that meet local, state and/or federal laws; be a member of SACS, SCACS, Palmetto Association of Independent Schools, and/or SCISA; and complete an annual compliance audit.

Each year, private schools interested in participating in this program must apply for eligibility with the EOC. This application process helps protect students and families by ensuring schools meet and continue to meet the program eligibility requirements. To be considered for eligibility, a school must initially provide the EOC with: information on the school's eligibility, assessment score data from the previous school year, the number of grants received in the previous school year, a copy of an audit of the organization's financial statements, and a Statement of Services with information on the services and/or resources exceptional needs students receive and what needs those services are geared toward.

**123** eligible schools

**30**  
counties with  
at least one  
eligible school

**94%**  
of eligible  
schools enrolled  
scholarship  
recipients

**116** schools received funding



# GRANTS BY SCHOOL

The EOC approved the following schools to participate in the Exceptional SC program for FY19. All eligible applicants received grant funding.

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
<b>Addlestone Hebrew Academy</b>	<b>&lt;10</b>	<b>\$15,266.50</b>
Anderson Christian School	24	\$106,400.00
<b>Ascent Christian Academy</b>	<b>&lt;10</b>	<b>\$5,750.00</b>
Ashley Hall	<10	\$61,332.00
<b>Ben Lippen School</b>	<b>32</b>	<b>\$169,307.25</b>
Bishop England High School	60	\$356,707.00
<b>Blessed Sacrament School</b>	<b>16</b>	<b>\$72,845.00</b>
Bob Jones Academy	26	\$56,687.75
<b>Calhoun Academy</b>	<b>&lt;10</b>	<b>\$600.00</b>
Calvary Christian School - Greer	19	\$70,241.75
<b>Calvary Christian School - Myrtle Beach</b>	<b>&lt;10</b>	<b>\$6,090.00</b>
Camden Military Academy	<10	\$22,400.00
<b>Camperdown Academy</b>	<b>175</b>	<b>\$1,168,613.25</b>
Cardinal Newman School	81	\$525,678.00
<b>Chabad Jewish Academy</b>	<b>&lt;10</b>	<b>\$24,700.00</b>
Charleston Collegiate School	11	\$56,463.00
<b>Charleston Day School</b>	<b>&lt;10</b>	<b>\$20,000.00</b>
Cherokee Creek Boys School	<10	\$10,000.00
<b>Christ Church Episcopal School</b>	<b>98</b>	<b>\$627,157.00</b>
Christ Our King-Stella Maris Catholic School	30	\$86,890.00
<b>Clarendon Hall School</b>	<b>&lt;10</b>	<b>\$2,000.00</b>
Coastal Christian Preparatory School	<10	\$9,224.00
<b>Colleton Preparatory Academy</b>	<b>36</b>	<b>\$122,516.00</b>
Covenant Classical Christian	13	\$20,831.00
<b>Cross School</b>	<b>10</b>	<b>\$38,353.00</b>
Crown Leadership Academy	18	\$55,067.00
<b>Cutler Jewish Day School</b>	<b>&lt;10</b>	<b>\$45,797.50</b>
Divine Redeemer Catholic School	<10	\$20,329.00
<b>Einstein Academy</b>	<b>37</b>	<b>\$154,160.00</b>
First Baptist School of Charleston	<10	\$15,166.00
<b>Five Oaks Academy</b>	<b>&lt;10</b>	<b>\$15,748.00</b>
Glenforest School	34	\$158,311.25
<b>Grace Christian School</b>	<b>&lt;10</b>	<b>\$16,163.00</b>
Greenwood Christian School	<10	\$6,918.00
<b>Hammond School</b>	<b>27</b>	<b>\$115,919.50</b>
Hampton Park Christian School	32	\$69,006.50

