




## MEMORANDUM OF INTERVIEW

TO: 59-20-0004  
FROM:  Lt. Lansing Pete Logan, SLED  
RE: Bruce Chadwick Connelly  
Allegations of Embezzlement

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The following is a preliminary investigation concerning allegations that Chand Connelly, Executive Director, Exceptional Needs Children Fund, has stolen funds. The allegations were made by Jeff Davis, attorney from Georgia where wife was previously involved with the Children's Fund.

In the way of background by letter dated January 20, 2020, attorney, Jefferson Davis, Jr.,  Greenville, South Carolina; telephone:  furnished information alleging that Chad Connelly embezzled money from the Exceptional Need Children's Fund (See copy of letter attached hereinafter referred to as "Exhibit A").

According to his complaint, Davis alleges that Chad Connelly, Prosperity, South Carolina and Thomas E. Persons were both involved in the embezzlement. According to Davis the Children's Fund is limited by law that the organization collecting donations can spend no more than two percent for administrative expenses. Davis alleges that Connelly has used his position to divert funds well in excess of two percent for himself personally and other political associates. Davis states in his complaint that \$125,643 has been embezzled during a six month period ending December 31, 2019.

Davis also states in his complaint that the Exceptional Needs Children Fund is a 501(c)3 that is regulated and governed by South Carolina Code Ann. 12-6-3790. The provisions provide that the public charity may expend up to two percent of the fund for administration costs. (See copy of letter addressed to Lt. Pete Logan dated 3/1/21 attached and hereinafter referred to as “Exhibit B”)

By email dated March 11, 2021, addressed to Attorney General, Alan Wilson and Deputy Attorney General, Jeff Young - complainant Davis advised he has checked with SC Secretary of State and SLED concerning an investigation. Davis requested the AG’s Office to refer the matter to SLED for the investigation because of political connections created by Connelly. See email from Jeff Davis dated March 11, 2021 entitled “Embezzlement Referral per S.C. Secretary of State and SLED”) and letter addressed to Judge Young dated July 9, 2021. (See copy of letter dated 3/1/2021 attached and hereinafter referred to as “Exhibit C”)

On March 5, 2020, Jeff Davis and his wife Alyce Lisonsha appeared at the office of the AG and talked with SLED agents Logan and Siniard. Davis and his wife made the same allegations as previously furnished in their documents. Davis believes that Chad Connelly received same of the money that was spent in excess of the two percent for administrative costs, but had no specific information as to how much money. Davis stated that based on a review of the documents he received that Connelly embezzled money.

When questioned further Davis admitted he has no idea what Chad Connelly was being paid and could offer no direct information that Connelly received money exceeding two percent.

On August 13, 2021, Jeff Davis and his wife Alyce Lisonsha were interviewed again and they furnished the same info previously furnished. In addition to her previous information Olga

Lenosha advised she talked with Michael Acquilano, Roman Catholic Diocese of Charleston and learned that he has had difficulty getting information about the children's fund.

Mrs. Lenosha also advised that Becky Fleming is the administrative assistant who probably prepares the checks for the children's fund.

During this interview neither Jeff Davis nor Olga Lenosha could furnish any information concerning funds paid to or given to Chad Connelly.

On several occasions in March and April 2020, Shannon Wiley, General Counsel, Secretary of State advised she is aware of the allegations made against Chad Connelly. She has no information that Chad Connelly ever embezzled any money from the Exceptional Needs Children's Fund.

On March 18, 2021, Jason Luther, Chief Legal Office and Deputy Director of Office of General Counsel, Columbia, South Carolina advised that Jeff Davis files several complaints including the one that alleges Chad Connelly stole money when he was Executive Director of the Children's Fund. He stated that Jeff Davis has filed ten law suits re: FOIA matters.

Further he has no information that Chad Connelly ever embezzled money from the Exceptional Needs Children's Fund.

By letter dated July 30, 2020, W. Hartley Powell, Director, Department of Revenue, Columbia, informed the Exceptional Children's Board that they have exceeded the two percent cap for administrative expenditures allowed by statute. The letter requested the Board to take immediate corrective measures. (See letter from Powell attached and hereinafter referred to as "Exhibit D")

By email dated March 11, 2021, the SC Attorney General's Office advised they were reviewing material furnished by Jeff Davis.

On March 5, 2020, Jeff Davis and his wife Alga Lisonsha appeared at the office of the SC Attorney General and discussed the same information previously furnished. Davis and his wife both believe Chad Connelly received money that was in excess of the two percent.

On August 13, 2021, Attorney Jeff Davis and his wife returned to the Attorney General's Office for purpose of interview. Davis furnished document supporting his theory that Chad Connelly and Tom Persons have been involved in embezzling money from the children's fund.

By email dated September 21, 2021, Attorney Shannon Wiley, General Counsel, Office of Secretary of State made available documents showing that Contend Strategies, LLC is registered to Chad Connelly, [REDACTED] Prosperity, South Carolina. It is noted that during the interview Chairman of the Board Edward Earwood advised that Chad Connelly was being paid based on a contract. The money being paid \$11,300 a month was sent to Contend Strategies LLC which is owned by Chad Connelly. (Documents re: Contend Strategies attached and hereinafter referred to as "Exhibit E").

On October 7, 2021, Edward Earwood, Board Chair, Exceptional Needs Children's Fund, Columbia, advised he is aware of the embezzlement allegations against Chad Connelly and does not believe there is any merit to the allegations. All monies paid to Connelly and his LLC called Contend Strategies LLC were approved by the Board. Earwood stated he would furnish a statement explaining the situation. )See statement Exceptional SC Summary statement of explanation October 7, 2021 along with invoices to Chad Connelly attached and hereinafter referred to as "Exhibit F")

Earwood also made available a Separation Agreement for Chad Connelly attached and hereinafter referred to as “Exhibit G”)

# EXHIBIT A

January 20, 2020

**VIA HAND DELIVERY**

Chief Mark Keel  
SLED Headquarters  
4400 Broad River Road  
Columbia, SC 29210

**RE: EMBEZZELMENT COMPLAINT**  
**Breach of Trust with Fraudulent Intent – S.C. Code Ann. § 16-13-230**  
**Mr. Bruce Chadwick Connelly, Executive Director**  
**South Carolina Educational Credit for Exceptional Needs Children Fund**  
**SC 501(C)(3) Non-Profit (aka Exceptional SC)**

Dear Chief Keel:

I understand this criminal matter might normally be a local jurisdictional issue, however I am particularly concerned that given the “political” parties involved, this matter may not be appropriately handled in the normal course. As such I am requesting that SLED investigate this matter.

The alleged perpetrator, Mr. Chad Connelly, is a former SC statewide Republican Party Chairman and is well connected with South Carolina legislators at the highest levels of state government. Perhaps even more importantly, Mr. Connelly was the former Treasure of a political non-profit that “directed” tens of millions in political advocacy and campaign donations between approximately 2005 – 2014 and as such many now senior political figures are “indebted” to Mr. Connelly. In fact, Mr. Connelly with zero experience was hired as the Executive Director for the above referenced non-profit, as directed by state law, by a legislative appointed board and the Director of the South Carolina Department of Revenue. We have already seen state legislators covering for Mr. Connelly’s clearly criminal actions, so it appears appropriate to bring this matter to the attention of your office.

The matter itself is rather simple in that the organization Mr. Connelly oversees as it’s Executive Director is limited by S.C. law to spend no more than 2% of donations on administrative expenses and overhead. Mr. Connelly has used his politically appointed

position to divert funds well in excess of that 2% maximum amount to himself personally and other allied political associates. The excess spending is documented in CPA financials I was able to obtain via Freedom of Information Act (FOIA) requests from the S.C. Department of Revenue. Although I could be mistaken as to the Department's intent, but this information was voluntarily provided to me by the S.C. Department of Revenue knowing we would expose this rather sensitive political matter. In fact, I believe the Department of Revenue's hands are tied politically in this matter, again why I am presenting this to your office.

#### DETAILS OF CRIMINAL COMPLAINT:

I am writing to file an urgent (*in that the embezzlement is ongoing*) criminal complaint requesting that SLED investigate this matter. Specifically, the entity involved is the South Carolina Educational Credit for Exceptional Needs Children Fund (hereinafter "ECENC Fund") and the individuals involved are the organizations Executive Director, Mr. Bruce Chadwick "Chad" Connelly ([REDACTED] Prosperity, SC 29217) and Board Chairman, Mr. Thomas E. Persons, Sr. ([REDACTED] Columbia, SC 29223).

The South Carolina Department of Revenue has limited statutory involvement in the administration of the ECENC Fund and as stated above the Department voluntarily provided me with the information necessary for this complaint. However, it appears that the Department has no standing or statutory "enforcement" authority over the ECENC Fund as a S.C. non-profit & 501(c)(3) entity. I have in fact had litigation at the SC Administrative Law Court which confirms this belief and limits the Department's authority over non-profits. Non-profits in fact do not even file income tax returns with the SC Department of Revenue, only the Internal Revenue Service. *Davis v SC Dep't of Revenue*, 15-ALJ-17-0540-CC (SCALC, Substantive Decision dated 1/25/2016).

Although this complaint details (*with supporting CPA documents*) that **\$99,935** has been illegally misappropriated (in my analysis "embezzled" under SC law) by the non-profit's Executive Director and Board Chairman for the fiscal year 7/1/2018 – 6/30/2019, **all indications are that the crime is ongoing (\$125,643 estimated embezzled for the six months ending 12/31/2019) and requires immediate attention to cease further illegal misappropriations.** See complaint details and support as follows.



The ECENC Fund is a single purpose legislatively created 501(c)(3) entity that is strictly regulated and governed by S.C. Code Ann. § 12-6-3790 (although there appears to be no enforcement provisions). The applicable provision related to this complaint is as follows:

**“The public charity may expend up to two percent of the fund for administration and related costs.”**

S.C. Code Ann. § 12-6-3790(B)(4).

For background, S.C. is one of 18 states with a K-12 tax credit scholarship program such as this. These programs assist K-12 children to attend an independent school of their choice. In the case of S.C., the program is dedicated to children with special needs.

All 18 of these states use 501(c)(3) non-profits to implement these programs. All of these programs, and all of these non-profits, have a maximum percentage (*2% in the case of the ECENC Fund*) of annual donations as the limit of available funds which can be used on an annual basis for administration and related costs.

As a CPA & tax attorney (licensed in Georgia), I have been personally involved with these programs and associated non-profits since 2008. Compliance with this legal maximum of expenses is one of the most important and critical legal compliance measures.

It is indisputable that the ECENC Fund administrative expenses are capped at 2% of annual donations. It is also indisputable that the legislative intent of S.C. Code Ann. § 12-6-3790(B)(4) was to cap the ECENC Fund at 2% of administrative expenses.

In fact, the ECENC Fund itself confirms this definition and methodology of how the legal maximum administration expenses are calculated – using total contributions, net of returns, plus any investment income.<sup>1</sup>

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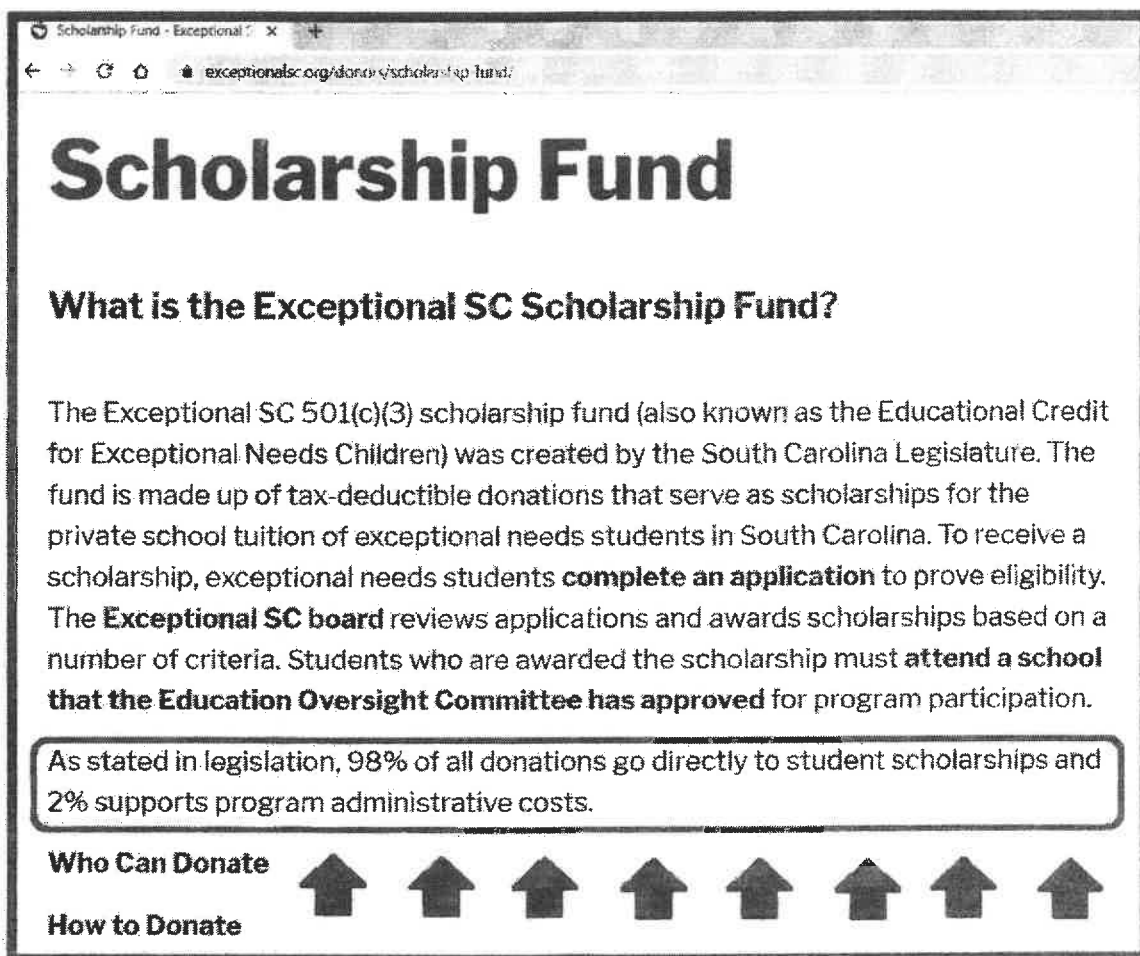
<sup>1</sup> As discussed herein, it is important to note in demonstrating the legal intent and conspiracy to defraud, this disclosure footnote was proactively removed from the CPA report for the year ending June 30, 2019. See Exhibit B and discussed herein.

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.

**Exhibit A, Independent Auditor's Report for  
June 30, 2018 and 2017, page 6.**

Additionally, and as a donor to the ECENC Fund, the organization itself advertises on its website and in donor solicitation materials that at least 98% of all funds donated go directly to K-12 children's scholarships and that no more than 2% of donations will be used for administrative expenses.

See February 7, 2020, screenshot of the ECENC Fund's website below.



For the record and standing, I am a S.C. resident, S.C. taxpayer, have been solicited by and am a donor to the ECENC Fund. Aside from the legal requirements, and as an incentive to donate to the ECENC Fund, it was my belief based on these solicitations that at least 98% of my donation would go directly to scholarships.

This solicitation promise has proven to not be true. A simple analysis of the 7/1/2018 – 6/30/2019 financial statements (**Exhibit B**) demonstrates the following clear misappropriation of **\$99,935** above the maximum 2% expense ratio required by law and promised in the donor solicitations I received.

