

REDIRECT



TO EDUCATE • TO ADVOCATE • FOR CHANGE • FOR ALABAMA

REDIRECT TO **SCHOLARSHIPS FOR KIDS.**

DEAR FRIENDS OF SFK,

2020 has been a trying year for everyone, and our schools are no exception. Our partner schools have been forced to change the way they teach with some students not able to learn on campus for the remainder of this academic year. These changes make the education structure much more challenging; there is no manual for how to run a school during a pandemic.

Now more than ever, we need advocates who can make contributions so these schools can serve over 2,000 students across our state as they continue to learn during these difficult times.

In the few months I have been with Scholarships for Kids, I have been so encouraged by our schools and families and how they are adapting to this new frontier. Students' needs are being met via technology in ways we would not have imagined just a few years ago. A high-quality education is possible for these students whether in person, or virtually, because of Alabama's teachers and administrators, and because of contributions from donors like you through Scholarships for Kids.

The Alabama Accountability Act still provides the most unique opportunity to give across our state; you are allocating the tax dollars you or your business already owe to the state, and they can be allocated as scholarships for kids. It is a no cost way to give and impact students and their families across Alabama. **Recently, federal tax regulations have allowed for business owners to receive a dollar for dollar tax credit and a federal deduction for the same contribution. These regulations provide that a payment made by a business entity may qualify for a business expense deduction!** These contributions may reduce the taxable net income of the business entity at the federal level which would result in tax savings.

For more information about how these deductions work, please contact me at stephen@scholarshipsforkids.org or call at 205.246.5613.

Sincerely,



Stephen Bridgers

Please note we do not provide tax advice and recommend you consult with a tax professional about this opportunity.

EDUCATION FOR TODAY, HOPE FOR TOMORROW.



STEPHEN BRIDGERS
Executive Director
Scholarships for Kids



TASHA JONES STEELE
Director of School Relations



NICOLE CUNNINGHAM, CPA
Partner
Mauldin and Jenkins,
CPA and Advisors



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EVERY YEAR, YOU AND YOUR
BUSINESS PAYS TAXES TO
SUPPORT PROGRAMS AND
SERVICES ESTABLISHED BY
OUR STATE'S GOVERNMENT.
IN 2013, THE STATE OF
ALABAMA CREATED THE
ALABAMA ACCOUNTABILITY
ACT. THIS INITIATIVE OFFERS
ALABAMA TAXPAYERS THE
OPPORTUNITY TO ALLOCATE
- OR REDIRECT - UP TO 50%
OF THEIR TAXES TO
SCHOLARSHIPS FOR KIDS.



2019-2020 ACADEMIC YEAR

- SCHOLARSHIPS AWARDED: 2,258
- DOLLARS AWARDED: \$14,866,668
- AVERAGE SCHOLARSHIP AWARD: \$6,584
- AVERAGE INCOME FOR FAMILY SIZE: \$17,150
- MINORITY RECIPIENTS: 82%

SCHOLARSHIP FOR KIDS, INC • STATEMENTS OF CASH FLOWS

<i>Years ended December 31,</i>	2019	2018
Operating activities		
Change in net assets	\$ (5,149,848)	\$ 3,263,113
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Change in scholarship donations receivable	(1,223,673)	1,765,130
Change in other receivables	10,346	(7,983)
Change in accounts payable and accrued expenses	(22,886)	33,053
Net cash (used in) provided by operating activities	(6,386,061)	5,053,313
Investing activities		
Receipt of interest reinvested - certificate of deposit	(16,639)	(2,514)
Net cash (used in) provided by investing activities	(16,639)	(2,514)
Net (decrease) increase in cash	(6,402,700)	5,050,799
Cash and cash equivalents at beginning of year	21,700,763	16,649,964
Cash and cash equivalents at end of year	\$ 15,298,063	\$ 21,700,763



“SCHOLARSHIPS FOR KIDS HAS HELPED MY FAMILY AND HELPS MANY FAMILIES ON A FIXED INCOME. CHAMBERS ACADEMY IS AN AWESOME SCHOOL AND THE TRANSITION FOR MY CHILDREN HAS BEEN A GREAT EXPERIENCE.”

