

Scott Hamilton CARES Foundation, Inc.

Audit Report & Financial Statements
December 31, 2017

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Independent Auditor's Report

To the Board of Directors of
Scott Hamilton CARES Foundation, Inc.
Franklin, TN

Report on the Financial Statements

We have audited the accompanying financial statements of Scott Hamilton CARES Foundation, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses for the year 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

(Auditor's report continued on next page)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scott Hamilton CARES Foundation, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



McKerley & Noonan, P.C.

Nashville, TN

November 14, 2018

Scott Hamilton CARES Foundation, Inc.
Statement of Financial Position
December 31, 2017

Assets

Current Assets:

Cash in Bank	\$ 1,138,138
Receivables	29,149
Prepaid Expenses	1,304
Donated Items	6,825
Total Current Assets	1,175,416

Fixed Assets:

Furniture & Equipment	1,423
Less: Accumulated Depreciation	(664)
Net Fixed Assets	759

Total Assets	\$ 1,176,175
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 61,622
Credit Cards Payable	1,185
Payroll Liabilities	23,190
Grants Payable (Current)	200,000
Total Current Liabilities	285,997

Total Liabilities	285,997
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Net Assets:

Unrestricted Net Assets	699,207
Temporarily Restricted Net Assets	190,971
Total Net Assets	890,178

Total Liabilities and Net Assets	\$ 1,176,175
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Scott Hamilton CARES Foundation, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
General Contributions	\$ 166,381	\$ 245,000	\$ 411,381
Special Events Revenue, net of direct expenses of \$515,689	752,274	-	752,274
Interest Income	4,218	-	4,218
Net assets released from Restriction	<u>155,000</u>	<u>(155,000)</u>	<u>-</u>
Total Revenues and Support	<u>1,077,873</u>	<u>90,000</u>	<u>1,167,873</u>
Expenses:			
Program Services	49,287	-	49,287
General and Administrative	264,222	-	264,222
Fundraising	<u>211,152</u>	<u>-</u>	<u>211,152</u>
Total Expenses	<u>524,661</u>	<u>-</u>	<u>524,661</u>
Change in Net Assets	553,212	90,000	643,212
Net Assets, Beginning of the Year, as originally stated	545,995	100,971	646,966
Prior-Period Adjustment	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
Net Assets, Beginning of the Year, as restated	<u>145,995</u>	<u>100,971</u>	<u>246,966</u>
Net Assets - End of the Year	<u><u>\$ 699,207</u></u>	<u><u>\$ 190,971</u></u>	<u><u>\$ 890,178</u></u>

Scott Hamilton CARES Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:

Change in Net Assets	\$ 643,212
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Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by Operating Activities:

Depreciation	635
Amortization	62,631
Loss on Disposal of Asset	876
Decrease in Accounts Receivable	11,303
Decrease in Prepaid Expenses	3,089
Increase in Donated Items	(6,825)
Increase in Accounts Payable and Accrued Expenses	6,950
Increase in Credit Card Balance	1,185
Increase in Payroll Liabilities	23,190
Payment on Grant Agreement	(200,000)

Total Adjustments	<u>(96,966)</u>
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Net Cash Provided by Operating Activities	<u>546,246</u>
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Net Increase in Cash	546,246
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Cash, Beginning of the Year	<u>591,892</u>
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Cash, End of Year	<u><u>\$ 1,138,138</u></u>
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Supplemental Cash Flow Information:

Interest Paid	\$ -
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Scott Hamilton CARES Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Salaries & Benefits	\$ 4,647	\$ 119,869	\$ 170,861	\$ 295,377
Amortization Expense	8,740	53,891	-	62,631
Professional Expense	-	51,789	-	51,789
Charitable Distributions	35,900	-	-	35,900
Bank and Processing Fees	-	4,007	25,545	29,552
Software & IT	-	18,983	-	18,983
Travel, Meals, & Entertainment	-	-	9,540	9,540
Other Expenses	-	4,783	3,403	8,186
Insurance Expense	-	4,375	-	4,375
Office Expense	-	3,417	-	3,417
Advertising Expense	-	-	1,803	1,803
Occupancy Expense	-	1,069	-	1,069
Gains & Losses	-	876	-	876
Depreciation Expense	-	635	-	635
Staff & Board Expenses	-	528	-	528
Total Functional Expenses	\$ 49,287	\$ 264,222	\$ 211,152	\$ 524,661

Scott Hamilton CARES Foundation, Inc.