<b>Exceptional SC - Misappropriating Funds</b>		
Fiscal Year 7/1/2018 - 6/30/2019 Fundraising:	\$11,575,509	<i>Per 1/15/2020 CPA Compilation Report</i>
Maximum Fee % allowed by law:	2.00%	<i>Per Section 12-6-3790 (B)(4)</i>
<b>TOTAL ALLOWED EXPENSES:</b>	<b>\$231,510</b>	
		<b>7/1/2018 - 6/30/2019</b>
		<b>Exhibit B</b>
Salary	\$31,500	<i>Per 1/15/2020 CPA Compilation Report</i>
Payroll Taxes	\$1,982	<i>Per 1/15/2020 CPA Compilation Report</i>
Office Expenses	\$224	<i>Per 1/15/2020 CPA Compilation Report</i>
<b>Contract Services *</b>	<b>\$246,332</b>	<i>Per 1/15/2020 CPA Compilation Report</i>
Legal & Professional	\$11,200	<i>Per 1/15/2020 CPA Compilation Report</i>
Bank Fees	\$21,154	<i>Per 1/15/2020 CPA Compilation Report</i>
Misc	\$8,653	<i>Per 1/15/2020 CPA Compilation Report</i>
Website	\$10,400	<i>Per 1/15/2020 CPA Compilation Report</i>
<b>TOTAL ACTUAL EXPENSES:</b>	<b>\$331,445</b>	<i>Per 1/15/2020 CPA Compilation Report</i>
<b>TOTAL ALLOWED EXPENSES:</b>	\$231,510	
<b>TOTAL ACTUAL EXPENSES:</b>	(\$331,445)	
<b>EXCESS FUNDS EXPENDED:</b>	<b>(\$99,935)</b>	<b><i>Misappropriated funds</i></b>
<p>* Upon information and belief, the <b>\$246,332</b> for <b>"Contract Services"</b> is the amounts paid to <b><u>Executive Director Chad Connelly</u></b> and allied parties either directly or indirectly. No further detail has been provided by the SC Department of Revenue.</p> <p><b>Section 12-6-3790 (B)(4):</b> "The public charity may expend up to two percent of the fund for administration and related costs."</p>		

Attached please find the CPA prepared financials (both prepared by **The Hobbs Group, P.A.**) for the ECENC Fund.

- **Exhibit A** is the Independent Auditor's Report for June 30, 2018 and 2017.
- **Exhibit B** is the Accountant's Compilation Report for June 30, 2019.

### **CRIMINAL VIOLATION(S) – BREACH OF TRUST WITH FRAUDULENT INTENT:**

The ECENC Fund management has also violated S.C. Code Ann. § 16-13-230 – Breach of Trust with Fraudulent Intent. This crime is more commonly referred to as “embezzlement”.<sup>2</sup>

#### **SECTION 16-13-230. Breach of trust with fraudulent intent.**

(A) A person committing a breach of trust with a fraudulent intention or a person who hires or counsels another person to commit a breach of trust with a fraudulent intention is guilty of larceny.

(B) A person who violates the provisions of this section is guilty of a:

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(3) felony and, upon conviction, must be fined in the discretion of the court or imprisoned not more than ten years if the amount is ten thousand dollars or more.

“The elements which constitute breach of trust with fraudulent intent are not outlined in the statute governing this offense. See S.C. Code Ann. § 16-13-230 (1985). However, the crime has been defined through the development of case law. A breach of trust with fraudulent intent “is larceny after trust, which includes all of the elements of larceny or in common parlance, stealing, except the unlawful taking in the beginning.” *State v. Owings*, 205 S.C. 314, 316, 31 S.E.2d 906, 907 (1944), quoted in *State v. Scott*, 330 S.C. 125, 130, 497 S.E.2d 735, 738 (Ct.App.1998). Thus, “[t]he primary difference between larceny and breach of trust is that in common-law larceny, possession of the property stolen is obtained *unlawfully*, while in breach of trust, the possession is obtained *lawfully*.” *Scott*, 330 S.C. at 130, 497 S.E.2d at 738 (quoting *State v. McCann*, 167 S.C.

<sup>2</sup> Whereas S.C. Code Ann. § 16-13-230 appears to be the operative criminal code section, S.C. Code Ann. § 16-13-210, **Embezzlement of Public Funds**, would alternatively apply if it is ever determined that the funds embezzled are “public funds” due to the substantial government entanglements with the Department of Revenue administration of the organization, having a legislatively appointed board, and the apparent violations of the S.C. Constitution’s Blaine Amendment.

393, 398, 166 S.E. 411, 413 (1932)) (emphasis in original).” State v. Jackson, 527 S.E.2d 367, 338 S.C. 565 (S.C. App. 2000).

A trust condition clearly exists in that the directors of any nonprofit organization owe a fiduciary duty of good faith, care and loyalty. See S.C. Code Ann. § 33-31-830(a)(1)-(3). Possession of the funds embezzled were obtained lawfully making it a breach of trust. Furthermore, this is not just a simple matter of miscalculating the funds available with which third party expenses could be paid. Upon information and belief, the funds embezzled were provided directly to the ECENC Fund’s Executive Director (and associated business partners) and authorized solely by the organizations Board Chairman. In fact, the Department of Revenue has already stated that they did not authorize the spending in excess of 2%. **See Exhibit C.**

In further evidence that this was not a mistake, and as discussed below, the ECENC Fund management has attempted to cover-up the misappropriation by reducing the scope of their typical third-party CPA review.

**ELEMENT OF INTENT TO DEFRAUD:** As you will note in comparing **Exhibit A** (years 1 and 2) with **Exhibit B** (year three), in the third year of operations / reporting, **The Hobbs Group, P.A.** prepared financials have been substantially reduced in scope and assurances from the independent “**AUDITED FINANCIAL STATEMENTS**” (**Exhibit A – YE 6/30/2018 & 2017**) to a simple “**COMPILED FINANCIAL STATEMENTS**” (**Exhibit B – YE 6/30/2019**).

Furthermore, **The Hobbs Group, P.A.** in reporting years 1 and 2 (**Exhibit A**) was professionally “independent”. However, in year 3, **The Hobbs Group, P.A.** has now disclosed that as of its year-ending 6/30/2019 “**COMPILED FINANCIAL STATEMENTS**”, the firm has determined (*as required by the AICPA Statements on Standards for Accounting and Review Services (SSARs)*) that the CPA firm is no longer professionally “independent”. See as follows from their financial report:

We are not independent with respect to the Organization.

Columbia, South Carolina  
January 15, 2020

*The Hobbs Group, P.A.*

See **Exhibit B**, report page 1.

**Lack of CPA Independence:** This substantial reduction in scope and assurances is extremely troubling. This reduction in scope and **new lack of professional “independence”**, indicates the necessary intent and a proactive effort to avoid the CPA firm’s professional requirements associated with a full audit. Specifically, the requirement to disclose and report the ECENC Funds’ lack of compliance with the law (i.e., the 2% cap of S.C. Code Ann. § 12-6-3790(B)(4)) and further cover-up what I believe to be an intentional embezzlement of funds at the organization.

**Reduction to CPA “Compilation” from full “Audit”:** Reduction in the scope and assurances from a full independent audit to a simple compilation further indicates a deliberate attempt to cover-up the crime. By reducing the scope of the CPA review to a simple compilation, pursuant to AICPA standards, the ECENC Fund management is afforded to opportunity to, at their discretion, to exclude certain financial related footnotes (that would otherwise be required with a full audit).

Specifically, it appears in this case that the reduction in scope was intended to allow ECENC Fund management to exclude the previously required footnote(s) detailing compliance with the 2% cap of S.C. Code Ann. § 12-6-3790(B)(4) and other legal provisions. This reduction in scope plus lack of CPA independence = no requirement to disclose the crime.

**Personal Relationship Conflict:** Upon information and belief, **Mr. Mark T. Hobbs, CPA**, the engagement partner and principal for The Hobbs Group, P.A., is personal friends with the ECENC Fund’s Executive Director and former SC GOP Chairman, Mr. Chad Connelly.

**NO AUTHORIZATION ALLOWED:** No board authorization, approval or other action (*including by the Board Chairman who is believed to be complicit in this matter*) can excuse this misappropriation. The statutory requirements of S.C. Code Ann. § 12-6-3790(B)(4) are absolute and by law must be enforced. Furthermore, no “justification” or reasonable “need” can excuse this misappropriation. Leadership at the ECENC Fund have specifically requested additional administrative expenses to operate the organization, and those requests have been specifically ignored by the S.C. Legislature. The ECENC Fund Board cannot simply ignore these legal directives. Furthermore, the SC Department of Revenue has provided the documentation specifically stating that the Department has not authorized this excess spending. See **Exhibit C**.

**ONGOING MISAPPROPRIATION FOR FISCAL YEAR 7/1/2019 – 6/30/2020:** The Department of Revenue has also voluntarily and affirmatively provided (*even while the requested information is exempt from FOIA*) the necessary documentation detailing fundraising by the ECENC Fund for the current fiscal year. See **Exhibit D**.

The Department provided evidence showing only \$2,003,988.69 in fundraising indicates an **estimated \$125,643 in additional funds have been misappropriated.**

<b>Exceptional SC - Misappropriating Funds?</b>		
<b>EXHIBIT D</b>		
July 2019	\$141,978.29	Per SC Department of Revenue
August 2019	\$49,464.46	Per SC Department of Revenue
September 2019	\$189,559.67	Per SC Department of Revenue
October 2019	\$133,350.00	Per SC Department of Revenue
November 2019	\$70,450.32	Per SC Department of Revenue
December 2019	\$1,419,185.95	Per SC Department of Revenue
Six Month Total:	<u>\$2,003,988.69</u>	
Total Six Mth Fundraising:	\$2,003,988.69	
Maximum Fee % Allowed:	2.00%	
Allowed Expenses to Date:	<u>\$40,079.77</u>	
<b>TOTAL ALLOWED EXPENSES:</b>	\$40,080	
<b>TOTAL ESTIMATED EXPENSES:</b>	<u>(\$165,723)</u>	50% of Prior Year Actual
<b>ESTIMATED EXCESS FUNDS EXPENDED:</b>	<u><b>(\$125,643)</b></u>	
<b><u>Estimated additional misappropriation since 7/1/2019</u></b>		

If the excessive spending has continued as expected since the formal financial reports for the year ending 6/30/2019, we are approaching an excess misappropriation of **nearly a quarter of a million dollars** that was intended (*by myself, other donors and the legislature*) for South Carolina's K-12 children with special needs.

Please advise as to any questions you might have or any additional evidence and documentation you may need. I am also available to meet with you at your earliest convenience to discuss this urgent and ongoing matter.

Your attention is much appreciated.

Best,



Jeff Davis, JD, MBA

[REDACTED]  
Greenville, SC 29615

[REDACTED] (cell)

*jeff@apogeetax.com*



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

June 30, 2018

# EXHIBIT A

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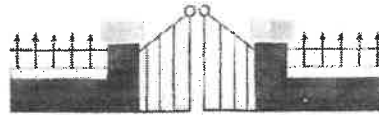
### *SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTINOAL NEEDS CHILDREN FUND*

June 30, 2018

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## AUDITED FINANCIAL STATEMENTS

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
South Carolina Educational Credit for Exceptional Needs Children Fund

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of South Carolina Educational Credit for Exceptional Needs Children Fund (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2018 and 2017, and the related statements of support, revenue, and expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**AUDITORS' RESPONSIBILITY**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## EXHIBIT A

### OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of South Carolina Educational Credit for Exceptional Needs Children Fund as of June 30, 2018 and 2017, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note A.

### BASIS OF ACCOUNTING

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Columbia, South Carolina  
January 15, 2019

*The Holler Group, P.A.*

EXHIBIT A

AUDITED FINANCIAL STATEMENTS

## EXHIBIT A

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND

		June 30,	
		2018	2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 3,361,511	\$ 280,730
	Total Current Assets	<u>3,361,511</u>	<u>280,730</u>
<b>Noncurrent Assets</b>			
Investments		69,233	0
Intangible assets, net		10,400	20,800
	Total Noncurrent Assets	<u>79,633</u>	<u>20,800</u>
	<b>TOTAL ASSETS</b>	<u>\$ 3,441,144</u>	<u>\$ 301,530</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
		\$ 0	\$ 0
	Total Liabilities	<u>0</u>	<u>0</u>
<b>Net Assets</b>			
Unrestricted		137,111	85,835
Temporarily restricted		3,304,033	215,695
	Total Net Assets	<u>3,441,144</u>	<u>301,530</u>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,441,144</u>	<u>\$ 301,530</u>

The accompanying notes are an integral part of these financial statements

## EXHIBIT A

STATEMENT OF SUPPORT, REVENUES AND EXPENSES - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND  
 For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions		\$ 14,105,223	\$ 14,105,223
Interest	\$ 2,651		2,651
Net assets released from restrictions	11,016,885	(11,016,885)	0
Total Revenues and Other Support	11,019,536	3,088,338	14,107,874
<b>EXPENSES</b>			
Program services	10,874,403		10,874,403
Management and general	91,257		91,257
Fundraising	2,600		2,600
Total Expenses	10,968,260	0	10,968,260
CHANGE IN NET ASSETS	51,276	3,088,338	3,139,614
Net assets at beginning of year	85,835	215,695	301,530
NET ASSETS AT END OF YEAR	\$ 137,111	\$ 3,304,033	\$ 3,441,144

The accompanying notes are an integral part of these financial statements

## EXHIBIT A

STATEMENT OF SUPPORT, REVENUES AND EXPENSES - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND  
 For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions		\$ 10,030,001	\$ 10,030,001
Scholarship funding organization residual funds		52,110	52,110
Interest	\$ 677		677
Net assets released from restrictions	9,866,416	(9,866,416)	0
<b>Total Revenues and Other Support</b>	<b>9,867,093</b>	<b>215,695</b>	<b>10,082,788</b>
<b>EXPENSES</b>			
Program services	9,724,926		9,724,926
Management and general	53,732		53,732
Fundraising	2,600		2,600
<b>Total Expenses</b>	<b>9,781,258</b>	<b>0</b>	<b>9,781,258</b>
<b>CHANGE IN NET ASSETS</b>	<b>85,835</b>	<b>215,695</b>	<b>301,530</b>
Net assets at beginning of year	0	0	0
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 85,835</b>	<b>\$ 215,695</b>	<b>\$ 301,530</b>

The accompanying notes are an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

*SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND*

June 30, 2018

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, and the opinion in our Independent Auditors' Report is not modified with respect to this matter.

Basis of Presentation: The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three net asset categories: unrestricted, temporarily restricted, and permanently restricted. The three categories are defined as follows:

## EXHIBIT A

### 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

**Unrestricted Net Assets:** net assets that are not subject to donor-imposed restrictions as provided by the Proviso.

**Temporarily Restricted Net Assets:** net assets subject to donor-imposed stipulations, which are met by either actions of the Organization and/or the passage of time. When a donor-imposed restriction is met, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Temporarily restricted net assets represent net assets designated specifically for scholarships and grants pursuant to the Proviso.

**Permanently Restricted Net Assets:** net assets subject to donor-imposed stipulations neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Organization. As of June 30, 2018 and 2017, the Organization has no permanently restricted net assets.

**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.

**Intangible Asset:** Consists of capitalized costs associated with the Organization's website. The costs of the website are amortized on a straight-line basis over its estimated useful life of three years.

**Contributions:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or the purpose of the restriction is satisfied temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

**Investments:** Investments in marketable securities with readily determinable market values are reported at their fair value in the statements of assets, liabilities, and net assets— modified cash basis. Investment income or loss (including unrealized and realized gains on investments, interest and dividends) are included in the statements of support, revenues and expenses— modified cash basis as an increase in unrestricted net assets if the restrictions are met (either by the passage of time or accomplishment of a purpose restriction) in the reporting period in which the income and gains are recognized.

**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 estimates in these financial statements are the functional allocation of expenses, and the fair value measurements of assets (Note C).

## EXHIBIT A

### 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

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.

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, 2018 and 2017, 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 2015.

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 2017-2018 and 2016-2017 South Carolina State Budget Provisos 109.11 and 109.15, respectively, allows for the issuance of a total of \$11,000,000 and \$10,000,000, respectively, 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.

## EXHIBIT A

### 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 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 also limit the Organization to administrative and related expenses of not more than 2% of the fund.

Recent Accounting Pronouncements and Proposed Accounting Pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2016-14 *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in the update make certain improvements that address many of the identified issues of current financial reporting for not-for-profits. A second phase of the project is expected to address more protracted issues identified by the FASB. The update addresses some of the current financial reporting challenges as follows: 1) reduces complexity in reporting donor imposed restrictions; 2) improves transparency and utility in assessing a not-for-profit's liquidity; and 3) enhances the consistency of reporting of not-for-profit expenses by nature and function. The amendments in this update go into the effect for annual financial statements issued for year's beginning after December 15, 2017.

Reclassifications: Certain reclassifications have been made to the 2017 account classifications to make the presentation comparative to the 2018 presentation. These reclassifications have no impact on net assets as previously reported.