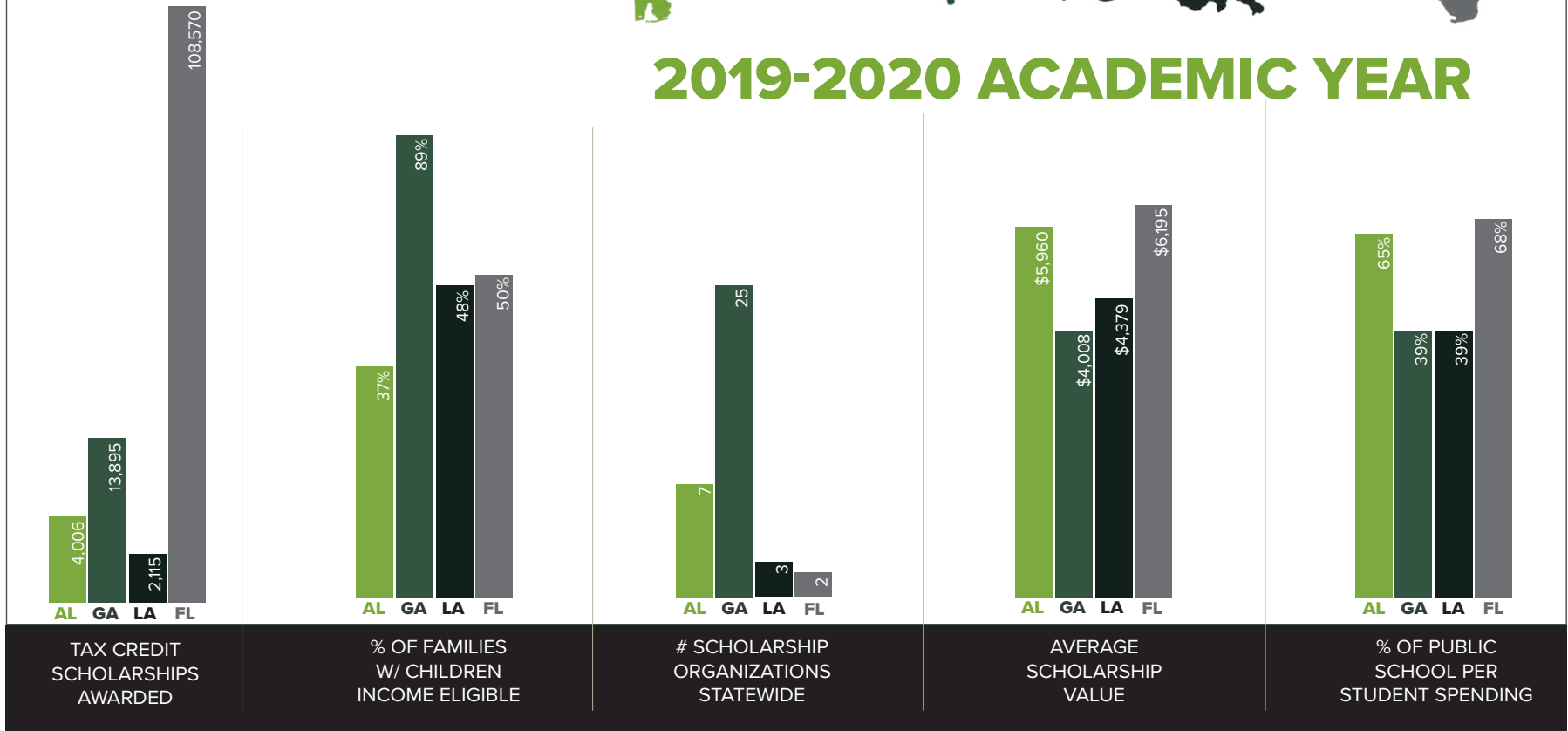
BRENDA PEEBLES
MOTHER TO STUDENTS AT CHAMBERS ACADEMY, LA FAYETTE

REDIRECT FOR COMMUNITY

TAX-CREDIT SCHOLARSHIP PROGRAMS IN OUR REGION



2019-2020 ACADEMIC YEAR



“The Alabama Accountability Act has had a tremendous impact on Montgomery Christian School. If we do not have the Alabama Accountability Act funds, we could not offer school choice to over half of our students. Thanks to the Alabama Accountability Act, we are able to give more children a great educational opportunity.”

