

SCOTT HAMILTON CARES FOUNDATION, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2020

Scott Hamilton CARES Foundation, Inc.

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December 31, 2020

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Independent Auditor's Report

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

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, 2020, and the related statements of activities and changes in net assets, 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.

(Auditor's report continued on next page)

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

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, 2020, 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.

A handwritten signature in blue ink that reads "Puryear & Noonan, CPAs PLLC". The signature is written in a cursive, flowing style.

Puryear & Noonan, CPAs
Nashville, Tennessee
August 5, 2021

Scott Hamilton CARES Foundation, Inc.
Statement of Financial Position
December 31, 2020

Assets

Current Assets

| | |
|-----------------------------|-------------------------|
| Cash | \$ 1,112,048 |
| Accounts receivable | 44,121 |
| Prepaid expenses | 1,000 |
| Total Current Assets | <u>1,157,169</u> |

Property and Equipment

| | |
|-----------------------------------|---------------------|
| Furniture and equipment | 4,200 |
| Less - Accumulated depreciation | (845) |
| Net Property and Equipment | <u>3,355</u> |

| | |
|---------------------|----------------------------|
| Total Assets | <u>\$ 1,160,524</u> |
|---------------------|----------------------------|

Liabilities and Net Assets

Current Liabilities

| | |
|---------------------------------------|----------------------|
| Accounts payable and accrued expenses | \$ 11,400 |
| Credit cards payable | 872 |
| Payroll liabilities | 4,364 |
| Deferred revenue | 6,855 |
| Total Current Liabilities | <u>23,491</u> |

| | |
|--------------------------|----------------------|
| Total Liabilities | <u>23,491</u> |
|--------------------------|----------------------|

Net Assets

| | |
|----------------------------|-------------------------|
| Without donor restrictions | 1,137,033 |
| With donor restrictions | - |
| Total Net Assets | <u>1,137,033</u> |

| | |
|---|----------------------------|
| Total Liabilities and Net Assets | <u>\$ 1,160,524</u> |
|---|----------------------------|

See independent auditor's report and accompanying notes to financial statements.

Scott Hamilton CARES Foundation, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|--|---|----------------------------|
| Revenues and Support | | | |
| Special events gross revenue | \$ 598,030 | \$ - | \$ 598,030 |
| Less - Special events direct expenses | <u>(72,509)</u> | <u>-</u> | <u>(72,509)</u> |
| Net special events revenue | 525,521 | - | 525,521 |
| General contributions | 345,099 | - | 345,099 |
| In-kind donations | 55,061 | - | 55,061 |
| Book sales | 714 | - | 714 |
| Interest income | 2,054 | - | 2,054 |
| Net assets released from restriction | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues and Support | <u>928,449</u> | <u>-</u> | <u>928,449</u> |
| Expenses | | | |
| Program services | 380,047 | - | 380,047 |
| General and administrative | 243,959 | - | 243,959 |
| Fundraising | <u>291,296</u> | <u>-</u> | <u>291,296</u> |
| Total Expenses | <u>915,302</u> | <u>-</u> | <u>915,302</u> |
| Change in Net Assets | 13,147 | - | 13,147 |
| Net Assets - Beginning of Year | <u>1,123,886</u> | <u>-</u> | <u>1,123,886</u> |
| Net Assets - End of Year | <u><u>\$ 1,137,033</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,137,033</u></u> |

See independent auditor's report and accompanying notes to financial statements.

Scott Hamilton CARES Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

Operating Activities

Change in net assets \$ 13,147

Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by (Used for) Operating Activities

| | |
|---|----------|
| Depreciation | 664 |
| Decrease in accounts receivable | 138,431 |
| Decrease in prepaid expenses | 625 |
| Decrease in donated items | 5,000 |
| Decrease in accounts payable and accrued expenses | (32,010) |
| Decrease in credit card balance | (17,496) |
| Decrease in payroll liabilities | (20,037) |
| Decrease in deferred revenue | (1,778) |

| | |
|---|---------------|
| Net Cash Provided by (Used for) Operating Activities | <u>86,546</u> |
|---|---------------|

Investing Activities

| | |
|-----------------------|----------------|
| Purchase of equipment | <u>(3,000)</u> |
|-----------------------|----------------|

| | |
|---|----------------|
| Net Cash Provided by (Used for) Investing Activities | <u>(3,000)</u> |
|---|----------------|

| | |
|---------------------------|--------|
| Net Change in Cash | 83,546 |
|---------------------------|--------|

| | |
|---------------------------------|------------------|
| Cash - Beginning of Year | <u>1,028,502</u> |
|---------------------------------|------------------|

| | |
|---------------------------|----------------------------|
| Cash - End of Year | <u><u>\$ 1,112,048</u></u> |
|---------------------------|----------------------------|

See independent auditor's report and accompanying notes to financial statements.