Subsequent Events: Subsequent events have been evaluated through January 15, 2019, 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:

	2018	2017
Cash and cash equivalents on deposit insured by the FDIC	\$ 250,000	\$ 250,000
Cash and cash equivalents on deposit uninsured by the FDIC	423,458	830
	<u>\$ 673,458</u>	<u>\$ 250,830</u>

NOTES TO THE FINANCIAL STATEMENTS

SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND

NOTE C -- FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for the investments measured at fair value.

Common Stock: Valued at the closing price reported on the New York Stock Exchange.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	Assets at Fair Value as of June 30, 2018			Total
	Level 1	Level 2	Level 3	
Common Stock	\$ 69,233			\$ 69,233
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ 69,233</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 69,233</b>

There were no investments held by the Organization as of June 30, 2017.

# EXHIBIT A

## NOTES TO THE FINANCIAL STATEMENTS

### *SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND*

#### NOTE D -- INTANGIBLE ASSET

Intangible asset is as follows at June 30:

	<u>2018</u>	<u>2017</u>
Website	\$ 31,200	\$ 31,200
Less: Accumulated Amortization	<u>(20,800)</u>	<u>(10,400)</u>
INTANGIBLE ASSET, NET	<u>\$ 10,400</u>	<u>\$ 20,800</u>

Amortization charged to expense for the both years ended June 30, 2018 and 2017, was \$10,400.

#### NOTE E -- TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Restricted to scholarship grants for eligible "exceptional needs" children enrolled at approved South Carolina Independent Schools	\$ 3,384,039	\$ 215,695

Included in net assets released from restrictions in 2018 and 2017 is \$230,881 and \$115,821, respectively, spent for administrative and related costs.

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

June 30, 2019

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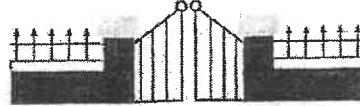
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## EXHIBIT B

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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.*

EXHIBIT B

COMPILED FINANCIAL STATEMENTS

EXHIBIT B

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 \$ 2,850,552

LIABILITIES AND NET ASSETS

Liabilities	\$ -
Total Liabilities	-

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 \$ 2,850,552

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

EXHIBIT B

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)	-
<b>Total Revenues and Other Support</b>	<b>12,087,320</b>	<b>(511,811)</b>	<b>11,575,509</b>
<b>EXPENSES</b>			
Program services	12,025,514		12,025,514
Management and general	137,987		137,987
Fundraising	2,600		2,600
<b>Total Expenses</b>	<b>12,166,101</b>	<b>-</b>	<b>12,166,101</b>
<b>CHANGE IN NET ASSETS</b>	<b>(78,781)</b>	<b>(511,811)</b>	<b>(590,592)</b>
Net assets at beginning of year	137,111	3,304,033	3,441,144
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 58,330</b>	<b>\$ 2,792,222</b>	<b>\$ 2,850,552</b>

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

EXHIBIT B

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
--	--------------

## NOTES TO THE FINANCIAL STATEMENTS

*SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND*

## NOTE D -- LIQUIDITY AND AVAILABILITY OF RESOURCES

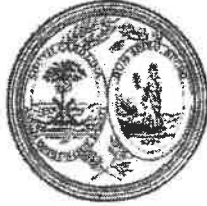
The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the Organization has set aside 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>\$ 58,330</u>

EXHIBIT C

STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE  
OFFICE OF THE GENERAL COUNSEL

300A Outlet Pointe Blvd.  
Columbia, SC 29210



Joe S. Dusenbury, Jr.  
PO Box 125  
Columbia, SC 29214-0580

February 4, 2020

R. Jefferson Davis, Jr.  
[REDACTED]  
Greenville, SC 29615

Re: Freedom Of Information Act Request Dated January 24, 2020

Dear Mr. Davis:

This will acknowledge receipt of your Freedom of Information Act request dated January 24, 2020.

Your FOIA request contains three bullet points requesting documents.

Your third bullet point requests engagement letters with the Hobbs Group. The Department has elected to produce the only two such engagement letters in its possession. One is dated November 8, 2017, and the other dated August 27, 2018.

In response to the first bullet, there are no documents to produce in answer to your request. The Department would affirmatively state that at no time has it authorized or opined that administrative expenses could exceed two percent.

In response to the second bullet, there are no documents to produce in answer to your request. The Department would affirmatively state that it does not agree with your editorial comment or conclusion that the Hobbs Group is not independent.

We are also returning your check for \$2.00 to the Department of Revenue.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe S. Dusenbury Jr.", written over a white background.

Joe S. Dusenbury Jr.  
General Counsel

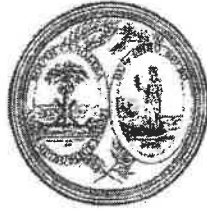
JSDJr:wcg  
Enclosures

NOTE: The Hobbs Group, P.A. affirmatively states for the first time that they are not independent. See Exhibit B, YE 6/30/2019, report page #1. The Department evidently believes / agrees that Hobbs is (or should be) professionally independent with respect to the ECENC Fund.

EXHIBIT D

STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE  
OFFICE OF THE GENERAL COUNSEL

300A Outlet Pointe Blvd.  
Columbia, SC 29210



Joe S. Dusenbury, Jr.  
PO Box 125  
Columbia, SC 29214-0580

February 4, 2020

R. Jefferson Davis, Jr.

Greenville, SC 29615

Re: Freedom Of Information Act Request Dated January 22, 2020

Dear Mr. Davis:

This will acknowledge receipt of your Freedom of Information Act request dated January 22, 2020.

In response to your FOIA request, the Department has elected to produce the attached list of donations to Exceptional SC by month from March through December of 2019 totaling in the amount of \$4,547,101.10.

We are also returning your check for \$2.00 to the Department of Revenue.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe".

Joe S. Dusenbury Jr.  
General Counsel

JSDJr:wcg  
Enclosures

## EXHIBIT D

### CY19 Exceptional SC Donations by Month

Mar-19	1,949,959.72
Apr-19	285,701.00
May-19	211,700.00
Jun-19	95,751.69
Jul-19	141,978.29
Aug-19	49,464.46
Sep-19	189,559.67
Oct-19	133,350.00
Nov-19	70,450.32
Dec-19	1,419,185.95
<b>Total</b>	<b><u>4,547,101.10</u></b>

**NOTE:** Support for first six months of fundraising for the 7/1/2019 - 6/30/2020 fiscal year for estimating ongoing misappropriations.

# EXHIBIT B

March 1, 2021

VIA US Mail & Email (hsiniard@sled.sc.gov)

Lt. Pete Logan & Holly Siniard  
SLED  
P.O Box 21398  
Columbia, SC 29221-1398

**RE: EMBEZZLEMENT COMPLAINT**  
**Breach of Trust with Fraudulent Intent – S.C. Code Ann. § 16-13-230**  
**Mr. Bruce Chadwick Connelly, Executive Director**  
**South Carolina Educational Credit for Exceptional Needs Children Fund**  
**SC 501(C)(3) Non-Profit (aka Exceptional SC)**

➤ **Updated 3<sup>rd</sup> Party CPA Financials for Fiscal Year 7/1/2019 - 6/30/2020**

Gentlemen:

I trust you are both well and staying healthy during this past year. As you may recall, my wife Olga Lisinska and I met with the two of you on March 5<sup>th</sup>, 2020 at the AGs Office in Columbia related to the above matter following a letter I sent to Chief Keel. The meeting was in regard to what I believed to be at the time misappropriation of funds and in my reading of S.C. Code Ann. § 16-13-230 – Breach of Trust with Fraudulent Intent – actual embezzlement.

I am pleased (*although sadden for the children harmed*) to report that we now have the additional evidence to support our claims. I have recently secured from the SC Department of Revenue the 3<sup>rd</sup> party CPA financials that prove that \$275,406 by my calculations, \$213,776 by the CPA calculations, have been misappropriated from the above referenced non-profit by its legislatively appointed board, and as administered by the SC Department of Revenue.

I also have recently acquired (via FOIA) a July 30, 2020 MEMORANDUM from the Director of the Department of Revenue that above referenced non-profit was in violation of the 2% maximum administrative fee cap of S.C. S.C. Code Ann. § 12-6-3790 [sic]. **See Exhibit A (000002)**. Seven days later, Mr. Tom Persons, Board Chairman and Senator Leatherman appointee, abruptly resigned. **See Exhibit B (000004)**. Mr. Chad Connelly, Executive Director of the beneficiary of the misappropriated funds, his services, and those of his business partners / associates were also terminated on or about the same time.

This activity and shake-up last July / August 2020 is obviously due to the complaints we made in February / March ... as well as a Declaratory Judgment lawsuit I filed in Newberry on February 12, 2020 (2020-CP-36-00093: Dismissed solely on standing, under appeal).

I have also on February 22, 2021 updated my charity complaint with the SC Secretary of State as they oversee non-profits. **See Exhibit C (000006)**. The February 25, 2021 response from General Counsel advises that I **"may want to forward your concerns to law enforcement"**. **See Exhibit D (000041)**. As directed, I am contacting you again now.

Gentlemen, these crimes are now well documented. I might recommend a few SLED subpoenas for additional supporting evidence and to expand the matter to co-conspirators ... but otherwise the crimes appear perfectly clear and we have all the evidence we need. As we discussed and you are aware, the individuals involved are senior "political" figures and by all indications they are being protected by various well-connected friends.

**Children have been hurt, money stolen from them, and thousands of parents and school officials across SC are watching the progress of this matter very closely and whether this corruption will be brought to justice.** People have gone to jail for much less than this, the Department of Revenue has arrested folks for much less, and we are intent on getting the money back for the children. We need your help.

Please advise as to any questions you might have or any additional evidence and documentation you may need. **I am also available to meet with you again (happy to come to Columbia) at your earliest convenience to discuss this urgent matter.**

Your attention is much appreciated.

Best,



Jeff Davis, JD, MBA

[Redacted]

Greenville, SC 29615

[Redacted] (cell)

jeff@apogeetax.com

*I thank you!!!*

[Redacted] cell



# **EXHIBIT A**

State of South Carolina  
Department of Revenue



HENRY D. MCMASTER  
Governor

W. HARTLEY POWELL  
Director

300A OUTLET POINTE BOULEVARD  
POST OFFICE BOX 125  
COLUMBIA, SOUTH CAROLINA 29214  
Telephone: (803) 898-5040  
Facsimile : (803) 898-0023  
Director@dor.sc.gov

**MEMORANDUM**

**TO:** Exceptional SC Board of Directors  
**FROM:** W. Hartley Powell, Director *WHP*  
**DATE:** July 30, 2020  
**RE:** Exceptional SC's FY20 Financial Statement

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The South Carolina Department of Revenue has a statutory duty under S.C. Code Section 12-6-3780 to assist in administering Exceptional SC with the "...keeping of records, the management of accounts, and the disbursement of the grants awarded." In accordance with these duties, the Department reviewed Exceptional SC's FY20 Financial Statement dated June 30, 2020 prepared by the Hobbs Group.

As a result, we found that Exceptional SC has exceeded the two percent cap for administrative expenditures allowed by the statute. The two percent permitted for administrative expenditures is relative to the amount of donations actually received by Exceptional SC and not two percent of the statutory cap of twelve million for the tax credits allowed annually. Therefore, we are bringing the results of our review to the Board's attention so that you may take immediate, corrective measures to bring Exceptional SC spending into compliance with the law.

Thank you for your prompt attention to this matter. Please contact me with any questions.

# **EXHIBIT B**

**Bob Thomas**

---

**From:** Ashley Thomas  
**Sent:** Thursday, February 11, 2021 10:56 AM  
**To:** Bob Thomas; Joe Dusenbury  
**Subject:** email

**From:** Thomas E Persons <[REDACTED]>  
**Date:** August 6, 2020 at 12:28:39 PM EDT  
**To:** Ashley Thomas <[Ashley.Thomas@dor.sc.gov](mailto:Ashley.Thomas@dor.sc.gov)>, Bonnie Swingle <[Bonnie.Swingle@dor.sc.gov](mailto:Bonnie.Swingle@dor.sc.gov)>, Sam Queen <[Samantha.Queen@dor.sc.gov](mailto:Samantha.Queen@dor.sc.gov)>  
**Cc:** Joe Dusenbury <[Joe.Dusenbury@dor.sc.gov](mailto:Joe.Dusenbury@dor.sc.gov)>  
**Subject:** **New Leadership and Good Times**

Ashely, Bonnie, Sam, and Joe

Thank each of you for all the good times and some that were not so wonderful. It took all of us to make a difference and to keep ExceptionalSC moving forward. By my count, we awarded almost 8000 scholarships over the past four years.

**Ashley Thomas**

Deputy Director - Communications

Communications &amp; Strategic Solutions

803-898-5773 | mobile: 803-360-8876 | [Ashley.Thomas@dor.sc.gov](mailto:Ashley.Thomas@dor.sc.gov)South Carolina Department of Revenue | [dor.sc.gov](http://dor.sc.gov)

---

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# EXHIBIT C

February 22, 2021

**VIA E-Mail ([investigations@sos.sc.gov](mailto:investigations@sos.sc.gov))**

SC Secretary of State's Office  
Attn: Doug Renew, Chief Investigator  
1205 Pendleton Street, Suite 525  
Columbia, SC 29201

**RE: CHARITY COMPLAINT – Breach of Trust with Fraudulent Intent - § 16-13-230**  
**South Carolina Educational Credit for Exceptional Needs Children Fund**  
**(aka Exceptional SC)**  
**Public Id: P35886**

**Updated Complaint with 7/1/2019 – 6/30/2020 CPA Report**

Dear Mr. Renew:

I am providing your office with this updated "Charity Complaint" in follow-up to my complaint first lodged on February 10<sup>th</sup>, 2020 (with analysis, exhibits, and follow-up responses, etc.) (hereinafter referred to as the "**Original 2020 Complaint**"). I presume you have all that documentation for reference and incorporation by reference with this updated "Charity Complaint". If you do not, please let me know and I am happy to provide you with those records again for your reference and review.

As you know, I disagreed professionally with your office's analysis of the Original 2020 Complaint, namely due to the charities status as a cash basis taxpayer. I also raised issues of conflicts of interest based on Secretary Hammond's personal relationship with the accused, Chad Connelly and his associate Dave Wilson. My understanding is that Mr. Dave Wilson manages the political campaign(s) for Secretary Hammond.

I will once again formally raise those conflict of interest claims as it continues to appear that your office is providing "cover" for Mr. Connelly and Mr. Wilson and I would request an independent 3<sup>rd</sup> party review of my complaints related to the above-named charity, Exceptional SC.

Page 1 of 8

**SUBSEQUENT EVENTS SINCE ORIGINAL COMPLAINT:** I would also call to your attention that subsequent to the lodging of the Original 2020 Complaint and a Declaratory Judgement action filed in Newberry County (dismissed on standing only and currently under appeal), Mr. Connelly has been fired from his position as Executive Director of Exceptional SC and Mr. Tom Persons was forced to resign as Board Chairman. Although your office failed to pursue the matter, the fact that we were able to bring this matter to light and the subsequent public pressure has yielded some initial changes.

This updated complaint however is being lodged as a second attempt for your office to pursue this matter legally and I expect criminally as outlined herein and as I believe should have been addressed last year. K-12 children with special needs have been victimized by the actions and inactions of Exceptional SC, Mr. Connelly, Mr. Persons, *et al.* **I am also formally lodging this complaint against the remaining four (4) Board Members of Exceptional SC as well given their apparent ongoing complicity.**

**GOING FORWARD:** Regardless of your decision as to the conflicts of issue matter, I am updating the Original 2020 Complaint based on the recently released January 15<sup>th</sup>, 2021 South Carolina Department of Revenue Report (*with associated charity financial statements*) entitled "2019-2020 REPORT OF EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN PROGRAM" (hereinafter the "2021 DOR Report").

The 2021 DOR Report clearly indicates that Exceptional SC violated S.C. Code Ann. § 12-6-3790(B)(4) which states the "**public charity may expend up to two percent of the fund for administration and related costs.**"

Your office concluded (incorrectly) last year that Exceptional SC had not violated S.C. Code Ann. § 12-6-3790(B)(4) based on some imagined carry-forward of prior year unused 2% administrative fee availability. Again, Exceptional SC is a cash basis entity and carry-forwards exist.

However, even using the incorrect analysis of your office, Exceptional SC has **substantially violated** S.C. Code Ann. § 12-6-3790(B)(4) this past fiscal year according to the 2021 DOR Report. By my calculations, Exceptional SC has overspent the 2% legal maximum by \$275, 406. This was 11.94%, or approximate SIX TIMES the legal limit.