Beth Dubina

Member of the Board of Directors for Montgomery Christian School, Montgomery

A BUSINESS OPPORTUNITY

- A donation to Scholarships for Kids qualifies as a business expense deduction AND a state tax credit.
- Recently released Federal Tax Regulations provide a potential dual benefit for individual owners of specified pass-through business entities (PTEs) who donate to scholarship granting organizations (SGOs).
- Under the Final Regulations, a payment made by C corporations and PTEs to a charitable organization may qualify as an ordinary and necessary business expense deduction. By characterizing a charitable donation to an SGO as a business expense, C corporations and PTEs reduce their taxable income at the entity-level, and the individual owners of PTEs receive state and local tax (SALT) credits. The SALT credit generated by the business's donation can be applied to the individual's state tax liability, providing possible relief from the federal cap of \$10,000 on the SALT deduction.



Tax benefit of contributing \$8,000 to Scholarships for Kids for Alabama income tax credit if contribution payment qualifies as business expense of pass-through entity owned by donor:

2020 FEDERAL INCOME TAX

	NO CREDIT	WITH CREDIT
WAGES SCHEDULE E - S CORP	90,000 327,000	90,000 319,000 ⁽¹⁾
ADJUSTED GROSS INCOME	417,000	409,000
20% QBI DEDUCTION	(65,400)	(63,800)
STATE INCOME TAXES PAID	(6,000)	(6,000)
REAL ESTATE TAXES	(3,000)	(3,000)
MORTGAGE INTEREST	(14,500)	(14,500)
CHARITABLE CONTRIBUTIONS	(2,500)	(2,500)
ITEMIZED DEDUCTIONS	(26,000)	(26,000)
PERSONAL EXEMPTIONS	-	-
TAXABLE INCOME	325,600	319,200
INCOME TAX	66,303	64,767
TAX CREDIT - DONATION TO SFK	-	-
INCOME TAX WITHHELD	8,000	8,000
ESTIMATED PAYMENTS	10,000	10,000
INCOME TAXES PAID 2020	18,000	18,000
TAXES OWED (REFUNDED) 2021	48,303	46,767

2020 ALABAMA INCOME TAX

	NO CREDIT	WITH CREDIT
WAGES SCHEDULE E - S CORP	90,000 327,000	90,000 327,000 ⁽²⁾
ADJUSTED GROSS INCOME	417,000	417,000
FEDERAL TAX DEDUCTION	(66,303)	(64,767)
FICA/MEDICARE TAX DEDUCTION	(6,885)	(6,885)
REAL ESTATE TAXES	(3,000)	(3,000)
MORTGAGE INTEREST	(14,500)	(14,500)
CHARITABLE CONTRIBUTIONS	(2,500)	(2,500)
ITEMIZED DEDUCTIONS	(26,885)	(26,885)
PERSONAL EXEMPTIONS	(3,000)	(3,000)
TAXABLE INCOME	320,812	322,348
INCOME TAX	15,961	16,037
TAX CREDIT - DONATION TO SFK	-	8,000
INCOME TAX WITHHELD	4,000	4,000
ESTIMATED PAYMENTS	-	-
INCOME TAXES PAID 2020	4,000	12,000
TAXES OWED (REFUNDED) 2021	11,961	4,037

WITHOUT DONATION:

Federal Taxes: \$66,303 / State Taxes: \$15,961 = Total Expenses Paid: \$82,264

WITH DONATION:

Federal Taxes: \$64,767 / State Taxes: \$8,037 ⁽³⁾ / Scholarships for Kids Donation: \$8,000 = Total Expenses Paid: \$80,804

Conclusion: \$1,459 Total Savings

- 1) Reduced by donation of \$8,000 to Scholarships for Kids as an ordinary business expense
- 2) Assuming the \$8,000 donation deducted as a business expense by the S Corp for federal tax purposes must be added back for state income tax purposes in order to receive the tax credit against the Alabama income tax liability
- 3) State income tax liability of \$16,037 less \$8,000 credit for donation received

The projections above are for illustrative purposes only, not intended as tax advice applicable to an actual situation. Please consult your tax advisor.