# GRANTS BY SCHOOL

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
<b>Harvest Community School</b>	<b>&lt;10</b>	<b>\$7,500.00</b>
Hawthorne Christian Academy	<10	\$13,100.00
<b>Heathwood Hall Episcopal School</b>	<b>26</b>	<b>\$131,839.25</b>
Heritage Academy	<10	\$8,630.00
<b>Hidden Treasure Christian School</b>	<b>42</b>	<b>\$296,600</b>
Hilton Head Christian Academy	34	\$267,124.00
<b>Hilton Head Preparatory School</b>	<b>&lt;10</b>	<b>\$55,806.00</b>
Holy Trinity Catholic School	<10	\$34,755.00
<b>HOPE Academy</b>	<b>75</b>	<b>\$543,362.00</b>
Hope Christian Academy	12	\$76,825.00
<b>John Paul II Catholic School</b>	<b>23</b>	<b>\$111,823.00</b>
Laurence Manning Academy	<10	\$16,960.00
<b>Lowcountry Preparatory School</b>	<b>&lt;10</b>	<b>\$5,700.00</b>
Mason Preparatory School	15	\$74,250.00
<b>Mead Hall Episcopal School</b>	<b>&lt;10</b>	<b>\$18,100.00</b>
Miracle Academy Preparatory School	42	\$220,200.00
<b>Mitchell Road Christian Academy</b>	<b>20</b>	<b>\$78,937.00</b>
Montessori Academy of Spartanburg	<10	\$8,874.00
<b>Montessori School of Anderson</b>	<b>&lt;10</b>	<b>\$15,988.50</b>
Montessori School of Florence	<10	\$8,975.00
<b>Montessori School of Mauldin</b>	<b>10</b>	<b>\$32,960.00</b>
Nativity Catholic School	11	\$28,682.50
<b>New Covenant School</b>	<b>&lt;10</b>	<b>\$12,720.00</b>
Newberry Academy	12	\$26,761.00
<b>North Myrtle Beach Christian School</b>	<b>&lt;10</b>	<b>\$1,800.00</b>
North Walterboro Christian Academy	<10	\$7,661.00
<b>Northside Christian Academy</b>	<b>11</b>	<b>\$31,282.25</b>
Oakbrook Preparatory School	12	\$51,137.50
<b>Oconee Christian Academy</b>	<b>&lt;10</b>	<b>\$20,982.25</b>
Orangeburg Preparatory Schools, Inc.	<10	\$19,536.00
<b>Our Lady of Peace Catholic School</b>	<b>34</b>	<b>\$79,211.25</b>
Our Lady of the Rosary Catholic School	33	\$178,385.00
<b>Palmetto Christian Academy - Mt. Pleasant</b>	<b>19</b>	<b>\$49,768.00</b>
Palmetto Christian Academy of Greenwood	<10	\$8,157.00
<b>Patrick Henry Academy</b>	<b>10</b>	<b>\$6,000.00</b>
Pee Dee Academy	14	\$35,552.00
<b>Porter-Gaud</b>	<b>&lt;10</b>	<b>\$51,200.00</b>
Prince of Peace Catholic School	11	\$34,020.00
<b>Ridge Christian Academy</b>	<b>38</b>	<b>\$126,870.25</b>
Sandhills School	83	\$651,400.00

# GRANTS BY SCHOOL

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
<b>Shannon Forest Christian School</b>	<b>35</b>	<b>\$135,057.00</b>
Sheila E. Academy	<10	\$4,800.00
<b>South Aiken Baptist Christian School</b>	<b>&lt;10</b>	<b>\$6,154.00</b>
Southside Christian School	80	\$509,317.00
<b>Spartanburg Day School</b>	<b>42</b>	<b>\$240,340.00</b>
St. Andrew Catholic School	24	\$120,371.00
<b>St. Anne Catholic School-Rock Hill</b>	<b>23</b>	<b>\$162,506.92</b>
St. Anne-St. Jude Catholic School-Sumter	<10	\$14,872.00
<b>St. Anthony Catholic School-Florence</b>	<b>13</b>	<b>\$47,833.00</b>
St. Anthony of Padua Catholic School	<10	\$37,500.00
<b>St. Elizabeth Ann Seton Catholic High School</b>	<b>&lt;10</b>	<b>\$25,596.25</b>
St. Francis by the Sea Catholic School	<10	\$31,720.00
<b>St. Gregory the Great Catholic School</b>	<b>&lt;10</b>	<b>\$12,585.00</b>
St. John Catholic School-Charleston	31	\$158,043.25
<b>St. John Neumann Catholic School</b>	<b>24</b>	<b>\$141,549.75</b>
St. John's Christian Academy	15	\$58,551.50
<b>St. Joseph Catholic School-Anderson</b>	<b>10</b>	<b>\$42,627.50</b>
St. Joseph Catholic School-Columbia	31	\$128,595.00
<b>St. Joseph's Catholic School-Greenville</b>	<b>46</b>	<b>\$348,689.50</b>
St. Mary Help of Christians Catholic School	<10	\$46,045.00
<b>St. Michael Catholic School</b>	<b>&lt;10</b>	<b>\$21,800.00</b>
St. Peter's Catholic School-Beaufort	<10	\$14,900.00
<b>St. Peter's Catholic School-Columbia</b>	<b>18</b>	<b>\$56,917.00</b>
Step of Faith Christian Academy	<10	\$5,240.00
<b>Summerville Catholic School</b>	<b>10</b>	<b>\$32,099.00</b>
Sumter Christian School	<10	\$7,916.00
<b>Tabernacle Christian School</b>	<b>&lt;10</b>	<b>\$3,500.00</b>
The Barclay School	23	\$148,600.00
<b>The Chandler School</b>	<b>65</b>	<b>\$566,600.00</b>
The Charleston Catholic School	34	\$133,010.25
<b>The King's Academy</b>	<b>27</b>	<b>\$147,356.50</b>
The Oaks Christian	10	\$16,200.00
<b>Thomas Hart Academy</b>	<b>12</b>	<b>\$32,132.50</b>
Thomas Heyward Academy	14	\$36,582.00
<b>Thomas Sumter Academy</b>	<b>10</b>	<b>\$28,805.00</b>
Timmerman School	<10	\$24,174.50
<b>Trident Academy</b>	<b>49</b>	<b>\$354,600.00</b>
Walnut Grove Christian School	<10	\$18,682.50
<b>Westminster Catawba Christian School</b>	<b>26</b>	<b>\$128,400.50</b>
Westside Christian Academy	<10	\$6,313.54