By the organizations own calculations, and the CPA financial statements, Exceptional SC has overspent the 2% legal maximum by \$213,776. See "negative" asset listed in the financial statements below. Regardless of the exact amount, or the method used, the organization is in violation of S.C. Code Ann. § 12-6-3790(B)(4) by such a substantial amount that I do not believe (regardless of personal relationships) the issue can be ignored by your office.

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS		
SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND		
June 30, 2020		
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$	152,176
Total Current Assets		<u>152,176</u>
	<b>TOTAL ASSETS</b>	<u>\$ 152,176</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities	\$	62,000
Total Liabilities		62,000
Net Assets		
Without donor restrictions		(213,776)
With donor restrictions		303,952
Total Net Assets		<u>90,176</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<u><u>152,176</u></u>

[CONTINUED ON NEXT PAGE]



STATEMENT OF SUPPORT, REVENUES AND EXPENSES - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND  
 For the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions		\$ 2,769,930	\$ 2,769,930
Investment income	(152)		(152)
Net assets released from restrictions	5,258,201	(5,258,201)	-
Total Revenues and Other Support	5,258,049	(2,488,271)	2,769,778

**\$2,769,930 in Donations, times 2% allowed Fees = \$55,398.60**

**\$330,805 in Fees Charged**

**Difference: \$275,406**

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
 SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN FUND  
 For the Year Ended June 30, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Awards and grant scholarships	\$ 5,199,350			\$ 5,199,350
Salaries and wages		\$ 42,000		42,000
Payroll taxes		3,694		3,694
Office		3,938		3,938
Contract services	192,976	63,189		256,165
Professional and legal fees		20,206		20,206
Bank fees		3,302		3,302
Meals & Entertainment		1,500		1,500
<b>TOTAL EXPENSES</b>	<b>\$ 5,392,326</b>	<b>\$ 137,829</b>	<b>\$ 0</b>	<b>\$ 5,530,155</b>

**\$192,976 + \$137,829 = \$330,805 in FEES!!!**

11.94% in Fees!!!

**Legally Allowed Fees: \$55,398.60**

**Difference: \$275,406**

**CRIMINAL VIOLATION(S) – BREACH OF TRUST WITH FRAUDULENT INTENT:**

The Exceptional SC board and management have also violated S.C. Code Ann. § 16-13-230 – Breach of Trust with Fraudulent Intent. This crime is more commonly referred to as “embezzlement”.<sup>1</sup>

**SECTION 16-13-230.** Breach of trust with fraudulent intent.

- (A) A person committing a breach of trust with a fraudulent intention or a person who hires or counsels another person to commit a breach of trust with a fraudulent intention is guilty of larceny.
- (B) A person who violates the provisions of this section is guilty of a:
- \*\*\*
- (3) felony and, upon conviction, must be fined in the discretion of the court or imprisoned not more than ten years if the amount is ten thousand dollars or more.

“The elements which constitute breach of trust with fraudulent intent are not outlined in the statute governing this offense. See S.C. Code Ann. § 16-13-230 (1985). However, the crime has been defined through the development of case law. A breach of trust with fraudulent intent ‘is larceny after trust, which includes all of the elements of larceny or in common parlance, stealing, except the unlawful taking in the beginning.’ State v. Owings, 205 S.C. 314, 316, 31 S.E.2d 906, 907 (1944), quoted in State v. Scott, 330 S.C. 125, 130, 497 S.E.2d 735, 738 (Ct.App.1998). Thus, “[t]he primary difference between larceny and breach of trust is that in ‘common-law larceny, possession of the property stolen is obtained *unlawfully*, while in breach of trust, the possession is obtained *lawfully*.’” Scott, 330 S.C. at 130, 497 S.E.2d at 738 (quoting State v. McCann, 167 S.C. 393, 398, 166 S.E. 411, 413 (1932)) (emphasis in original).”

State v. Jackson, 527 S.E.2d 367, 338 S.C. 565 (S.C. App. 2000).

<sup>1</sup> Whereas S.C. Code Ann. § 16-13-230 appears to be the operative criminal code section, **S.C. Code Ann. § 16-13-210, Embezzlement of Public Funds**, would alternatively apply if it is ever determined that the funds embezzled are “public funds” due to the substantial government entanglements with the Department of Revenue administration of the organization, having a legislatively appointed board, and the apparent violations of the S.C. Constitution’s Blaine Amendment. See also Adams v. McMaster, et al., Appellate Case No. 2020-001069, ruling a similar program unconstitutional, not once, but twice this past year.

A trust condition clearly exists in that the directors of any nonprofit organization owe a fiduciary duty of good faith, care and loyalty. See S.C. Code Ann. § 33-31-830(a)(1)-(3). Possession of the funds embezzled were obtained lawfully making it a breach of trust.

Furthermore, this is not just a simple matter of miscalculating the funds available with which third party expenses could be paid. Upon information and belief based on FOIA documents from the Secretary of State's Office itself, the funds embezzled were provided directly to the Exceptional SCs Executive Director Mr. Chad Connelly (and his associated business partners) and authorized by the organizations Board Chairman, Tom Persons and the remaining four (4) board members. In fact, the Department of Revenue has already stated that they did not authorize the spending in excess of 2%. (See Original 2020 Complaint.)

In further evidence that this was not a mistake, and as discussed below, the Exceptional SC management and entire board in conspiracy with their previously independent CPA firm, have attempted to cover-up the misappropriation by reducing the scope of their typical third-party CPA review.

**ELEMENT OF INTENT TO DEFRAUD:** As you will note in comparing financial statements of the organization (*years 1, 2, 3 and 4*), in the third year of operations / reporting, **The Hobbs Group, P.A.** prepared financials have been substantially reduced in scope and assurances from the independent **"AUDITED FINANCIAL STATEMENTS"** (years-ending 6/30/2018 & 2017) to a simple **"COMPILED FINANCIAL STATEMENTS"** (years-ending 6/30/2019 & 2020).

Furthermore, **The Hobbs Group, P.A.** in reporting years 1 and 2 was professionally "independent". However, in years 3 & 4, The Hobbs Group, P.A. has now disclosed that as of its year-ending 6/30/2019 & 6/30/2020 **"COMPILED FINANCIAL STATEMENTS"**, the firm has determined (*as required by the AICPA Statements on Standards for Accounting and Review Services (SSARSs)*) that the CPA firm is no longer professionally "independent". See as follows from their financial report:

We are not independent with respect to the Organization.

Columbia, South Carolina  
January 15, 2020

*The Hobbs Group, P.A.*

**Lack of CPA Independence:** This substantial reduction in scope and assurances is extremely troubling. This reduction in scope and **new lack of professional “independence”** once the embezzlement became evident, indicates the necessary intent and a proactive effort to avoid the CPA firm’s professional requirements associated with a full audit. Specifically, the requirement to disclose and report Exceptional SCs lack of compliance with the law (i.e., the 2% cap of S.C. Code Ann. § 12-6-3790(B)(4)) and further cover-up what I believe to be an embezzlement of funds at the organization.

**Reduction to CPA “Compilation” from full “Audit”:** Reduction in the scope and assurances from a full independent audit to a simple compilation further indicates a deliberate attempt to cover-up the crime. By reducing the scope of the CPA review to a simple compilation, pursuant to AICPA standards, the Exceptional SC management and board is afforded the opportunity to, at their discretion, to exclude certain financial related footnotes (that would otherwise be required with a full independent CPA audit).

Specifically, it appears in this case that the reduction in scope was specifically intended to allow the Exceptional SC management and board to exclude the previously required footnote(s) detailing compliance with the 2% cap of S.C. Code Ann. § 12-6-3790(B)(4) and other legal provisions. This reduction in scope plus lack of CPA independence = no requirement to disclose the crime – without specific notice which they had for Year 4.

**The Hobbs Group, P.A. Had “Notice” for Year 4:** Even if the reduction in scope of the CPA review in Year 3 is found to be inadvertent, the Hobbs Group, P.A. was most certainly placed “on notice” following Year 3 by myself and others as to the overspending and alleged violations of S.C. Code Ann. § 12-6-3790(B)(4). Given notice, the CPA firm was required to follow-up on the allegations in Year 4 – which the firm did not do in an obvious attempt to conceal the misstated financial statements, and in my opinion conceal the crime(s).

**Personal Relationship Conflict:** Upon information and belief, **Mr. Mark T. Hobbs, CPA**, the engagement partner and principal for The Hobbs Group, P.A., is personal friends with Exceptional SCs Executive Director and former SCGOP Chairman, Mr. Chad Connelly.

**NO AUTHORIZATION ALLOWED:** No board authorization, approval or other action (including by the former Board Chairman Mr. Tom Persons who is believed to be complicit in this matter) can excuse this misappropriation. The statutory requirements of S.C. Code Ann. § 12-6-3790(B)(4) are absolute and by law must be enforced. Furthermore no “justification” or reasonable “need” can excuse this misappropriation. Leadership and the board at Exceptional SC have specifically requested additional administrative expenses to operate the organization, and those requests have been specifically denied by the S.C. Legislature on multiple occasions. The Exceptional SC Board cannot simply ignore these legal directives. Furthermore, the SC Department of Revenue has provided the documentation specifically stating that the Department has not authorized this excess spending.

Please advise as to any questions you might have or any additional evidence and documentation you may need. I am also available to meet with you at your earliest convenience to discuss this urgent and ongoing matter.

Your attention is much appreciated.

Best,



Jeff Davis, JD, MBA

[Redacted]

Greenville, SC 29615

[Redacted]

jeff@apogeetax.com



Attachment (2019-2020 REPORT OF EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN PROGRAM – dated 01/15/2021)

cc: Secretary of State Mark Hammond (with attachment)



# 2019–2020 REPORT OF EDUCATIONAL CREDIT FOR EXCEPTIONAL NEEDS CHILDREN PROGRAM

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South Carolina Department of Revenue

JANUARY 15, 2021

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

300A Outlet Pointe Boulevard  
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 2020 (FY20) 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.

**\$4,547,101**

total tax year  
2019  
donations

**342**

total individual and  
corporate donors

**\$13,296**

average  
donation

**1,365**

total scholarship  
recipients  
(0 new and 1,365  
incumbent)

**106**

total school  
recipients

**13**

average  
scholarship grants  
per school

**\$5,120,004**

total amount of  
scholarships  
disbursed

**\$3,750**

average incumbent  
scholarship grant

**\$0**

average  
new student  
scholarship grant

## FY20 Board Members

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

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

# 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

**\$4,547,101**  
donor credits  
issued

**\$13,296**  
average gift  
per donor

**342**  
individual and  
corporate donors

**38% 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.

**\$5,337,069** credits applied for

**874**  
applicants

**272**  
recipients

**\$7,353**  
average amount  
per recipient

**\$2 million** credits approved

# STUDENTS

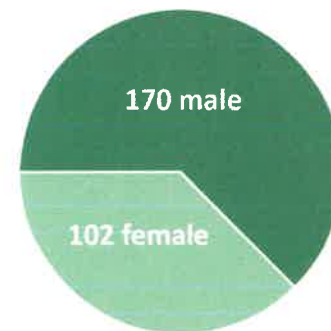
Act 247 calls for reporting demographic and socio-economic data of participants and their families, including the distribution of scholarship funds by income ranges. All information below was reported by applicants.

## PARENTAL TAX CREDIT RECIPIENTS

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

Household Income Range	# of Recipients
\$0-50,000	17
\$50,001-100,000	61
\$100,001-150,000	67
\$150,001-200,000	36
\$200,001-250,000	24
\$250,001-300,000	27
\$300,001+	40

Ages	# of Students
5-10	104
11-15	132
16+	36
No response	0



**\$6,204**  
avg. est. additional expenses from caring for exceptional needs child

**2**  
average number of children in household

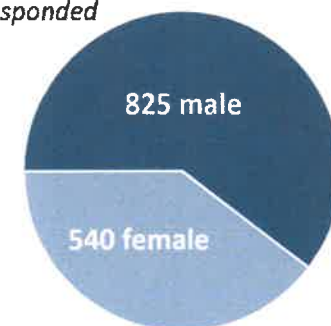
**1**  
average number of exceptional needs children in household

## SCHOLARSHIP RECIPIENTS

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

Household Income Range	# of Recipients
\$0-50,000	291
\$50,001-100,000	367
\$100,001-150,000	104
\$150,001-200,000	238
\$200,001-250,000	87
\$250,001-300,000	76
\$300,001+	83

*Ages	# of Students
5-10	410
11-15	585
16+	370
No response	0



**\$6,112**  
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

# 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).

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 relating to the grants received, 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. School eligibility for participation occurs during the school year. The information provided by the EOC to the SCDOR is based on the fiscal year.

**133 eligible schools**

**35**

counties with at least one eligible school

**80%**

of eligible schools received funding

**106 schools received funding**

# GRANTS BY SCHOOL

The EOC approved 133 schools to participate in the Exceptional SC program for FY20. The following 106 schools received funding.

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
<b>1. Addlestone Hebrew Academy</b>	<b>&lt;10</b>	<b>\$3,850.00</b>
2. Anderson Christian School	12	\$60,500.00
<b>3. Ashley Hall</b>	<b>&lt;10</b>	<b>\$44,000.00</b>
4. Ben Lippen School	29	\$84,645.00
<b>5. BEST Skills Academy</b>	<b>&lt;10</b>	<b>\$2,860.00</b>
6. Bishop England High School	53	\$205,700.00
<b>7. Blessed Sacrament School</b>	<b>10</b>	<b>\$27,225.00</b>
8. Bob Jones Academy	19	\$32,560.00
<b>9. Calvary Christian School - Greer</b>	<b>&lt;10</b>	<b>\$22,990.00</b>
10. Calvary Christian School - Myrtle Beach	<10	\$3,905.00
<b>11. Camden Military Academy</b>	<b>&lt;10</b>	<b>\$16,500.00</b>
12. Camperdown Academy	99	\$544,335.00
<b>13. Cardinal Newman School</b>	<b>62</b>	<b>\$244,860.00</b>
14. Chabad Jewish Academy	<10	\$10,120.00
<b>15. Charis Academy</b>	<b>&lt;10</b>	<b>\$6,380.00</b>
16. Charleston Day School	<10	\$11,000.00
<b>17. Christ Church Episcopal School</b>	<b>63</b>	<b>\$297,000.00</b>
18. Christ Our King-Stella Maris Catholic School	14	\$48,675.00
<b>19. Clarendon Hall School</b>	<b>&lt;10</b>	<b>\$1,100.00</b>
20. Coastal Christian Preparatory School	<10	\$10,461.00
<b>21. Colleton Preparatory Academy</b>	<b>18</b>	<b>\$54,450.00</b>
22. Conway Christian School	<10	\$1,320.00
<b>23. Cross School</b>	<b>&lt;10</b>	<b>\$15,785.00</b>
24. Crown Leadership Academy	13	\$28,270.00
<b>25. Cutler Jewish Day School</b>	<b>&lt;10</b>	<b>\$9,240.00</b>
26. Divine Redeemer Catholic School	<10	\$11,440.00
<b>27. Einstein Academy</b>	<b>16</b>	<b>\$41,360.00</b>
28. First Baptist School of Charleston	<10	\$4,900.00
<b>29. First Presbyterian Academy</b>	<b>19</b>	<b>\$61,930.00</b>
30. Five Oaks Academy	<10	\$6,875.00
<b>31. Glenforest School</b>	<b>17</b>	<b>\$85,250.00</b>
32. Grace Christian School	<10	\$1,265.00
<b>33. Hammond School</b>	<b>11</b>	<b>\$54,230.00</b>
34. Hampton Park Christian School	13	\$22,957.00
<b>35. Harvest Community School</b>	<b>&lt;10</b>	<b>\$4,125.00</b>