Notes to Financial Statements

December 31, 2017

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

Scott Hamilton CARES Foundation (the Organization) is a non-profit organization dedicated to changing the future of cancer by funding advanced, innovative research that treats the cancer while sparing the patient. CARES stands for Cancer Alliance for Research, Education and Survivorship. The Foundation seeks to be a neutral convener between organizations, researchers, academic scientists, drug developers and others to advance new treatments. CARES relies on the expertise of leading institutions, clinicians, scientists and industry experts to inform and provide direction on leading innovative research projects, screening, education and survivor programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

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

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2017, there were \$190,971 of temporarily restricted net assets, all of which was designated to offset employee compensation.

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2017, there were no permanently restricted net assets.

Cash and Equivalents

The Organization considers all highly liquid financial instruments with maturity of 90 days or less to be cash equivalents for purposes of the Statement of Cash Flows.

Accounts Receivable

The Organization does not adopt a formal pledge system, but specific commitments made by individuals and organizations were recognized as receivables as of December 31, 2017, along with a \$4,000 refund expected from a vendor. All of these were paid in the first months of 2018.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method based on the following estimated useful lives of the assets.

Building	39 years
Vehicle	5 years
Furniture & Equipment	5 – 7 years

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation expense in 2017 was \$635. The Organization also disposed of one of its two computers at a \$876 loss.

Payroll Liabilities

The Organization pays payroll taxes simultaneously with its disbursement of

employee payroll. Payroll liabilities comprise a year-end accrual for 2017 compensation paid in 2018, as well as accrued vacation. The latter includes a liability for paid time off and short-term disability compensation accrued when an employee does not use all of their vacation pay.

Grants Payable

In 2016, the Organization signed an agreement with the V Foundation, which funds cancer research, for \$1,000,000. That year, CARES contributed \$50,000 toward that commitment and, in 2017, another \$200,000, leaving the Grant Payable balance on December 31, 2017 at \$750,000. According to the original agreement, the full amount was due by September 2018. Due to a renegotiation between the two organizations, the amount outstanding on December 31, 2017 was reduced to \$200,000 (see Notes 8 and 9).

Special Events Revenue

The Organization sponsors several events in support of its mission. The Scott Hamilton & Friends Nashville Ice Show raises funds through ticket sales for performances featuring Olympic skaters and musical artists. Sk8 to Elim8 is the organization's signature fundraiser, recruiting clubs and ice facilities nationwide to support cancer research. Income from major events, net of direct event expenses, is presented separately from regular contributions. In-kind donations are reflected in both event revenues and event expenses (see Note 3).

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

NOTE 3 – IN-KIND DONATIONS

Individuals and businesses donated goods and services to the Organization for several fundraiser events, including an auction and the Scott Hamilton & Friends Nashville Ice Show. These include use of the Bridgestone Arena, valued at \$65,000 and included as both revenues and expenses in Special Events Revenue on the Statement of Activities. Donated items that were successfully auctioned in 2017 were valued at their sale prices; those retained for a future event were recognized at fair market value and held as Donated Item assets. The total contribution value recognized for these in-kind gifts was \$53,623.

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

NOTE 4 – WEBSITE

During the year ended December 31, 2017, the Organization retired its website and amortized the remaining \$62,631 of its net value.

NOTE 5 – INCOME TAXES

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization has adopted the guidance in ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. The Organization incurred no interest or penalties during the year ended December 31, 2017.

NOTE 6 – RELATED PARTIES

Three of the Organization's fourteen board members were also members of Provision CARES. The Organization paid Provision CARES \$29,498 for administrative and accounting services. In addition, Provision CARES collected 25% of gross employee compensation from the Organization to administer its payroll through March 2017, amounting to \$13,788 and applied to the employer's portion of payroll taxes and benefits in the year ended December 31, 2017.

NOTE 7 – CONCENTRATIONS

Cash is maintained in bank deposit accounts that at times may exceed the federally insured limit of \$250,000.

Of \$1,683,562 in revenues (not excluding event expenses), the Pioneer Fund made cash contributions totaling \$345,000. Separately, the Organization drew \$632,505 from the Scott Hamilton & Friends Nashville Ice Show and \$396,544 from Sk8 to Elimin8 events, totaling 61% of its revenue from these two special events.

NOTE 8 – PRIOR-PERIOD ADJUSTMENT

The Organization determined that the 2016 grant agreement referenced in notes 2 and 9 met conditions that required its pledge to have been recognized as an expense in the year it was

signed, according to generally accepted accounting principles. The expense and payable were not properly reflected in its 2016 financial statements, necessitating a \$400,000 prior-period adjustment. The restated beginning net assets properly reflect the grant made by CARES to the V Foundation during the year ended December 31, 2016.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2018, the date that the financial statements were available to be issued. In January 2018, the Organization renegotiated its agreement with the V Foundation (see Notes 2 and 8), so that the outstanding grant was \$200,000, due by 2018, instead of \$750,000, due by 2018. The financial statements reflect this change as an adjustment to net assets.