# DATA BY COUNTY

The chart below provides a look at the number of eligible schools, Exceptional SC scholarship grant recipients, and Parental Tax Credit recipients by county. For FY19, 16 of South Carolina's 46 counties did not have an eligible school participate in the program. Students in 8 of those 16 counties commuted to an eligible school in another county to participate in this program.

SC County	# of Grant Recipients	# of Credit Recipients	# of Eligible Schools
Abbeville	<10	0	0
Aiken	65	0	4
Allendale	0	0	0
Anderson	97	15	4
Bamberg	<10	0	0
Barnwell	0	0	0
Beaufort	106	14	8
Berkeley	79	16	4
Calhoun	<10	<10	<3
Charleston	372	45	18
Cherokee	<10	0	0
Chester	<10	<10	<3
Chesterfield	<10	0	0
Clarendon	15	<10	3
Colleton	49	<10	<3
Darlington	20	<10	<3
Dillon	0	0	0
Dorchester	65	<10	3
Edgefield	0	0	0
Fairfield	<10	<10	<3
Florence	26	<10	3
Georgetown	12	<10	<3
Greenville	245	167	19

SC County	# of Grant Recipients	# of Credit Recipients	# of Eligible Schools
Greenwood	<10	<10	<3
Hampton	14	<10	<3
Horry	80	<10	8
Jasper	<10	0	3
Kershaw	34	<10	<3
Lancaster	<10	<10	<3
Laurens	10	<10	0
Lee	0	0	0
Lexington	102	14	3
Marion	16	0	<3
Marlboro	<10	0	0
McCormick	0	0	0
Newberry	19	<10	<3
Oconee	10	<10	<3
Orangeburg	12	0	<3
Pickens	42	10	0
Richland	185	67	13
Saluda	0	0	0
Spartanburg	119	18	5
Sumter	55	<10	5
Union	0	0	0
Williamsburg	0	<10	0
York	65	<10	3

# CONTACTS

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## **SOUTH CAROLINA EDUCATION OVERSIGHT COMMITTEE**

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Interim Executive Director  
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## **EXCEPTIONAL SC**

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### **Chad Connelly**

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# APPENDIX

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**Compiled Financial Statements**

South Carolina Educational Credit for Exceptional Needs Children Fund

*Issued by The Hobbs Group, P.A. - January 15, 2020*

COMPILED FINANCIAL STATEMENTS  
*SOUTH CAROLINA EDUCATIONAL CREDIT FOR  
EXCEPTIONAL NEEDS CHILDREN FUND*

June 30, 2019

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Management is responsible for the accompanying financial statements of South Carolina Educational Credit for Exceptional Needs Children Fund (the "Organization"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2019 and the related statements of support, revenue, and expenses and functional expenses - modified cash basis for the year then ended and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

We are not independent with respect to the Organization.