# GRANTS BY SCHOOL

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
36. Hawthorne Christian Academy	<10	\$3,025.00
<b>37. Heathwood Hall Episcopal School</b>	<b>13</b>	<b>\$45,545.00</b>
38. Heritage Academy	<10	\$2,200.00
<b>39. Hidden Treasure Christian School</b>	<b>33</b>	<b>\$181,500.00</b>
40. Hilton Head Christian Academy	21	\$86,790.00
<b>41. Hilton Head Preparatory School</b>	<b>&lt;10</b>	<b>\$31,680.00</b>
42. Holy Trinity Catholic School	<10	\$30,800.00
<b>43. HOPE Academy</b>	<b>53</b>	<b>\$241,516.00</b>
44. Hope Christian Academy	<10	\$31,570.00
<b>45. John Paul II Catholic School</b>	<b>11</b>	<b>\$36,080.00</b>
46. Laurence Manning Academy	<10	\$4,180.00
<b>47. Lowcountry Preparatory School</b>	<b>&lt;10</b>	<b>\$2,970.00</b>
48. Mason Preparatory School	<10	\$20,020.00
<b>49. Mead Hall Episcopal School</b>	<b>&lt;10</b>	<b>\$8,360.00</b>
50. Miracle Academy Preparatory School	35	\$115,500.00
<b>51. Mitchell Road Christian Academy</b>	<b>12</b>	<b>\$24,750.00</b>
52. Montessori Academy of Spartanburg	<10	\$1,320.00
<b>53. Montessori School of Anderson</b>	<b>&lt;10</b>	<b>\$3,300.00</b>
54. Montessori School of Mauldin	<10	\$10,450.00
<b>55. Nativity Catholic School</b>	<b>&lt;10</b>	<b>\$16,280.00</b>
56. New Covenant School	<10	\$5,280.00
<b>57. Newberry Academy</b>	<b>&lt;10</b>	<b>\$10,285.00</b>
58. North Myrtle Beach Christian School	<10	\$2,310.00
<b>59. Northside Christian Academy</b>	<b>12</b>	<b>\$14,790.00</b>
60. Oakbrook Preparatory School	13	\$39,340.00
<b>61. Oconee Christian Academy</b>	<b>&lt;10</b>	<b>\$11,220.00</b>
62. Orangeburg Preparatory Schools, Inc.	<10	\$6,985.00
<b>63. Our Lady of Peace Catholic School</b>	<b>14</b>	<b>\$22,165.00</b>
64. Our Lady of the Rosary Catholic School	13	\$44,600.00
<b>65. Palmetto Christian Academy - Mt. Pleasant</b>	<b>&lt;10</b>	<b>\$23,273.00</b>
66. Pee Dee Academy	<10	\$14,850.00
<b>67. Porter-Gaud</b>	<b>&lt;10</b>	<b>\$16,500.00</b>
68. Prince of Peace Catholic School	<10	\$15,785.00
<b>69. Ridge Christian Academy</b>	<b>19</b>	<b>\$45,375.00</b>
70. Sandhills School	57	\$313,500.00
<b>71. Southside Christian School</b>	<b>67</b>	<b>\$286,665.00</b>

# GRANTS BY SCHOOL

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
<b>72. Spartanburg Day School</b>	<b>19</b>	<b>\$80,080.00</b>
73. St. Andrew Catholic School	18	\$52,827.00
<b>74. St. Anne Catholic School - Rock Hill</b>	<b>15</b>	<b>\$54,230.00</b>
75. St. Anne-St. Jude Catholic School - Sumter	<10	\$3,080.00
<b>76. St. Anthony Catholic School - Florence</b>	<b>&lt;10</b>	<b>\$17,160.00</b>
77. St. Anthony of Padua Catholic School	<10	\$25,245.00
<b>78. St. Elizabeth Ann Seton Catholic High School</b>	<b>&lt;10</b>	<b>\$11,660.00</b>
79. St. Francis by the Sea Catholic School	<10	\$17,160.00
<b>80. St. Gregory the Great Catholic School</b>	<b>&lt;10</b>	<b>\$8,800.00</b>
81. St. John Catholic School - Charleston	20	\$84,050.00
<b>82. St. John's Christian Academy</b>	<b>13</b>	<b>\$21,615.00</b>
83. St. Joseph Catholic School - Anderson	<10	\$6,050.00
<b>84. St. Joseph Catholic School - Columbia</b>	<b>17</b>	<b>\$38,940.00</b>
85. St. Joseph's Catholic School - Greenville	39	\$140,390.00
<b>86. St. Mary Help of Christians Catholic School</b>	<b>&lt;10</b>	<b>\$11,660.00</b>
87. St. Michael Catholic School	<10	\$2,750.00
<b>88. St. Peter's Catholic School - Beaufort</b>	<b>&lt;10</b>	<b>\$2,090.00</b>
89. St. Peter's Catholic School - Columbia	<10	\$16,170.00
<b>90. Step of Faith Christian Academy</b>	<b>&lt;10</b>	<b>\$880.00</b>
91. Summerville Catholic School	<10	\$10,230.00
<b>92. Sumter Christian School</b>	<b>&lt;10</b>	<b>\$3,190.00</b>
93. Tabernacle Christian School	<10	\$1,045.00
<b>94. The Barclay School</b>	<b>&lt;10</b>	<b>\$35,000.00</b>
95. The Chandler School	43	\$253,000.00
<b>96. The Charleston Catholic School</b>	<b>24</b>	<b>\$72,935.00</b>
97. The King's Academy	21	\$66,335.00
<b>98. Thomas Hart Academy</b>	<b>&lt;10</b>	<b>\$9,075.00</b>
99. Thomas Heyward Academy	<10	\$12,320.00
<b>100. Thomas Sumter Academy</b>	<b>&lt;10</b>	<b>\$9,570.00</b>
101. Timmerman School	<10	\$7,040.00
<b>102. Trident Academy</b>	<b>23</b>	<b>\$126,500.00</b>
103. Trinity Christian Educational School	<10	\$3,410.00
<b>104. Walnut Grove Christian School</b>	<b>&lt;10</b>	<b>\$9,510.00</b>
105. Westminster Catawba Christian School	14	\$49,775.00
<b>106. Westside Christian Academy</b>	<b>&lt;10</b>	<b>\$3,410.00</b>



# DATA BY COUNTY

The chart below provides the number of eligible schools, Exceptional SC scholarship grant recipients, and Parental Tax Credit recipients by county. For FY20, 11 of South Carolina's 46 counties did not have an eligible school participate in the program.

SC County	# of Grant Recipients	# of Credit Recipients	# of Eligible Schools
Abbeville	<10	0	0
Aiken	27	<10	3
Allendale	0	0	0
Anderson	41	<10	5
Bamberg	0	0	0
Barnwell	0	0	0
Beaufort	51	<10	8
Berkeley	80	<10	5
Calhoun	<10	<10	<3
Charleston	174	19	18
Cherokee	<10	0	<3
Chester	<10	0	<3
Chesterfield	<10	0	<3
Clarendon	<10	<10	3
Colleton	17	0	<3
Darlington	13	<10	<3
Dillon	<10	0	<3
Dorchester	15	0	3
Edgefield	<10	0	<3
Fairfield	<10	<10	<3
Florence	23	0	3
Georgetown	<10	<10	<3
Greenville	435	146	21

SC County	# of Grant Recipients	# of Credit Recipients	# of Eligible Schools
Greenwood	<10	0	<3
Hampton	0	0	<3
Horry	26	<10	8
Jasper	13	0	3
Kershaw	16	<10	<3
Lancaster	0	<10	<3
Laurens	<10	<10	0
Lee	0	0	0
Lexington	48	12	4
Marion	<10	0	<3
Marlboro	0	0	0
McCormick	0	0	0
Newberry	<10	<10	<3
Oconee	<10	<10	3
Orangeburg	<10	0	<3
Pickens	16	<10	<3
Richland	211	29	13
Saluda	0	0	0
Spartanburg	61	14	5
Sumter	17	<10	5
Union	0	0	0
Williamsburg	<10	0	0
York	28	<10	4

# CONTACTS

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## **SOUTH CAROLINA DEPARTMENT OF REVENUE**

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## **SOUTH CAROLINA EDUCATION OVERSIGHT COMMITTEE**

### **Matthew Ferguson, Esq.**

Executive Director

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## **EXCEPTIONAL SC**

### **Edward Earwood**

Chairman of the Board

843-513-5010

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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 - January 14, 2021*

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

June 30, 2020

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*SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTINOAL NEEDS CHILDREN FUND*

June 30, 2020

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Statement of Support, Revenue, and Expenses – Modified Cash Basis .....3  
Statement of Functional Expenses – Modified Cash Basis .....4  
Notes to the Financial Statements .....5

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Greenville, SC 29609

Phone (864) 271-7503  
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www.hobbscpa.com

To Management  
SC Educational Credit for Exceptional Needs Children  
Columbia, South Carolina

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, 2020 and the related statements of 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 14, 2021

*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, 2020

ASSETS

Current Assets

Cash and cash equivalents

	\$	152,176
Total Current Assets		<u>152,176</u>

TOTAL ASSETS	\$	<u><u>152,176</u></u>
--------------	----	-----------------------

LIABILITIES AND NET ASSETS

Liabilities

	\$	62,000
Total Liabilities		<u>62,000</u>

Net Assets

Without donor restrictions

(213,776)

With donor restrictions

303,952

Total Net Assets		<u>90,176</u>
------------------	--	---------------

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>152,176</u></u>
----------------------------------	----	-----------------------

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, 2020

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions		\$ 2,769,930	\$ 2,769,930
Investment income	(152)		(152)
Net assets released from restrictions	5,258,201	(5,258,201)	-
Total Revenues and Other Support	<u>5,258,049</u>	<u>(2,488,271)</u>	<u>2,769,778</u>
<b>EXPENSES</b>			
Program services	5,392,326		5,392,326
Management and general	137,829		137,829
Fundraising			-
Total Expenses	<u>5,530,155</u>	<u>-</u>	<u>5,530,155</u>
CHANGE IN NET ASSETS	(272,106)	(2,488,271)	(2,760,377)
Net assets at beginning of year	<u>58,330</u>	<u>2,792,223</u>	<u>2,850,553</u>
NET ASSETS AT END OF YEAR	<u>\$ (213,776)</u>	<u>\$ 303,952</u>	<u>\$ 90,176</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, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Awards and grant scholarships	\$ 5,199,350			\$ 5,199,350
Salaries and wages		\$ 42,000		42,000
Payroll taxes		3,694		3,694
Office		3,938		3,938
Contract services	192,976	63,189		256,165
Professional and legal fees		20,206		20,206
Bank fees		3,302		3,302
Meals & Entertainment		1,500		1,500
<b>TOTAL EXPENSES</b>	<b>\$ 5,392,326</b>	<b>\$ 137,829</b>	<b>\$ 0</b>	<b>\$ 5,530,155</b>

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

# 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 2020 (FY20) 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.

**\$4,547,101**

total tax year  
2019  
donations

**1,365**

total scholarship  
recipients  
(0 new and 1,365  
incumbent)

**\$5,120,004**

total amount of  
scholarships  
disbursed

**342**

total individual and  
corporate donors

**106**

total school  
recipients

**\$3,750**

average incumbent  
scholarship grant

**\$13,296**

average  
donation

**13**

average  
scholarship grants  
per school

**\$0**

average  
new student  
scholarship grant

## FY20 Board Members

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

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

# 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

**\$4,547,101**  
donor credits  
issued

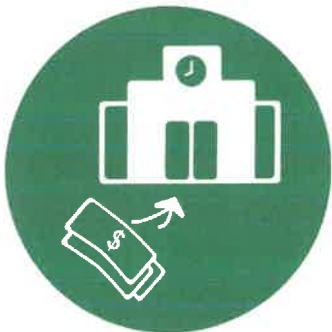
**\$13,296**  
average gift  
per donor

**342**  
individual and  
corporate donors

**38% 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.

**\$5,337,069** credits applied for

**874**  
applicants

**272**  
recipients

**\$7,353**  
average amount  
per recipient

**\$2 million** credits approved

# STUDENTS

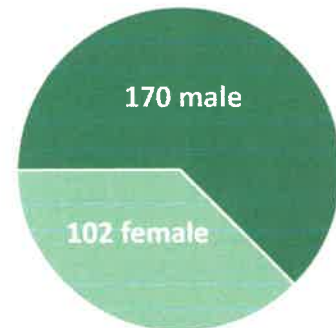
Act 247 calls for reporting demographic and socio-economic data of participants and their families, including the distribution of scholarship funds by income ranges. All information below was reported by applicants.

## PARENTAL TAX CREDIT RECIPIENTS

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

Household Income Range	# of Recipients
\$0-50,000	17
\$50,001-100,000	61
\$100,001-150,000	67
\$150,001-200,000	36
\$200,001-250,000	24
\$250,001-300,000	27
\$300,001+	40

Ages	# of Students
5-10	104
11-15	132
16+	36
No response	0



**\$6,204**  
avg. est. additional expenses from caring for exceptional needs child

**2**  
average number of children in household

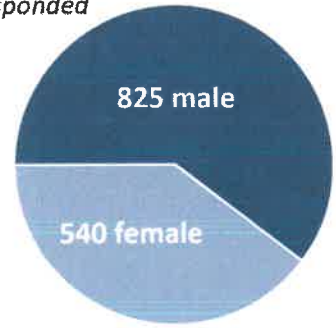
**1**  
average number of exceptional needs children in household

## SCHOLARSHIP RECIPIENTS

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

Household Income Range	# of Recipients
\$0-50,000	291
\$50,001-100,000	367
\$100,001-150,000	104
\$150,001-200,000	238
\$200,001-250,000	87
\$250,001-300,000	76
\$300,001+	83

*Ages	# of Students
5-10	410
11-15	585
16+	370
No response	0



**\$6,112**  
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

# 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 relating to the grants received, 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. School eligibility for participation occurs during the school year. The information provided by the EOC to the SCDOR is based on the fiscal year.

**133** eligible schools

**35**

counties with  
at least one  
eligible school

**80%**

of eligible schools  
received funding

**106** schools received funding



# GRANTS BY SCHOOL

The EOC approved 133 schools to participate in the Exceptional SC program for FY20. The following 106 schools received funding.

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
<b>1. Addlestone Hebrew Academy</b>	<b>&lt;10</b>	<b>\$3,850.00</b>
2. Anderson Christian School	12	\$60,500.00
<b>3. Ashley Hall</b>	<b>&lt;10</b>	<b>\$44,000.00</b>
4. Ben Lippen School	29	\$84,645.00
<b>5. BEST Skills Academy</b>	<b>&lt;10</b>	<b>\$2,860.00</b>
6. Bishop England High School	53	\$205,700.00
<b>7. Blessed Sacrament School</b>	<b>10</b>	<b>\$27,225.00</b>
8. Bob Jones Academy	19	\$32,560.00
<b>9. Calvary Christian School - Greer</b>	<b>&lt;10</b>	<b>\$22,990.00</b>
10. Calvary Christian School - Myrtle Beach	<10	\$3,905.00
<b>11. Camden Military Academy</b>	<b>&lt;10</b>	<b>\$16,500.00</b>
12. Camperdown Academy	99	\$544,335.00
<b>13. Cardinal Newman School</b>	<b>62</b>	<b>\$244,860.00</b>
14. Chabad Jewish Academy	<10	\$10,120.00
<b>15. Charis Academy</b>	<b>&lt;10</b>	<b>\$6,380.00</b>
16. Charleston Day School	<10	\$11,000.00
<b>17. Christ Church Episcopal School</b>	<b>63</b>	<b>\$297,000.00</b>
18. Christ Our King-Stella Maris Catholic School	14	\$48,675.00
<b>19. Clarendon Hall School</b>	<b>&lt;10</b>	<b>\$1,100.00</b>
20. Coastal Christian Preparatory School	<10	\$10,461.00
<b>21. Colleton Preparatory Academy</b>	<b>18</b>	<b>\$54,450.00</b>
22. Conway Christian School	<10	\$1,320.00
<b>23. Cross School</b>	<b>&lt;10</b>	<b>\$15,785.00</b>
24. Crown Leadership Academy	13	\$28,270.00
<b>25. Cutler Jewish Day School</b>	<b>&lt;10</b>	<b>\$9,240.00</b>
26. Divine Redeemer Catholic School	<10	\$11,440.00
<b>27. Einstein Academy</b>	<b>16</b>	<b>\$41,360.00</b>
28. First Baptist School of Charleston	<10	\$4,900.00
<b>29. First Presbyterian Academy</b>	<b>19</b>	<b>\$61,930.00</b>
30. Five Oaks Academy	<10	\$6,875.00
<b>31. Glenforest School</b>	<b>17</b>	<b>\$85,250.00</b>
32. Grace Christian School	<10	\$1,265.00
<b>33. Hammond School</b>	<b>11</b>	<b>\$54,230.00</b>
34. Hampton Park Christian School	13	\$22,957.00
<b>35. Harvest Community School</b>	<b>&lt;10</b>	<b>\$4,125.00</b>