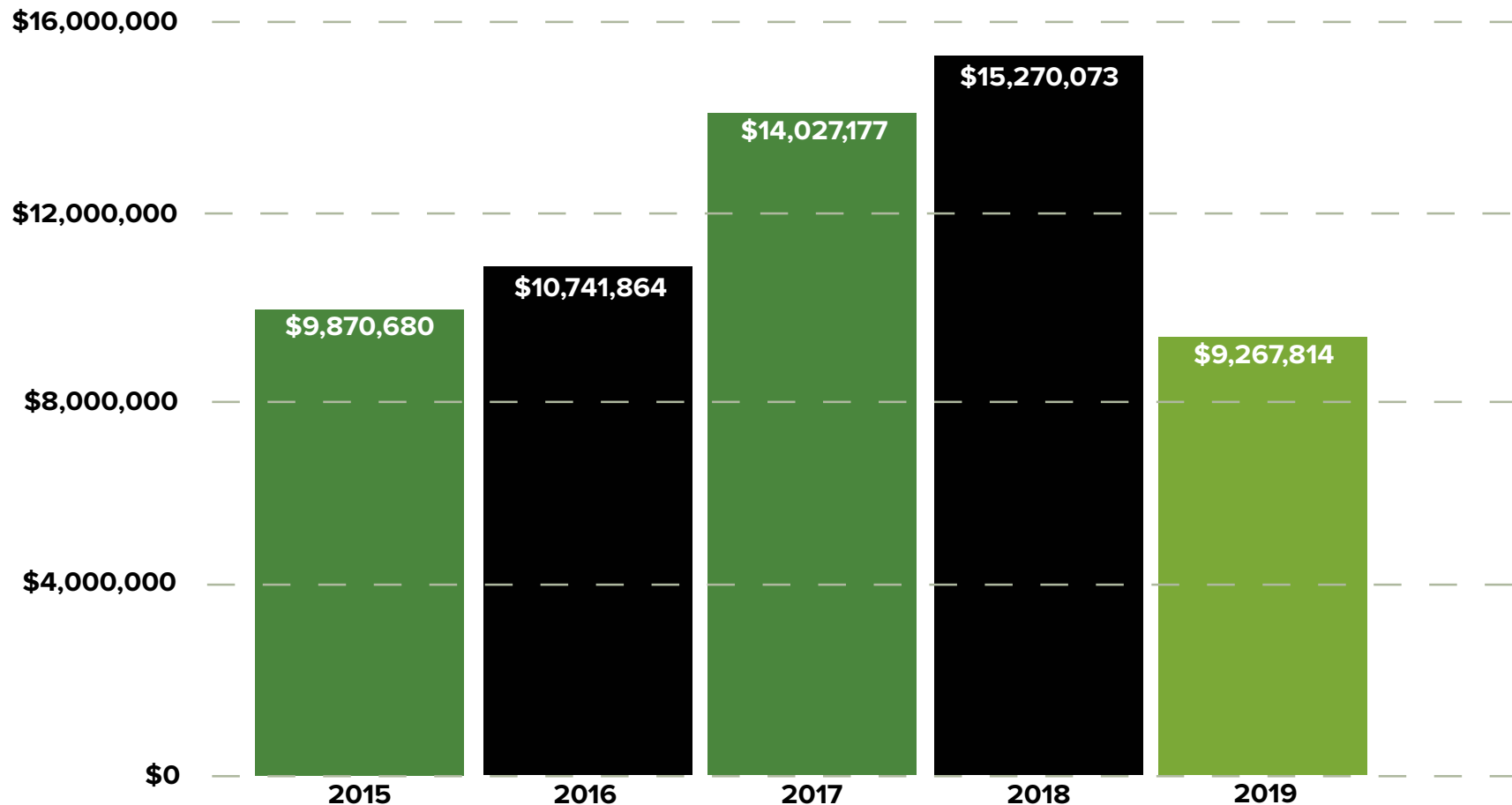


WHEN DOES A CHARITABLE DONATION QUALIFY AS A BUSINESS EXPENSE?

- If the payment is a reasonable, ordinary and necessary expenditure incurred in carrying on the trade or business, and the entity “reasonably believes the program will generate a significant degree of name recognition and goodwill in the communities where it operates and thereby increase its revenue,” then the donation may qualify as a business expense.

- The Regulations provide an example stating a business may be entitled to a business expense deduction for payments made “for use in projects that improve conditions in the state.” Therefore, a donation to an SGO may be deductible as a business expense since the payment assist in providing greater educational opportunities, and greater educational opportunities improve educational outcomes. Improved educational outcomes in the state allow for fiscal and economic savings and attract business to the state.

SFK DOLLARS RAISED (2015-2019)



THANK YOU

FOR OPPORTUNITIES

Dear Scholarships for Kids,

Receiving a scholarship to attend Capitol School provided me with a great opportunity. I was just looking into switching from homeschool to a more school-like setting. However, it is just my Mom and me, so it would have been impossible for her to afford private school. It was difficult for me because being in a large high school before made me extremely anxious and caused me to shut down.