Scott Hamilton CARES Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

| | Program Services | General and Administrative | Fundraising | Total |
|----------------------------------|-----------------------------|---------------------------------------|--------------------|-------------------|
| Salaries and benefits | \$ 45,321 | \$ 129,913 | \$ 160,608 | \$ 335,842 |
| Charitable distributions | 334,726 | - | - | 334,726 |
| Professional expense | - | 45,340 | 60,000 | 105,340 |
| In-kind rent expense | - | 45,720 | - | 45,720 |
| Bank and processing fees | - | 3,428 | 7,935 | 11,363 |
| Travel, meals, and entertainment | - | 1,111 | 15,266 | 16,377 |
| Software and IT | - | 1,788 | 5,984 | 7,772 |
| Other expenses | - | 2,134 | 14,207 | 16,341 |
| Advertising expense | - | 7,146 | 26,773 | 33,919 |
| Insurance expense | - | 5,424 | - | 5,424 |
| Office expense | - | 1,291 | 523 | 1,814 |
| Depreciation expense | - | 664 | - | 664 |
| Total Functional Expenses | \$ 380,047 | \$ 243,959 | \$ 291,296 | \$ 915,302 |

See independent auditor's report and accompanying notes to financial statements.

Scott Hamilton CARES Foundation, Inc.

Notes to Financial Statements

December 31, 2020

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

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 Organization 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, which means that revenues are recognized when earned rather than when collected, and expenses are recorded when incurred rather than when disbursed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes

in Net Assets as net assets released from donor restriction. As of December 31, 2020, there were no restricted net assets.

Measure of Operations

The Statement of Activities and Changes in Net Assets reports changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from other investments, restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

Program and Supporting Services - Functional Expenses

The following program and supporting services are included in the accompanying financial statements on the Statement of Functional Expenses.

Program Services - includes activities carried out to fulfill the Organization's mission resulting in the funding of advanced, innovative research that treats the cancer while sparing the patient.

Supporting Services - General and Administrative - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, record keeping, budgeting, financing, and other administrative activities.

Supporting Services - Fundraising - includes cost of activities directed toward appeals for financial support and the cost of solicitations and creation and distribution of fundraising materials.

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.

Fair Value Measurements

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Accounts Receivable

The Organization has not established a formal pledge system, but specific commitments made by individuals and organizations were recognized as receivables as of December 31, 2020. All of these receivables were collected in 2021.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment is recorded at their estimated market value at the date of the gift. Depreciation is provided over the assets' estimated useful lives using the straight-line method.

| | |
|-------------------------|-------------|
| Furniture and equipment | 5 – 7 years |
|-------------------------|-------------|

Significant additions and betterments are capitalized. Expenditures for maintenance and repairs are expensed when incurred. The Organization has a capitalization policy in which all assets greater than or equal to \$1,000 are capitalized and all items under \$1,000 are expensed. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in net assets without donor restrictions. Depreciation expense in 2020 was \$664.

Payroll Liabilities

The Organization pays payroll taxes simultaneously with its disbursement of employee payroll. Payroll liabilities comprise a year-end accrual for 2020 compensation paid in 2021, as well as accrued vacation.

Revenue Recognition

The Organization's revenue and support comes primarily from contributions from businesses, individuals, and foundations. Contributors donate directly to the Organization to support the operations, expansion, and the charitable causes that the Organization sponsors. The Organization records the contributions when received either as contributions with or without donor restrictions based upon the presence or absence of donor-imposed restrictions.

Grant revenue results from agreements, typically with foundations, that fund specific activities of the Organization. The grants are of three primary types: unconditional contributions, conditional contributions, and contracts with customers. The Organization recognizes grant revenue associated with unconditional contributions without donor stipulations as revenue and net assets without donor restrictions. Unconditional contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is received. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending upon the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. The

Organization recognizes grant revenue associated with conditional contributions as earned when the conditions are met (allowable expenses have been incurred or as milestones are met). Any unused funds are forfeited, and if any expenditures are unallowed, the Organization is required to refund the amounts drawn down. In contrast, if the grant provides a benefit directly to the granting or contracting party, the agreement is a contract with a customer.

Revenue from contracts with customers is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenue when, or as, the Organization satisfies a performance obligation.

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects consideration the Organization expects to be entitled to in exchange for transferring those goods or services.

Special Events Revenue

In previous years, the Organization sponsored 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. Due to government restrictions related to the COVID-19 pandemic, these events were not held in the same manner as prior years. In 2020, the Organization's special events were virtual or scaled back in-person events with limited numbers of attendees. In-kind donations are reflected in both event revenues and event expenses (see Note 4).

Donated Goods and Services

Certain contributed goods and specialized services are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Volunteer services, which neither create nor enhance non-financial assets or do not require specialized skills, are not recognized as support.

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.

Advertising Costs

The Organization uses advertising to promote its programs, and related costs are expensed as incurred by the Organization. Advertising expense for the year ended December 31, 2020 was \$33,919 of which \$7,146 is included in general and administrative expenses and \$26,773 is included in fundraising on the Statement of Activities and Changes in Net Assets.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements.