# GRANTS BY SCHOOL

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
36. Hawthorne Christian Academy	<10	\$3,025.00
<b>37. Heathwood Hall Episcopal School</b>	<b>13</b>	<b>\$45,545.00</b>
38. Heritage Academy	<10	\$2,200.00
<b>39. Hidden Treasure Christian School</b>	<b>33</b>	<b>\$181,500.00</b>
40. Hilton Head Christian Academy	21	\$86,790.00
<b>41. Hilton Head Preparatory School</b>	<b>&lt;10</b>	<b>\$31,680.00</b>
42. Holy Trinity Catholic School	<10	\$30,800.00
<b>43. HOPE Academy</b>	<b>53</b>	<b>\$241,516.00</b>
44. Hope Christian Academy	<10	\$31,570.00
<b>45. John Paul II Catholic School</b>	<b>11</b>	<b>\$36,080.00</b>
46. Laurence Manning Academy	<10	\$4,180.00
<b>47. Lowcountry Preparatory School</b>	<b>&lt;10</b>	<b>\$2,970.00</b>
48. Mason Preparatory School	<10	\$20,020.00
<b>49. Mead Hall Episcopal School</b>	<b>&lt;10</b>	<b>\$8,360.00</b>
50. Miracle Academy Preparatory School	35	\$115,500.00
<b>51. Mitchell Road Christian Academy</b>	<b>12</b>	<b>\$24,750.00</b>
52. Montessori Academy of Spartanburg	<10	\$1,320.00
<b>53. Montessori School of Anderson</b>	<b>&lt;10</b>	<b>\$3,300.00</b>
54. Montessori School of Mauldin	<10	\$10,450.00
<b>55. Nativity Catholic School</b>	<b>&lt;10</b>	<b>\$16,280.00</b>
56. New Covenant School	<10	\$5,280.00
<b>57. Newberry Academy</b>	<b>&lt;10</b>	<b>\$10,285.00</b>
58. North Myrtle Beach Christian School	<10	\$2,310.00
<b>59. Northside Christian Academy</b>	<b>12</b>	<b>\$14,790.00</b>
60. Oakbrook Preparatory School	13	\$39,340.00
<b>61. Oconee Christian Academy</b>	<b>&lt;10</b>	<b>\$11,220.00</b>
62. Orangeburg Preparatory Schools, Inc.	<10	\$6,985.00
<b>63. Our Lady of Peace Catholic School</b>	<b>14</b>	<b>\$22,165.00</b>
64. Our Lady of the Rosary Catholic School	13	\$44,600.00
<b>65. Palmetto Christian Academy - Mt. Pleasant</b>	<b>&lt;10</b>	<b>\$23,273.00</b>
66. Pee Dee Academy	<10	\$14,850.00
<b>67. Porter-Gaud</b>	<b>&lt;10</b>	<b>\$16,500.00</b>
68. Prince of Peace Catholic School	<10	\$15,785.00
<b>69. Ridge Christian Academy</b>	<b>19</b>	<b>\$45,375.00</b>
70. Sandhills School	57	\$313,500.00
<b>71. Southside Christian School</b>	<b>67</b>	<b>\$286,665.00</b>

# GRANTS BY SCHOOL

ELIGIBLE SCHOOL HAVING RECEIVED SCHOLARSHIP GRANTS	NUMBER OF GRANTS ISSUED	VALUE OF GRANTS ISSUED
<b>72. Spartanburg Day School</b>	<b>19</b>	<b>\$80,080.00</b>
73. St. Andrew Catholic School	18	\$52,827.00
<b>74. St. Anne Catholic School - Rock Hill</b>	<b>15</b>	<b>\$54,230.00</b>
75. St. Anne-St. Jude Catholic School - Sumter	<10	\$3,080.00
<b>76. St. Anthony Catholic School - Florence</b>	<b>&lt;10</b>	<b>\$17,160.00</b>
77. St. Anthony of Padua Catholic School	<10	\$25,245.00
<b>78. St. Elizabeth Ann Seton Catholic High School</b>	<b>&lt;10</b>	<b>\$11,660.00</b>
79. St. Francis by the Sea Catholic School	<10	\$17,160.00
<b>80. St. Gregory the Great Catholic School</b>	<b>&lt;10</b>	<b>\$8,800.00</b>
81. St. John Catholic School - Charleston	20	\$84,050.00
<b>82. St. John's Christian Academy</b>	<b>13</b>	<b>\$21,615.00</b>
83. St. Joseph Catholic School - Anderson	<10	\$6,050.00
<b>84. St. Joseph Catholic School - Columbia</b>	<b>17</b>	<b>\$38,940.00</b>
85. St. Joseph's Catholic School - Greenville	39	\$140,390.00
<b>86. St. Mary Help of Christians Catholic School</b>	<b>&lt;10</b>	<b>\$11,660.00</b>
87. St. Michael Catholic School	<10	\$2,750.00
<b>88. St. Peter's Catholic School - Beaufort</b>	<b>&lt;10</b>	<b>\$2,090.00</b>
89. St. Peter's Catholic School - Columbia	<10	\$16,170.00
<b>90. Step of Faith Christian Academy</b>	<b>&lt;10</b>	<b>\$880.00</b>
91. Summerville Catholic School	<10	\$10,230.00
<b>92. Sumter Christian School</b>	<b>&lt;10</b>	<b>\$3,190.00</b>
93. Tabernacle Christian School	<10	\$1,045.00
<b>94. The Barclay School</b>	<b>&lt;10</b>	<b>\$35,000.00</b>
95. The Chandler School	43	\$253,000.00
<b>96. The Charleston Catholic School</b>	<b>24</b>	<b>\$72,935.00</b>
97. The King's Academy	21	\$66,335.00
<b>98. Thomas Hart Academy</b>	<b>&lt;10</b>	<b>\$9,075.00</b>
99. Thomas Heyward Academy	<10	\$12,320.00
<b>100. Thomas Sumter Academy</b>	<b>&lt;10</b>	<b>\$9,570.00</b>
101. Timmerman School	<10	\$7,040.00
<b>102. Trident Academy</b>	<b>23</b>	<b>\$126,500.00</b>
103. Trinity Christian Educational School	<10	\$3,410.00
<b>104. Walnut Grove Christian School</b>	<b>&lt;10</b>	<b>\$9,510.00</b>
105. Westminster Catawba Christian School	14	\$49,775.00
<b>106. Westside Christian Academy</b>	<b>&lt;10</b>	<b>\$3,410.00</b>

# DATA BY COUNTY

The chart below provides the number of eligible schools, Exceptional SC scholarship grant recipients, and Parental Tax Credit recipients by county. For FY20, 11 of South Carolina's 46 counties did not have an eligible school participate in the program.

SC County	# of Grant Recipients	# of Credit Recipients	# of Eligible Schools
Abbeville	<10	0	0
Aiken	27	<10	3
Allendale	0	0	0
Anderson	41	<10	5
Bamberg	0	0	0
Barnwell	0	0	0
Beaufort	51	<10	8
Berkeley	80	<10	5
Calhoun	<10	<10	<3
Charleston	174	19	18
Cherokee	<10	0	<3
Chester	<10	0	<3
Chesterfield	<10	0	<3
Clarendon	<10	<10	3
Colleton	17	0	<3
Darlington	13	<10	<3
Dillon	<10	0	<3
Dorchester	15	0	3
Edgefield	<10	0	<3
Fairfield	<10	<10	<3
Florence	23	0	3
Georgetown	<10	<10	<3
Greenville	435	146	21

SC County	# of Grant Recipients	# of Credit Recipients	# of Eligible Schools
Greenwood	<10	0	<3
Hampton	0	0	<3
Horry	26	<10	8
Jasper	13	0	3
Kershaw	16	<10	<3
Lancaster	0	<10	<3
Laurens	<10	<10	0
Lee	0	0	0
Lexington	48	12	4
Marion	<10	0	<3
Marlboro	0	0	0
McCormick	0	0	0
Newberry	<10	<10	<3
Oconee	<10	<10	3
Orangeburg	<10	0	<3
Pickens	16	<10	<3
Richland	211	29	13
Saluda	0	0	0
Spartanburg	61	14	5
Sumter	17	<10	5
Union	0	0	0
Williamsburg	<10	0	0
York	28	<10	4

# CONTACTS

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## **SOUTH CAROLINA EDUCATION OVERSIGHT COMMITTEE**

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## **EXCEPTIONAL SC**

### **Edward Earwood**

Chairman of the Board

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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 - January 14, 2021*

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

June 30, 2020

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*SOUTH CAROLINA EDUCATIONAL CREDIT FOR EXCEPTINOAL NEEDS CHILDREN FUND*  
June 30, 2020

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Statement of Support, Revenue, and Expenses – Modified Cash Basis .....3  
Statement of Functional Expenses – Modified Cash Basis .....4  
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To Management  
SC Educational Credit for Exceptional Needs Children  
Columbia, South Carolina

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, 2020 and the related statements of 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 14, 2021

*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, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$	152,176
Total Current Assets		<u>152,176</u>

TOTAL ASSETS	\$	<u><u>152,176</u></u>
--------------	----	-----------------------

LIABILITIES AND NET ASSETS

Liabilities	\$	62,000
Total Liabilities		<u>62,000</u>

Net Assets

Without donor restrictions	(213,776)
With donor restrictions	303,952
Total Net Assets	<u>90,176</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>152,176</u></u>
----------------------------------	----	-----------------------

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, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions		\$ 2,769,930	\$ 2,769,930
Investment income	(152)		(152)
Net assets released from restrictions	5,258,201	(5,258,201)	-
Total Revenues and Other Support	5,258,049	(2,488,271)	2,769,778
<b>EXPENSES</b>			
Program services	5,392,326		5,392,326
Management and general	137,829		137,829
Fundraising			-
Total Expenses	5,530,155	-	5,530,155
CHANGE IN NET ASSETS	(272,106)	(2,488,271)	(2,760,377)
Net assets at beginning of year	58,330	2,792,223	2,850,553
NET ASSETS AT END OF YEAR	\$ (213,776)	\$ 303,952	\$ 90,176

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, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Awards and grant scholarships	\$ 5,199,350			\$ 5,199,350
Salaries and wages		\$ 42,000		42,000
Payroll taxes		3,694		3,694
Office		3,938		3,938
Contract services	192,976	63,189		256,165
Professional and legal fees		20,206		20,206
Bank fees		3,302		3,302
Meals & Entertainment		1,500		1,500
<b>TOTAL EXPENSES</b>	<b>\$ 5,392,326</b>	<b>\$ 137,829</b>	<b>\$ 0</b>	<b>\$ 5,530,155</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, 2020

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, 2020, 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.

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 2019-2020 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 Pronouncements: The Agency is subject to the provisions of the Revenue From Contracts with Customers topic of the FASB ASU 2014-09. ASU 2014-09 amends the existing accounting standards for revenue recognition. The new standard provides guidance for (i) all revenue arising from contracts with customers and (ii) provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property, including real estate. The standard is effective for the year ended June 30, 2020; however, there is no effect on the financial statements as a result of the new pronouncement.

In August 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides better guidance on determining whether a contribution is conditional. The standard is effective for the year ended June 30, 2020; however, there is no effect on the financial statements as a result of the new pronouncement.

Subsequent Events: Subsequent events have been evaluated through January 14, 2021, 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, 2020:

Cash and cash equivalents	
on deposit insured by the FDIC	\$ 152,176
	<u>\$ 152,176</u>

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

NOTE C -- NET ASSETS WITH DONOR RESTRICTIONS

A summary of temporarily restricted net assets is as follows at June 30, 2020:

Restricted to scholarship grants for eligible "exceptional needs" children enrolled at approved South Carolina independent schools	\$ 303,952
--	------------

NOTE D -- LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of June 30, 2020, 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>2020</u>
Financial assets:	
Cash and cash equivalents	\$ 152,176
Total Financial Assets	<u>152,176</u>
Less those unavailable for general expenditure within one year, due to:	
Funds with donor restrictions	<u>(303,952)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<u><u>\$ (151,776)</u></u>

# EXHIBIT D

State of South Carolina  
Office of the Secretary of State  
The Honorable Mark Hammond

1205 PENDLETON STREET, SUITE 525  
COLUMBIA, SC 29201

803-734-2170  
www.sos.sc.gov



February 25, 2021

Jeff Davis

**SENT VIA EMAIL & U.S. MAIL**

[REDACTED]  
Greenville, SC 29615

RE: Charity Complaint—Breach of Trust with Fraudulent Intent (§ 16-13-230)  
South Carolina Educational Credit for Exceptional Needs Children Fund  
(d/b/a Exceptional SC)—Public ID P35886

Dear Mr. Davis:

The Secretary of State's Office has received your most recent complaint about the South Carolina Educational Credit for Exceptional Needs Children Fund (d/b/a Exceptional SC). As indicated previously, the Secretary of State's Office does not have the authority and jurisdiction to conduct criminal investigations or investigations of alleged violations of South Carolina Income Tax Act. If you have not done so already, you may want to forward your concerns to law enforcement and the South Carolina Department of Revenue.

Sincerely,

Shannon A. Wiley  
General Counsel

# EXHIBIT C

March 11, 2021

**VIA US Mail & Email (AWilson@scag.gov)**

The Honorable Alan Wilson  
Attorney General of South Carolina  
Rembert Dennis Building  
1000 Assembly Street, Room 519  
Columbia, SC 29201

**RE: EMBEZZLEMENT COMPLAINT**  
**Breach of Trust with Fraudulent Intent – S.C. Code Ann. § 16-13-230**  
**Mr. Bruce Chadwick Connelly, (now former) Executive Director, Exceptional SC**

Dear Attorney General Wilson:

Alan, I trust you and your family are doing well. I heard one of your radio interviews on the Bobby McClain show here in Greenville maybe six months ago where you stated **bad politics (or being a bad politician or bad policy) is not a crime and as such not something that the AG’s office can address**. I do not recall the specific reference, but something to that effect.

You are absolutely correct, and I have reflected on that deeply ever since.

As such, I have a **very distinct crime** (backed up by third party CPA financial reports) that I would like to bring to your office’s attention that unfortunately involves what I believe to be a friend of yours, former SCGOP Chairman Mr. Chad Connelly.

On February 22, 2021, I filed my complaint with the SC Secretary of State’s Office since their office has regulatory oversight of non-profits. Given the nature of the complaint, **Secretary Hammond’s Office has recommended I forward the matter to law enforcement**.

On March 1, 2021, I forwarded my complaint to SLED, specifically to Lt. Pete Logan & Holly Siniard. I had previously met with both these gentlemen on March 5<sup>th</sup>, 2020 at your office’s related to this matter – but it was preliminary. We now have the irrefutable proof, backed up by 3<sup>rd</sup> party CPA financial (enclosed).

Lt. Logan called me on Monday and asked that I reach out to your office on this matter (just like Secretary Hammond's Office requested). Apparently SLED needs your office to direct them to investigate this matter. SLED and the SLED grand jury investigators seem more than willing, I would say even eager, to investigate this matter as we have all the evidence needed ... but they need the "go ahead" from your office to do so.

**Independent Party Handling?** Alan, I also understand this involves a friend of yours as well as the substantial number of political connections that Mr. Connelly has with others in the political world and the SC legislature – including the Governor's Office.

Given the above, I wanted to request your office:

1. **Submit a referral to SLED and Lt. Logan to investigate this matter ASAP.**
2. **Appoint an independent 3<sup>rd</sup> party solicitor to handle this matter.**

I have attached a few of the basic complaint documents / evidence provided to the SC Secretary of State and to SLED. Given this is simple mathematics, backed up by 3<sup>rd</sup> party CPA financial statements, this should be sufficient evidence to open an investigation.

Whereas this matter involves the **embezzlement of \$275,406 which was intended for the most vulnerable of SC citizens - K-12 children with special needs** – I trust we can have your immediate attention to this matter. Mr. Connelly has already been fired from Exceptional SC ... but there is still the matter of **(1) REFUNDING THE MONEY** and **(2) THE EMBEZZLEMENT CRIME**. I know you personally support these kids and I have faith you will help us right this wrong and be a hero to all.

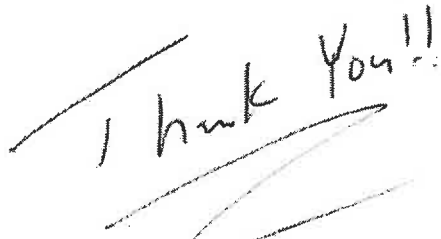
Please advise as to any questions you might have or any additional evidence and documentation you may need to direct the opening of this investigation. **I am also available to meet with you again (happy to come to Columbia) at your earliest convenience to discuss this urgent matter.** Your attention is much appreciated.