When I toured the Capitol School and saw how “homey” it was, I knew I wanted to attend. They even let me bring my service dog, Pepper, to classes with me to help me stay calm and focused. The small class sizes, relationships with the teachers and the students made me realize I made the right choice in switching. Without my scholarship, I wouldn’t have been able to meet some of my biggest mentors and the best friends I could ask for.

I was given the opportunity to be the President of the Capitol School Key Club and work with adults from the local Kiwanis Club. This helped me improve my leadership skills and learn to design and plan fundraisers. I set up three Red Cross Blood Drives this year to help our community. My experiences at events such as state Spanish Day, art and artists shows and the International Festival are unmatched. This encouraged me to get a job during this last school year. I am thankful that I had overwhelming support on my job hunt and our school counselor helped me organize my schedule. It was challenging at times but I never doubted that the faculty would help and support me.

I was able to take college classes at The University of Alabama through Early College which helped me get a feel for college-style teaching while having the guidance of my wonderful high school teachers here at Capitol School. The Capitol School helped me to be successful in high school in the best way possible.

This school year was definitely not what anyone expected, especially for a senior year, but my teachers helped out in any way they could during quarantine to make sure we finished all classes. I plan to take a gap year before attending college for agriculture business. This year will give me a chance to save money so I can finish college with as little debt as possible. I hope to finish college with a degree in agribusiness and go on to start my own farm-related business. I will be forever grateful for the financial support from Scholarships for Kids so I can graduate!

Thank you so much,
Aly



“I hope to finish college with a degree in agribusiness and go on to start my own farm related business.”

Aly
Class of 2020, The Capitol School,
Tuscaloosa

FOR
CHILDREN

FOR CHOICE

Dear SFK Donor,

Our family has been able to benefit both academically and spiritually by attending Saint Rose. The teachers have been excellent role models who have challenged my children to be the best in all things, especially in how they treat others and in their studies. We have seen that our children come home every day ready to share the new and exciting things they have learned. Our high school children have learned to value the great opportunity they have to be able to go to a private, Catholic school. They have become hardworking, motivated and determined. This foundation has also helped our children excel in their schoolwork and in their extra-curricular activities. Our 4th grader looks up to his older siblings and is being taught how to be a great student and an even better person as well.

Without Scholarships for Kids, we would have never been able to have the choice to send our children to a private, Catholic school. Our financial situation does not allow us to give our children this great education. We are from a hard-working immigrant family, and we greatly value the education and character development as the most important things we can give to our children. We not only want our children to grow academically but we want them to grow spiritually at the same time because this will help them be good citizens.

We would like people to know that Saint Rose is not only a school, but that it is also a family. We have a very close relationship to all the faculty and staff at Saint Rose. We know everyone who works at the school, have become very close to many families at the school and feel that everyone who works there knows that we are very close to our family. Saint Rose has been very welcoming and has made us feel like a part of the Saint Rose family.

We would ask others/Alabamians/all taxpayers to please support this program. It gives parents the opportunity to give their children an excellent education in a safe school where teaching our children is the most important thing. It also gives our children to have a better education than the education that we as parents had. It is a door that is being opened to our children for a better future. It is also an example for our children so that in the future they will also be able to educate and help others just like they were helped. This is a great example of generosity that our children are being given. We are so grateful for your support.

God Bless y'all,
Ricardo and Edith Triana



The Triana Family
Brizza, Ricky,
Pedro Antonio
and Juan Pablo

St. Rose Academy
and John Carroll
Catholic High School

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FOR ADVOCACY

Alysia has developed into a confident, kind and socially conscious young lady while attending Holy Family School. As a therapist for the National Children's Advocacy Center, I see children who have suffered many forms of abuse. It is only because I know my own children are in a safe environment that provides quality academics that I am able to help other children who are in need of mental health care. The Holy Family environment offers a way for children to learn in an academically challenging, diverse and morally engaging atmosphere.

My child has attended Holy Family since Pre-K. Having worked as a school-based mental health counselor in the public system for many years, I have witnessed many facets of the public-school system. I have worked with as well as witnessed children not receiving nurturing attention, not being celebrated, not being given a chance to excel academically and I knew I did not want this for my children.