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified in operating expenses in the Organization's financial statements.

Note 2 - Adoption of New Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, (Topic 605), and most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, which requires deferral of incremental costs of obtaining a contract with a customer. Collectively, Topic 606 and Subtopic 340-40 are referred to as the "new standard." The Organization adopted the new standard effective January 1, 2020. There was no effect on change in net assets as a result of this adoption.

Note 3 - Liquidity and Availability

The Organization's financial assets available within one year of the Statement of Financial Position for general expenditures are as follows:

| | |
|---|----------------------------|
| Cash | \$ 1,112,048 |
| Accounts receivable | 44,121 |
| Less – Net assets with donor restrictions | <u> -</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u><u>\$ 1,156,169</u></u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4 - In-Kind Donations

In previous years, 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. Due to the government imposed restrictions related to COVID-19, no large special events were held in 2020. Office space was donated to the Organization under a three year operating lease with a \$1 per year obligation extending to May 31, 2021. The Organization estimated the value of the 12 months of the lease in 2020 at \$45,720 and included as both revenues and expenses in in-kind rent on the Statement of Activities and Changes in Net Assets, and in-kind rent expense on the Statement of Functional Expenses.

The Organization entered into a new in-kind agreement with AlphaGraphics Franklin, Tennessee (AlphaGraphics) in which the Organization will provide promotion of AlphaGraphics through logo display on sponsor recognizing documents, scottcares.org website acknowledgement as a National Partner, social media posts acknowledging the partnership, tickets to the annual Scott Hamilton & Friends show, and the display of an AlphaGraphics branded board/poster at all Peer-to-Peer fundraising events. In turn, AlphaGraphics will waive all fulfillment fees related to events, provide a co-branded selfie board to be used at each Peer-to-Peer event, promote CARES Peer-to-Peer events on the AlphaGraphics website, and provide a representative at local events to provide collateral materials. Additionally, AlphaGraphics provides in-kind storage fees valued at \$557.50 per month and provides a 20% discount to merchandise kitting fees, which the Organization recognizes as in-kind revenue. In 2020, the partnership resulted in \$6,132 of in-kind storage revenue and \$3,209 of in-kind kitting revenue for the Organization.

The total contribution value recognized for these in-kind donations was \$55,061.

Note 5 - Income Taxes

The Organization recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Organization's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2017 through 2019) or expected to be taken in the Organization's 2020 tax return. The Organization identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by any

of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months.

During the year ended December 31, 2020, the Organization did not recognize any interest and penalties relating to taxes, nor were any accrued as of December 31, 2020.

Note 6 - Related Parties

Three of the Organization's nineteen board members were also members of Provision CARES. Provision CARES donated office space to the Organization in 2020 valued at \$45,720 which was included as both revenues and expenses on the Statement of Activities and Changes in Net Assets and in-kind rent expense on the Statement of Functional Expenses. The office space is under an operating lease extending to May 31, 2021 with a \$1 per year obligation.

Note 7 - Concentrations

Cash is maintained in bank deposit accounts that at times may exceed the federally insured limit of \$250,000. The Organization has not experienced, nor does it anticipate, any losses with respect to such amounts.

Note 8 - Commitments and Contingencies

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, virtually all jurisdictions in the U.S. have declared a state of emergency and have declared a "shelter in place" mandate for all residents and closure of all non-essential businesses. It is anticipated that these impacts will continue for some time. The further effects of these issues are unknown. In the Spring of 2021, world governments began the broad distribution of COVID-19 vaccines to the general population. In most of the industrialized world, a precipitous drop in the numbers of active COVID-19 cases resulted.

The Organization has Intellectual Property Rights and contingent liabilities related to a book co-written by the Founder and another author (collectively known as "the Authors") which was illustrated by a world-renowned music artist. The marketing campaign for the book was to begin in 2020 and included extensive travel and live appearances by the Founder and members of the Organization. Due to COVID-19, the major components of the campaign were delayed until 2021. The Authors have an agreement with a distributor to facilitate the printing, storage, sales, and delivery of the books. The agreement states that the Authors' associated entities will receive 70% of the revenue generated with the

help of the distributor less agreed upon expenses incurred by the distributor. As of December 31, 2020, the expenses incurred by the distributor are greater than the total of revenues generated for the book. With the expected lessening of government imposed restrictions on business operations due to COVID-19 and the expected subsequent increase in national and global economic activity, the distributor has delayed the need for the Authors' entities to pay for the original expenses incurred. As of December 31, 2020, the value of the Intellectual Property Rights and the associated amount of liability for the expenses incurred are *de minimis*.

Note 9 - Subsequent Events

The Organization has evaluated subsequent events through August 5, 2021 the date which the financial statements were available to be issued.

Note 10 - Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard, as amended, will be effective for annual reporting periods beginning after December 15, 2021. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2022. The Organization is currently evaluating the impact that adoption of this ASU will have on the Organization's financial position and results of operations.