Best,



Jeff Davis, JD, MBA, CPA (GA)

(cell) | jeff@apogeetax.com



- ENCLOSURES:**
- 1/20/2020 Letter to Chief Keel (SLED)
  - 3/1/2021 Letter to Lt. Pete Logan (SLED)
  - Additional Exhibits Package
  - CPA Financials Statements Package

# EXHIBIT D



State of South Carolina  
Department of Revenue



HENRY D. MCMASTER  
Governor

W. HARTLEY POWELL  
Director

300A OUTLET POINTE BOULEVARD  
POST OFFICE BOX 125  
COLUMBIA, SOUTH CAROLINA 29214  
Telephone: (803) 898-5040  
Facsimile : (803) 896-0023  
Director@dor.sc.gov

### MEMORANDUM

**TO:** Exceptional SC Board of Directors  
**FROM:** W. Hartley Powell, Director *WHP*  
**DATE:** July 30, 2020  
**RE:** Exceptional SC's FY20 Financial Statement

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The South Carolina Department of Revenue has a statutory duty under S.C. Code Section 12-6-3780 to assist in administering Exceptional SC with the "...keeping of records, the management of accounts, and the disbursement of the grants awarded." In accordance with these duties, the Department reviewed Exceptional SC's FY20 Financial Statement dated June 30, 2020 prepared by the Hobbs Group.

As a result, we found that Exceptional SC has exceeded the two percent cap for administrative expenditures allowed by the statute. The two percent permitted for administrative expenditures is relative to the amount of donations actually received by Exceptional SC and not two percent of the statutory cap of twelve million for the tax credits allowed annually. Therefore, we are bringing the results of our review to the Board's attention so that you may take immediate, corrective measures to bring Exceptional SC spending into compliance with the law.

Thank you for your prompt attention to this matter. Please contact me with any questions.

# EXHIBIT E

## Pete Logan

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**From:** Pete Logan  
**Sent:** Tuesday, September 28, 2021 8:05 PM  
**To:** Pete Logan  
**Subject:** Fw: Exceptional SC  
**Attachments:** FYE 2019 AFR.pdf; Registration Statement For A Charitable Organization.pdf

---

**From:** Shannon Wiley <[swiley@sos.sc.gov](mailto:swiley@sos.sc.gov)>  
**Sent:** Tuesday, September 21, 2021 3:22 PM  
**To:** Pete Logan <[Pete@scag.gov](mailto:Pete@scag.gov)>  
**Subject:** Exceptional SC

Hey Pete! Attached are the most recently filed registration and annual financial report forms for Exceptional SC. The FYE 2020 annual financial report was due on May 15, 2021, and it is late. We have issued a notice of violation for that report.

We cannot locate the name of Chad Connelly's consulting firm at this very moment. It MAY be Contend Strategies, LLC, since Mr. Connelly is the registered agent for that business, but that is not definite. If you would like, our investigator can call Mr. Connelly to see if that is the firm or what the name of the firm was that was performing contractual services for Exceptional SC. We will keep looking through our materials to see if we can locate the name and let you know. The expenses for the contract services is listed on p. 10, line 24(a), of the FYE 2019 annual financial report that is attached.

Take care,  
Shannon

Shannon A. Wiley  
General Counsel  
Office of the Secretary of State  
1205 Pendleton Street, Suite 525  
Columbia, South Carolina 29201  
Phone: (803) 734-0246  
Email: [swiley@sos.sc.gov](mailto:swiley@sos.sc.gov)  
[www.sos.sc.gov](http://www.sos.sc.gov)

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## Pete Logan

---

**From:** Shannon Wiley <[swiley@sos.sc.gov](mailto:swiley@sos.sc.gov)>  
**Sent:** Tuesday, September 28, 2021 11:53 AM  
**To:** Pete Logan  
**Subject:** Corporate Records  
**Attachments:** Entity Profile - Business Entities Online - S.C. Secretary of State Contend Strategies LLC.pdf; Contend Strategies LLC Articles of Organization Pdf.pdf; Transaction Profile - Business Entities Online - S.C. Secretary of State Contend Strategies LLC.pdf

Hey Pete! Here is what we have on file for Contend Strategies, LLC. Please let me know if you need anything further.

Thanks!  
Shannon

Shannon A. Wiley  
General Counsel  
Office of the Secretary of State  
1205 Pendleton Street, Suite 525  
Columbia, South Carolina 29201  
Phone: (803) 734-0246  
Email: [swiley@sos.sc.gov](mailto:swiley@sos.sc.gov)  
[www.sos.sc.gov](http://www.sos.sc.gov)

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## Transaction Profile

[View Entity Profile](#)

Entity Name: Contend Strategies, LLC

### Transaction Information

Transaction ID: 168714

TPE Order Id: 59521816

Transaction Date: 5/9/2018 8:27:14 AM

Transaction Status: Closed

Payment Status: Payment Complete

Transaction Origin: Internet

Payment Method: Card

Receipt Delivery Method: Email

Transaction Processed By: Persephone Jones

### Documents for Download

#### Filing Type

Articles of Organization: [Download](#)

### Pricing Summary

Item	Price
Articles of Organization	\$110.00
Electronic Records Access	\$15.00
CL-1	\$25.00
<b>Total Cost</b>	<b>\$150.00</b>

### Contact Information

Name: Chad Connelly

Email: [REDACTED]

Phone: [REDACTED]

Address: [REDACTED]  
Prosperity, SC 29127

STATE OF SOUTH CAROLINA  
SECRETARY OF STATE

ARTICLES OF ORGANIZATION  
Limited Liability Company – Domestic

The undersigned delivers the following articles of organization to form a South Carolina limited liability company pursuant to S.C. Code of Laws Section 33-44-202 and Section 33-44-203.

1. The name of the limited liability company (Company ending must be included in name\*)

Contend Strategies, LLC

\*Note: The name of the limited liability company must contain one of the following endings: "limited liability company" or "limited company" or the abbreviation "L.L.C.", "LLC", "L.C.", "LC", or "Ltd. Co."

2. The address of the initial designated office of the limited liability company in South Carolina is

[Redacted]

(Street Address)

PROSPERITY, South Carolina 29127

(City, State, Zip Code)

3. The initial agent for service of process is

Chad Connelly

(Name)

(Signature of Agent)

And the street address in South Carolina for this initial agent for service of process is:

[Redacted]

(Street Address)

Prosperity

South Carolina 29127

(City)

(Zip Code)

4. List the name and address of each organizer. Only one organizer is required, but you may have more than one.

- (a) Chad Connelly

(Name)

107 CONNELLY DR.

(Street Address)

PROSPERITY, South Carolina 29127

(City, State, Zip Code)

Contend Strategies, LLC

Name of Limited Liability Company

(b)

(Name)

(Street Address)

(City, State, Zip Code)

5.  Check this box only if the company is to be a term company. If the company is a term company, provide the term specified. \_\_\_\_\_
6.  Check this box only if management of the limited liability company is vested in a manager or managers. If this company is to be managed by managers, include the name and address of each initial manager.

(a)

(Name)

(Street Address)

(City, State, Zip Code)

(b)

(Name)

(Street Address)

(City, State, Zip Code)

7.  Check this box only if one or more of the members of the company are to be liable for its debts and obligations under Section 33-44-303(c). If one or more members are so liable, specify which members, and for which debts, obligations or liabilities such members are liable in their capacity as members. This provision is optional and does not have to be completed.

8. Unless a delayed effective date is specified, these articles will be effective when endorsed for filing by the Secretary of State. Specify any delayed effective date and time \_\_\_\_\_.

Contend Strategies, LLC

Name of Limited Liability Company

9. Any other provisions not consistent with law which the organizers determine to include, including any provisions that are required or are permitted to be set forth in the limited liability company operating agreement may be included on a separate attachment. Please make reference to this section if you include a separate attachment.

10. Each organizer listed under number 4 must sign.

Chad Connelly

\_\_\_\_\_  
Signature of Organizer

Date: 05/09/2018

\_\_\_\_\_  
Signature of Organizer

Date: \_\_\_\_\_



## Pete Logan

---

**From:** Shannon Wiley <[swiley@sos.sc.gov](mailto:swiley@sos.sc.gov)>  
**Sent:** Tuesday, September 21, 2021 3:23 PM  
**To:** Pete Logan  
**Subject:** Exceptional SC  
**Attachments:** FYE 2019 AFR.pdf; Registration Statement For A Charitable Organization.pdf

Hey Pete! Attached are the most recently filed registration and annual financial report forms for Exceptional SC. The FYE 2020 annual financial report was due on May 15, 2021, and it is late. We have issued a notice of violation for that report.

We cannot locate the name of Chad Connelly's consulting firm at this very moment. It MAY be Contend Strategies, LLC, since Mr. Connelly is the registered agent for that business, but that is not definite. If you would like, our investigator can call Mr. Connelly to see if that is the firm or what the name of the firm was that was performing contractual services for Exceptional SC. We will keep looking through our materials to see if we can locate the name and let you know. The expenses for the contract services is listed on p. 10, line 24(a), of the FYE 2019 annual financial report that is attached.

Take care,  
Shannon

Shannon A. Wiley  
General Counsel  
Office of the Secretary of State  
1205 Pendleton Street, Suite 525  
Columbia, South Carolina 29201  
Phone: (803) 734-0246  
Email: [swiley@sos.sc.gov](mailto:swiley@sos.sc.gov)  
[www.sos.sc.gov](http://www.sos.sc.gov)

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# EXHIBIT F

## **Exceptional SC**

### **Summary statement of explanation**

#### **07 October 2021**

Exceptional SC operates as a 501c3 created to provide tax-credit scholarships for exceptional needs students in SC private schools. Established in July 2016, Exceptional SC raises state tax credits which allowed SC taxpayers to take up to 60% of one's tax liability as a tax credit as well as deduct the amount of this tax credit from one's federal taxes. Fundraising goals were met for 2016, 2017, and 2018. Then the IRS changed the federal tax code, no longer allowing for the deduction of these tax credits (limited tax credits to a max of \$10,000 on the SALT portion of federal return). When this proposed change was announced, Exceptional SC and its executive director, Chad Connelly, provided both written and oral testimony to the IRS explaining how the change would damage the Exceptional SC program as well as others like it. Unfortunately, the IRS took more than 15 months to provide a final decision (partly due to Covid delays).

During this time, Exceptional SC continued to raise funds; however, many of the donors that had previously given substantial donations, either made much smaller donations or did not donate at all. Donations were down substantially (from \$12 million cap of previous years to slightly more than \$4 million). This drop in fundraising significantly lowered the administrative funds available to operate Exceptional SC (2% administrative costs on funds raised). So rather than \$240,000, operating allowances were only about \$80,000.

This lower administrative allowance due to reduced fundraising put the Exceptional SC governing board in a dilemma – do we continue to raise funds with our staff or do we cut staff without a way forward to raise the funds. At the end of 2018, the board discussed the best way forward, choosing to continue to allow our executive director to seek donations; however, by mid-year 2019 when the IRS had still not rendered a decision regarding our tax credits, the board determined that the executive director position should be terminated since the board believed that complete funding for 2019 could not be achieved and, therefore, the administrative allowance would once more be exceeded.

This was coupled with repeated legal actions taken against Exceptional SC and those associated with us by Ronald Jefferson Davis (Greenville, SC). Although to date Mr. Davis has not prevailed in any of these actions, he continues to push forward (Note: this morning there was a court hearing Newberry County that resulted from an appeal from Mr. Davis). These legal hearings have driven up the administrative costs of Exceptional SC. Two examples are: 1) Exceptional SC had to hire counsel – Mr. Geoff Chambers – to coordinate our responses to multiple cases that were advanced by Mr. Davis (all proceedings to this point from Mr. Davis have been filed *pro se*); and 2) our general liability insurance was cancelled in 2020 due to the excessive suits from Mr. Davis, forcing the board to secure high risk insurance at a cost of 10x previous premiums; this insurance also excluded any cases from Mr. Davis. The result was ten times the cost, coverage lowered from \$5 million to \$1 million, and no protection from Mr. Davis.

For two years now, Mr. Davis has made accusation that our previous executive director “embezzled” money from Exceptional SC. His claim appears to be based on the fact that the board has spent over its administrative limit; however, Mr. Connelly did not “take” funds since he at no time had access to any spending of the association. It should be noted that all funds are audited annually and the audit supplied to the SC Secretary of State’s office.

Our current position has changed—

- The SC Legislature modified the SC Code regarding Exceptional SC, specifically raising our administrative allowance to 5% as well as providing a more advantageous protocol for donors (includes a rollover provision, up to 75% of tax liability (up from 60%), etc.
- Currently have contracted fundraisers for 1% of funds raised
- All finances are handled by The Hobbs Group, including verifying all donations, writing all checks, monthly financials, distribution of scholarships, reporting to audit firm, etc.
- Board operating well under the allowable administrative allowance; plan to award more than the required 95% to scholarships until previous overspending is returned.

Several concluding statements—

- Mr. Connelly was hired by the board with a unanimous vote.
- Mr. Connelly at no time authorized spending, did not write checks or handle any bank funds, and did not sign checks.
- Mr. Connelly (Contend Strategies, LLC) invoiced Exceptional SC monthly and was paid monthly [see accompanying examples].
- Mr. Connelly was not terminated for cause; the board ended his contract because we could not continue to pay him without reasonable assurance that we could raise enough credits to provide allowable administrative funds to cover the cost [see separation agreement attached]. It should be noted that the separation agreement, in light of the frivolous lawsuits that yet continue, includes the cost of litigation against Mr. Connelly.
- Continued litigation initiated by Mr. Davis continues to drive up administrative costs; frivolous claims (i.e. embezzlement) increase the challenge to fundraise.
- Members of the Exceptional SC board are volunteers and do not receive any stipends, allowances, or other financial benefits for this service.

Any questions about the status of Exceptional SC operations can be addressed to Edward Earwood, board chair.

Edward Earwood



## Pete Logan

---

**From:** Edward Earwood [REDACTED]  
**Sent:** Thursday, October 7, 2021 5:16 PM  
**To:** Pete Logan  
**Subject:** Exceptional SC - follow-up documentation  
**Attachments:** Untitled\_10072021\_051438.pdf

Mr. Logan,

Thank you for your time this morning; I appreciate you providing me an opportunity to respond to questions and to provide explanations to your queries. To follow up our conversation, here is the documentation that you requested, including—

- Contend Strategies, LLC – random invoices from 2017 – 2020 (pp. 1-4)
- MOU with Chad Connelly when initially hired, including job description (pp. 5-7)
- Separation agreement – Chad Connelly (pp. 8-14)
- Summary Statement (pp. 15-16)

If you have any other questions or concerns, please feel free to contact me.

### Edward Earwood

Board Chair



EXCEPTIONAL SC

The content of this email and any attachments may be confidential and legally protected from disclosure. If you are not the intended recipient of this email, please reply immediately to notify the sender, then delete it from your system. You are prohibited from sharing any part of this message with a third party.