Funding the Alabama Accountability Act is not just a benefit for the children, it benefits all involved. When a child receives a safe, quality education, that child is more likely to become a positive, contributing member of the community. Having the option to choose a school that best fits your child's needs is the ultimate act of kindness, and the Alabama Accountability Act provided those moments.

LaShawn Jackson,
Mother of Alysia Turner



Alysia Turner, 7th grade
Holy Family School, Huntsville

FOR OUR FUTURE

2020 Graduates, Cornerstone Schools of Alabama



DeMikah
Alabama A&M University



Jonathan
Samford University



Tatyana
Lawson State
Community College



Charlia
Alabama State University



BreAnna
Alabama State University



Akeria
Jefferson State
Community College



Kevin
Auburn State University



Dakai
Lawson State
Community College



Jordan
Jefferson State
Community College



Gabrielle
University of Alabama
at Birmingham

“Scholarships for Kids has been an integral part of providing a better education for our students. Banks Academy continues to grow and prepare students for a better future due to the support the Alabama Accountability Act provides.”

Bill Hart
Board Chair,
Banks Academy,
Birmingham



MISSION VISION VALUES

To support education and educational opportunities. We provide scholarships to children from lower income families to attend private K-12 schools of their parents’ choice. We emphasize the importance of parents investing in their children’s education and development.

To develop a consistent and reliable fundraising process that allows for the number of scholarships to be awarded annually to students in our partner schools.

We will endeavor to achieve the highest possible impact with the funds we handle. We will accomplish this with efficiency, transparency and accountability to all our constituencies.

WE CAN INCREASE PARTICIPATION IN OUR STATE BY INCREASING BUSINESS OWNER PARTICIPATION IN THIS PROGRAM.

OUR SCHOOLS

ANNISTON

Sacred Heart of Jesus Catholic School

BESSEMER

Bessemer Academy

BIRMINGHAM

American Academy of Young Professionals

Banks Academy

Cornerstone Schools of Alabama

Ephesus Academy

Holy Family Cristo Rey Catholic High School

John Carroll Catholic High School

Our Lady of Sorrows Catholic School

Our Lady of the Valley Catholic School

Spring Valley School

St. Francis Catholic School

St. Rose Academy

COLUMBIANA

Cornerstone Christian School

CULLMAN

Sacred Heart Catholic School

St. Bernard Preparatory School

DECATUR

Decatur Heritage Christian Academy

St. Ann Catholic School

DOTHAN

Houston Academy

Northside Methodist Academy

ENSLEY

Build Up - Ensley

Holy Family Catholic Academy

FAIRFIELD

Restoration Academy

GADSDEN

St. James Catholic School

FLORENCE

Shoals Christian School

St. Joseph Catholic School

HOOVER

Hoover Christian School

Prince of Peace Catholic School

HUNTSVILLE

Holy Family Regional Catholic School

Holy Spirit Regional Catholic School

Lincoln Academy

St. John Paul II Catholic High School

IRONDALE

Jefferson Christian Academy

LAFAYETTE

Chambers Academy

LANETT

Springwood School

MADISON

Madison Academy

St. John the Baptist Catholic School

MOBILE

Faith Academy

Government Street Christian School

Prichard Preparatory School

St. Luke's Episcopal School

MONTGOMERY

Alabama Christian Academy

Churchill Academy

Montgomery Academy

Montgomery Catholic Preparatory School

Montgomery Christian School

Success Unlimited

The School at Sylvan Montgomery

Trinity Presbyterian School

Valiant Cross Academy

PELHAM

Indian Springs School

SELMA

Ellwood Christian Academy

TROY

New Life Christian Academy

TUSCALOOSA

The Capitol School

Holy Spirit Catholic School

HOW TO

REDIRECT

- STEP 1 Go to myalabamataxes.alabama.gov.
- STEP 2 Set up a MAT account, or sign in.
- STEP 3 Click on "Report a donation to an SGO."
- STEP 4 Choose SCHOLARSHIPS FOR KIDS.
- STEP 5 Enter your donation amount.
- STEP 6 Mail your check to the address below.



SCHOLARSHIPSFORKIDS.ORG

P.O. BOX 10204 • BIRMINGHAM, AL 35202

Under current Alabama law, a scholarship granting organization cannot award, restrict, or reserve scholarships on the basis of a donor's restriction or condition. Similarly, a taxpayer may not claim a tax credit for a contribution that is restricted or conditioned by the donor, including a restriction or condition requiring that the donor's contribution must be directed to a particular student or to a particular school.