Columbia, South Carolina  
January 15, 2020

*The Hobbs Group, P.A.*

COMPILED FINANCIAL STATEMENTS

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND  
 June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$	2,850,552
Total Current Assets		<u>2,850,552</u>

TOTAL ASSETS	\$	<u><u>2,850,552</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Total Liabilities	\$	<u>-</u>
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Net Assets

Without donor restrictions	58,330
With donor restrictions	<u>2,792,222</u>
Total Net Assets	<u>2,850,552</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>2,850,552</u></u>
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See accountants' compilation report and notes to the financial statements.

STATEMENT OF SUPPORT, REVENUES AND EXPENSES - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND  
 For the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions		\$ 11,562,752	\$ 11,562,752
Investment income	\$ 12,757		12,757
Net assets released from restrictions	12,074,563	(12,074,563)	-
Total Revenues and Other Support	<u>12,087,320</u>	<u>(511,811)</u>	<u>11,575,509</u>
<b>EXPENSES</b>			
Program services	12,025,514		12,025,514
Management and general	137,987		137,987
Fundraising	2,600		2,600
Total Expenses	<u>12,166,101</u>	<u>-</u>	<u>12,166,101</u>
CHANGE IN NET ASSETS	(78,781)	(511,811)	(590,592)
Net assets at beginning of year	<u>137,111</u>	<u>3,304,033</u>	<u>3,441,144</u>
NET ASSETS AT END OF YEAR	<u>\$ 58,330</u>	<u>\$ 2,792,222</u>	<u>\$ 2,850,552</u>

See accountants' compilation report and notes to the financial statements.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND  
 For the Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Awards and grant scholarships	\$ 11,834,656			\$ 11,834,656
Salaries and wages		\$ 31,500		31,500
Payroll taxes		1,982		1,982
Office		224		224
Contract services	183,578	62,754		246,332
Professional and legal fees		11,200		11,200
Bank fees		21,154		21,154
Miscellaneous		8,653		8,653
Amortization	7,280	520	\$ 2,600	10,400
<b>TOTAL EXPENSES</b>	<b>\$ 12,025,514</b>	<b>\$ 137,987</b>	<b>\$ 2,600</b>	<b>\$ 12,166,101</b>

See accountants' compilation report and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

*SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND*

June 30, 2019

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

South Carolina Educational Credit for Exceptional Needs Children Fund (the "Organization") was incorporated in South Carolina on June 16, 2016. The Organization's mission is to provide scholarship grants to K through 12th grade "exceptional needs" children by means of the efficient implementation of the South Carolina State Budget Proviso (the "Proviso" or "Program"). The Proviso is also commonly referred to as the Educational Credit for Exceptional Needs Children (ECENC).

South Carolina Educational Credit for Exceptional Needs Children Fund is the sole organization distributing scholarship grants as defined under the terms of the Proviso. Activities of the Organization are limited to accepting contributions eligible for a tax credit under the terms of the Proviso and issuing scholarships to eligible children in accordance with the Proviso. The Organization shall be governed by five directors, two appointed by the Chairman of the House Ways and Means Committee, one of which is based upon the recommendation of the South Carolina Association of Christian Schools and one which is based upon the recommendation of the Diocese of Charleston, two appointed by the Chairman of the Senate Finance Committee based upon the recommendations of the South Carolina Independent Schools Association and one appointed by the Governor based upon the recommendation of the Palmetto Association of Independent Schools. The directors of the fund, along with the Director of the South Carolina Department of Revenue (the "Department"), shall designate an executive director of the fund. The Department may expend up to two percent of the fund for administration and related costs. For purposes of this calculation the "fund" is defined as the total contributions for the fiscal year, net of the returned payments, plus any investment income earned for that year. The Organization may not expend public funds to administer the program. The Organization engages in no other activities outside the purposes reasonably contemplated by the Proviso.

In an act dated and signed May 14, 2018, the Governor signed into permanent law by adding section 12-6-3790 to provide definitions and to create the ECENC which sets limits for tax credits available and the way the scholarships should be awarded.

Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of the Organization are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Management has determined that the modified cash basis of accounting is an acceptable basis for the presentation of the Organization's financial statements.

Basis of Presentation: The Organization classifies its resources for accounting and reporting purposes into two classes of net assets, according to externally imposed restrictions:

*Net assets without donor restrictions:* The portion of the net assets of the Organization that can be used subject only to the broad limits resulting from the nature of the Organization,

NOTES TO THE FINANCIAL STATEMENTS  
SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
- Continued

the environment in which it operates, and the purposes specified in its bylaws. The Organization has the ability to choose when using these resources.