# INVOICE



Chad Connelly

Prosperity, SC 29127

**BILL TO**

Exceptional SC  
% Edward Earwood

Columbia, SC 29210

**INVOICE #**

101

**INVOICE DATE**

09/21/2017

DESCRIPTION	AMOUNT
Executive Director/Fundraising/Consulting Services, September 2017	11,300.00
<b>TOTAL</b>	<b>\$11,300.00</b>

*approved:  
Teresa O'Rourke  
9-22-17  
check 1397*

*Thank you*

**TERMS & CONDITIONS**

Payment is due within 15 days

# INVOICE



Chad Connelly

Prosperity, SC 29127

**BILL TO**

Tom Persons  
Exceptional SC  
1201 Main Street, Suite 985  
Columbia, SC 29201

**INVOICE #**

112

**INVOICE DATE**

07/18/2018

DESCRIPTION	AMOUNT
Executive Director/Fundraising Activities	10,000.00
Reimbursable Expenses	1,300.00
<b>TOTAL</b>	<b>\$11,300.00</b>

*Approved: Tom Persons*  
*Chad # 1776*  
*July 17, 2018*

**TERMS & CONDITIONS**

*Thank you*

Payment is due within 15 days

# INVOICE



Contend Strategies, LLC

Prosperity, SC 29127

## BILL TO

Exceptional SC  
Attn: Tom Persons  
1201 Main St, Suite 985  
Columbia, SC 29201

INVOICE #

118

INVOICE DATE

01/16/2019

DESCRIPTION	AMOUNT
Executive Director Duties/Donor contact/Consulting	10,000.00
Reimbursable expenses	1,300.00
<b>TOTAL</b>	<b>\$11,300.00</b>

approved:  
*Thomas E. Person*  
# 2044  
11,300.00

## TERMS & CONDITIONS

see you soon!  
Please make checks payable to Contend  
Strategies, LLC

*Thank you*

Payment is due within 15 days



# INVOICE



Contend Strategies, LLC

Prosperity, SC 29127

## BILL TO

Exceptional SC  
Attn Tom Persons  
1201 Main St, Suite 985  
Columbia, SC 29201

INVOICE #

2001-4

INVOICE DATE

04/13/2020

DESCRIPTION	AMOUNT
Consulting Services and Fundraising Activities	10,000.00
Reimbursable expenses	1,300.00
<b>TOTAL</b>	<b>\$11,300.00</b>

*approved:*  
*Tom Persons*  
*check # 2600*

## TERMS & CONDITIONS

Thanks for all you do! I hope y'all had a great Easter! talk to you this morning.

Please make checks payable to Contend Strategies LLC.

*Thank you*

# Memorandum of Understanding

between

Exceptional SC Board of Directors

and

Chad Connelly

The parties of this memorandum of understanding agree to the conditions applied to it and are therefore agree to the following;

Exceptional SC, a 501c3 nonprofit, agrees with Chad Connelly to provide services as executive director for said nonprofit beginning on September 22, 2017. Either party may terminate the agreement for any reason at any time.

Exceptional SC board of directors agrees to provide Chad Connelly with a job description, access to necessary information for job performance, fiscal and human resources, and board support necessary for success. Chad agrees to work under the leadership of the Exceptional SC board of directors, report regularly to the board of directors, and perform duties agreed upon in the job description.

Exceptional SC agrees to pay Chad Connelly the sum of \$11,300 per month for the duration of the memorandum of understanding. This sum is offered as payment of contract and does not include any additional benefits. It is understood that Chad Connelly, as an independent contractor, shall be responsible for any and all taxes associated with the monthly payment. This payment shall continue until such time when either party chooses to terminate the agreement.

By signing below both parties promise to fulfill the terms of the agreement until such time as either party terminates the agreement.

\_\_\_\_\_  
Chad Connelly

\_\_\_\_\_  
Thomas E. Persons, Board Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

# Exceptional SC Executive Director

## Proposed Job Description

Reporting to the Board of Directors, the Executive Director (ED) will have overall knowledge, strategic and operational responsibility for Exceptional SC's program, expansion, and execution of its mission. The Executive Director will initially develop deep knowledge of field, program, operations, donations, and strategic planning.

## Responsibilities

### Leadership & Management:

- Ensure on-going programmatic excellence, rigorous program evaluation, and consistent quality of administration, fundraising, communications, and systems; recommend timelines and resources needed to achieve the strategic goals.
- Actively engage and energize Exceptional SC board members, lawmakers, volunteers, donors, partnering organizations, schools, and donors.
- Support, inform, and organize a strong Board of Directors; seek and build board involvement with strategic direction for donor development, legislative engagement, and program expansion.
- Lead Exceptional SC's program partners, including financial management (DOR), third-party administrator (TADS), website host, and others as added.
- Ensure effective systems to track progress and regularly evaluate program components, so as to measure successes that can be effectively communicated to the board, lawmakers, funders, and other constituents.
- Actively lead contract partners to ensure that these services provide effective and efficient operational support

### Communications:

- Deepen and refine all aspects of communications—from web presence to external relations with the goal of creating a stronger image and relationships with stakeholders.
- Communicate desired aspects of Exceptional SC and its mission, services, and accomplishments via a well-organized communication that touches all invested parties (including lawmakers, families, schools, etc)..

### Donors & Fundraising:

- Identify, engage, and expand donor targets to support existing program operations and future opportunities.
- Coordinate fundraising strategy and implementation, including identifying donor prospects and seeking to expand the donor base.
- Maintain accurate and continuous records of donations; work with SC Department of Revenue to maintain accurate data on the organization website.
- Acknowledge, foster relationships, and communicate with donors.

### Advocacy

- Maintain, expand, and capitalize on relationships with lawmakers responsible for renewing, revising, regulating and expanding the program.
- Direct ongoing strategic planning for legislative engagement, including directing any contract partnerships established by the Board of Directors to supplement Exceptional SC's advocacy endeavors.

## **Qualifications**

The ED will be thoroughly committed to Exceptional SC's mission. All candidates should have proven leadership, coaching, and relationship management experience.

Specific requirements include:

- Professional and personal integrity with all stakeholders
- Unwavering commitment to quality programs and data-driven program evaluation
- Excellence in organizational management with the ability to manage and develop a high-performance team, set and achieve strategic objectives, and manage a budget
- Past success working with organizations to cultivate existing board member relationships
- Strong marketing, public relations, and fundraising experience with the ability to engage a wide range of stakeholders and cultures
- Strong written and verbal communication skills; a persuasive and passionate communicator with excellent interpersonal and multidisciplinary project skills
- Action-oriented, entrepreneurial, adaptable, and innovative approach to organizational planning
- Ability to work effectively in collaboration with diverse groups of people
- Passion, idealism, integrity, positive attitude, mission-driven, and self-directed

# EXHIBIT G

## **Separation Agreement:**

This Separation Agreement and Mutual Release (“the agreement”) is made and entered into between Chad Connelly (“the Executive Director”), acting on behalf of himself, and Educational Credit for Exceptional Needs Children Fund “Exceptional SC”), acting on behalf of itself.

Whereas: Exceptional SC is dependent on donations for its operating expenses.

Whereas: Exceptional SC cannot continue to exceed spending above a 2% cap on operating expenses prescribed by South Carolina Code §12-6-3970.

Whereas: Donations to Exceptional SC are below historical metrics after a State and Local Tax cap became effective in 2019.

Whereas: South Carolina tax law and regulations do not include a State and Local Tax cap workaround scheme like those found in Connecticut, Georgia and various other states.

Whereas: Future donations are not expected to increase without legislative changes to South Carolina’s tax system or changes in IRS regulations.

Whereas: Current and anticipated future levels of donation cannot support the salary of the Executive director.

Whereas: The Exceptional SC board of directors has voted to discontinue various contracts, including that of the Executive Director to decrease spending to levels prescribed by SC Code §12-6-3970.

Therefore: The Executive Director and Exceptional SC agree as follows:

1. The Agreement shall not in any way be construed as an admission on the part of Exceptional SC that it wrongfully or in any manner or fashion whatsoever violated any law or obligation. Exceptional SC specifically denies that it has violated any law or obligation relating to its contract with the Executive Director and the termination of said contract. Further, this Agreement shall not in any way be construed that the Executive Director violated any law, obligation or obligation related to the Executive Director’s contract with Exceptional SC.
2. Effective as of August 1, 2020 (the "Termination Date"), Exceptional SC and the Executive Director agree to terminate the Executive Director’s contract with Exceptional SC. Exceptional

SC and the Executive Director agree that the Executive Director shall not be required to perform work for Exceptional SC after July 31, 2020.

3. Immediately upon signature of this Agreement, the Executive Director will return all Company property and information received in the course of work with Exceptional SC, including, without limitation, documents, computer-generated information, reports, books, studies, data and other such materials. All of the above property shall be in good condition, save for normal wear and tear.

4. In full and final settlement of all amounts due to the Executive Director as a result of the Executive Director's work with Exceptional SC and the termination thereof, the Executive Director will receive:

a) All payment due under contract until and including July 31, 2020 (less applicable tax deductions and/or withholdings) ("the Payment"). The Payment includes any notice payments, severance and/or other types of payments which are or may be claimed to be accrued or due and owing to the Executive Director under South Carolina and Federal laws and regulations, and under any agreement with or severance or separation pay plan maintained by Exceptional SC. In addition to contract payment, Exceptional SC agrees to provide tail liability insurance coverage against any and all third-party claims against Executive Director arising out of or related to Executive Director's association with and work for Exceptional SC. Exceptional SC will pay the costs of obtaining tail insurance that covers liability and defense of claims or causes of action brought against the Executive Director as described in this paragraph and below in paragraph b.

b.) Exceptional SC, on behalf of itself, its successors and assigns, agrees to indemnify and provide legal defense through maintaining insurance coverage or otherwise for Executive Director against any third party claims, causes of action or litigation naming Executive Director that relate to Executive Director's association and work for Exceptional SC. Third party claims includes but is not limited to any and all claims, causes of action and lawsuits filed by Olga Lisinska, R. Jefferson Davis or Palmetto Kids First arising from any and all allegations, events or factual scenarios that occurred during or before the term of the Executive Director's contract with Exceptional SC.

c.) Exceptional SC further agrees to hold harmless, release and forever discharge any claims or causes of action Exceptional SC has or may have in the future against the Executive Director, whether known or unknown to Exceptional SC and the Executive Director.

d.) The offer of this Payment, indemnification, liability coverage and release to Executive Director by Exceptional SC is contingent on the Executive Director's first having signed this Agreement.

5. The Consideration set forth in Section 4 (a) above will be paid, less applicable taxes or other required withholdings, by check or wire transfer to the Executive Director's bank account no later than seven (7) days after the signing of this Agreement. The payment of the consideration set forth above will be contingent upon (i) the Executive Director having first signed this Agreement and (ii) the return of Exceptional SC's property in the agreed condition as set forth in Section 3 above.

6. In consideration for the items set forth in Section 4 above and allowing for only those obligations created by or arising out of this Agreement, the Executive Director, on his own behalf and on behalf of all heirs, executors, administrators, assigns and successors, recognizes that the Payment and other Consideration is exceeding legal or contractual minimum requirements and therefore irrevocably and unconditionally releases and forever discharges Exceptional SC, including its parents, subsidiaries, affiliates and related companies, including, without limitation, its and their trustees, directors, officers, shareholders, agents, attorneys, insurers, and Executive Directors, past and present, and each of them, from any and all claims and causes of action, arising out of or related to the Executive Director's work with Exceptional SC or termination of such work, including, without limitation:

a.) Claims and liability of any kind or nature, salary-related debt (in money or in kind), any and all bonuses (including without limitation any corporate/local incentive plans), seniority, age, or severance entitlements, profit sharing, allowances, social benefits, transportation, vacation leave, travel allowances, and in general any other labor or other benefit or payment, due to any reason, was not paid to the Executive Director during the course of his work with Exceptional SC or at the time of his separation from Exceptional SC. The Executive Director fully waives the right to bring any claim of any nature



whatsoever, be it labor, civil, administrative or other, or a claim for any additional compensation whatsoever, including expressly stock awards and stock options, against Exceptional SC and hereby forever releases same.

b) The Executive Director waives, releases and agrees not to bring any and all claims under contract, tort, statutory or common law, including, without limitation, wrongful discharge, breach of implied or express contracts, breach of an implied covenant of good faith and fair dealing, tortious interference with contract or prospective economic advantage, violation of public policy, whistle blowing, intentional or negligent infliction of emotional distress, negligent hiring/supervision, defamation, fraud, discrimination, harassment, retaliation or other claims of wrongful conduct, including, specifically, any claims arising out of any legal or contractual restriction on Exceptional SC's right to end the contract with its Executive Director;

c.) The Executive Director waives, and acknowledges full satisfaction of, all claims against Exceptional SC, including, without limitation, those claims concerning Executive Director's work, contract(s) and mutual termination thereof, both with respect to the procedure or the form of the termination of the Contract, and the reasons for such contract termination, which the Executive Director may have, whether implied, by law, or pursuant to the provisions of the Executive Director's contract or any other document. This release includes all claims and causes of action, whether known or unknown, arising from conduct occurring on or before the date of signature of this Agreement, which itself conclusively settles all matters between Exceptional SC and the Executive Director.

7. In consideration of the payment of the amounts specified herein, Executive Director agrees to execute any documents (including, without limitation, letters of resignation and share transfer agreements and take any other actions reasonably necessary to terminate any directorships, officerships, or other relationships with Exceptional SC or any of its affiliates. In particular, the Executive Director agrees to cooperate with Exceptional SC and to sign any other document(s) which may be required in accordance with the laws of South Carolina, consistent with the terms of this Agreement.

8. Confidential Information.

a) As used in this agreement, "Confidential Information" means nonpublic information belonging to Exceptional SC which is of value to Exceptional SC in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to Exceptional SC. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property, trade secrets, know-how, designs, processes or formulae, software, market or sales information or plans and business plans, prospects, strategies and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which has been discussed or considered by Exceptional SC. Confidential Information includes information developed by the Executive Director in the course of work with Exceptional SC, as well as other information to which the Executive Director may have access in connection with such work. "Confidential Information" also includes nonpublic information belonging to the Communications Consultant which is of value to the Communications Consultant and the disclosure of which could result in a competitive or other disadvantage to Executive Director.

b) Confidentiality. The Executive Director understands and agrees that his work with Exceptional SC created a relationship of confidence and trust between the Executive Director and Exceptional SC with respect to all Confidential Information. At all times, both during the work and after its termination, the Executive Director will keep in confidence and trust all such Confidential Information and will not use or disclose any such Confidential Information without the written consent of Exceptional SC's Board except as may be required by law and in that case with prior written notice to Exceptional SC. Exceptional SC agrees to reciprocate this term with respect to the Executive Director's confidential information and will not use or disclose Confidential Information without the written consent of the Executive Director except as may be required by law and in that case with prior written notice to the Executive Director.

c) Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, which are or were furnished to the Executive Director by Exceptional SC will be and remain the sole property of Exceptional SC. The Executive Director will return to Exceptional SC all

such materials and property. The Executive Director will not retain any such material or property after such termination.

9. The Executive Director shall not make, participate in the making of, or encourage any other person to make, any public statements, written or oral, in whatever format, including, without limitation, electronic communications such as Internet message boards, which are intended to criticize, disparage, or defame the goodwill or reputation of, or which are intended to embarrass Exceptional SC.

10. Exceptional SC shall not make, participate in the making of, or encourage any other person to make, any public statements, written or oral, in whatever format, including, without limitation, electronic communications such as Internet message boards, which are intended to criticize, disparage, or defame the goodwill or reputation of, or which are intended to embarrass the Executive Director.

11. Any release or announcement of the separation of the Executive Director from Exceptional SC or termination of the Executive Director's contract will be provided to the Executive Director for review and approval at least 24 hours prior to making the information public.

12. The Executive Director agrees that until his separation date he will fully cooperate with all reasonable instructions from Exceptional SC or its representatives, including without limitation documenting and explaining historical and ongoing information as may be requested by the Board of Directors, not signing or approving items outside the scope of his transitional assignment, and continuing to sign items at the direction of the Board of Directors where such signature is required based on his position as officer or director of a legal entity. The Executive Director also agrees to reasonably cooperate both before and after his/her separation date with any Company investigation and with any request by Exceptional SC for assistance in responding to requests for information or documents by any governmental agencies or in connection with any pending or threatened administrative or judicial proceeding, and further agrees, to the extent permitted by law, to promptly provide Exceptional SC with the same information or documents (or copies thereof) that the Executive Director provides to any governmental agency or discloses in any pending or threatened administrative or judicial proceeding. Exceptional SC agrees to reimburse the Executive Director for any out-of-pocket expenses reasonably and directly

incurred in connection with compliance with any request(s) by Exceptional SC in connection with this clause.

13. Except as specifically set forth in this Agreement, the Executive Director and Exceptional SC represent that, to the best of their knowledge, each has no outstanding debts or other obligations to the other, apart from what is explicitly mentioned in this Agreement. The Executive Director represents and agrees that he fully understands the right to discuss all aspects of this Agreement with an attorney and that he has carefully read, fully understands and voluntarily enters into this Agreement.

14. This Agreement shall be interpreted under the laws of the State of South Carolina.

For the Executive Director:

\_\_\_\_\_  
Chad Connelly

\_\_\_\_\_  
Date

For Exceptional SC:

C. Edward Earwood III  
C. Edward Earwood III  
2020.08.17 09:16:49 -04'00'

\_\_\_\_\_  
Edward Earwood  
Board Chair

**17 August 2020**

\_\_\_\_\_  
Date