*Net assets with donor restrictions:* The portion of net assets of the Organization that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization's choices when using these resources as the Organization has a fiduciary responsibility to the donors to follow their instructions.

Cash and Cash Equivalents: The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less, to be cash equivalents. The carrying value of cash approximates fair value because of the short maturities of these financial instruments.

Contributions: Contributions received are recorded as net assets with or without donor restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires or the purpose of the restriction is satisfied 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.

Estimates: The preparation of the financial statements in conformity with accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, disclosure of contingent assets and liabilities at 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. The significant estimate in these financial statements is the functional allocation of expenses.

Functional Allocation of Expenses: Management estimates the Organization's indirect expenses on a functional basis. Management's estimates of other indirect costs are based on pro-rated percentages as determined by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service.

Income Taxes: The Organization has received a determination letter from the Internal Revenue Service (IRS) indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. Management has determined that the Organization has no current obligations for unrelated business income tax. Accordingly, no provisions for federal and state income taxes are required.



NOTES TO THE FINANCIAL STATEMENTS

*SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND*

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Continued

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdiction; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for tax years prior to 2016.

Donor-Imposed Restrictions: The Organization limits any donor-imposed restrictions on contributions to those allowed by the Proviso so that the contribution will be eligible for a tax credit. In order for contributions to be eligible for a tax credit, the Proviso prohibits donors from designating a specific child or school as the beneficiary of the contribution. The Organization does not accept contributions designated for the benefit of a specific child or school.

Educational Credit for Exceptional Needs Children Program: The 2018-2019 South Carolina State Budget New law act 247 approved by the Governor, allows for the issuance of a total of \$12,000,000 in individual scholarship grants in an amount not exceeding \$11,000 (as may be adjusted) or the total cost of tuition (whichever is less). These funds may be used for tuition, transportation or textbook expenses for eligible "exceptional needs" children attending approved South Carolina independent schools. Before awarding any grant, the fund must receive written documentation from the qualifying student's parent or guardian documenting that the qualifying student is an exceptional needs child. Upon approving the application, the fund must issue a check to the eligible school in the name of the qualifying student within either thirty days upon approval of the application or thirty days of the start of the school's semester.

In the event that the qualifying student leaves or withdraws from the school for any reason before the end of the semester or school year and does not reenroll within thirty days, then the eligible school must return a prorated amount of the grant to the fund based on the number of days the qualifying student was enrolled in the school during the semester or school year within sixty days of the qualifying student's departure.

The Organization may not award grants solely for the benefit of one school. The Department may not release any personally identifiable information pertaining to students or donors or use information collected about donors, students, or schools for financial gain. The Department shall develop a process to prioritize the awarding of grants to eligible incumbent grant recipients at eligible schools.

The Provisos & Law also limit the Organization to administrative and related expenses of not more than 2% of the fund.



NOTES TO THE FINANCIAL STATEMENTS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 - Continued

New Accounting Pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

Subsequent Events: Subsequent events have been evaluated through January 15, 2020, which represents the date the financial statements were available to be issued.

NOTE B -- CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances that at times, may exceed amounts insured. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000 for bank and certificate of deposit balances. The Organization believes it is not exposed to any significant credit risk on its cash balances. The bank balances consist of the following at June 30, 2019:

Cash and cash equivalents	
on deposit insured by the FDIC	\$ 250,000
Cash and cash equivalents	
on deposit uninsured by the FDIC	2,604,590
	<u>\$ 2,854,590</u>

NOTE C -- NET ASSETS WITH DONOR RESTRICTIONS

A summary of temporarily restricted net assets is as follows at June 30, 2019:

Restricted to scholarship grants for eligible “exceptional needs” children enrolled at approved South Carolina independent schools	\$ 2,792,222
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NOTES TO THE FINANCIAL STATEMENTS

*SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND*

NOTE D -- LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of June 30, 2019, 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, or because the Organization has set aside the funds for a specific contingency reserve. Board designations could be drawn upon if the Board approves that action.

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 2,850,552
Total Financial Assets	<u>2,850,552</u>
Less those unavailable for general expenditure within one year, due to:	
Funds with donor restrictions	<u>(2,792,222)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<u><u>\$ 58,330</u></u>