

Scott Hamilton CARES Foundation, Inc.

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

DECEMBER 31, 2018

Scott Hamilton CARES Foundation, Inc.

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Independent Auditor's Report

To the Board of Directors of
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, 2018, 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

(Auditor's report continued on next page)

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.

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, 2018, and the changes in its net assets, its cash flows and functional expenses 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
November 18, 2019

Scott Hamilton CARES Foundation, Inc.
Statement of Financial Position
December 31, 2018

Assets

Current Assets

Cash	\$ 1,257,503
Receivables	144,196
Total Current Assets	<u>1,401,699</u>

Property and Equipment

Furniture and equipment	1,423
Less - accumulated depreciation	<u>(949)</u>
Net Property and Equipment	<u>474</u>

Total Assets	<u><u>\$ 1,402,173</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 72,278
Credit cards payable	2,176
Payroll liabilities	<u>11,105</u>
Total Current Liabilities	<u>85,559</u>

Total Liabilities	<u>85,559</u>
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Net Assets

Without donor restrictions	1,271,423
With donor restrictions	<u>45,191</u>
Total Net Assets	<u>1,316,614</u>

Total Liabilities and Net Assets	<u><u>\$ 1,402,173</u></u>
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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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
General contributions	\$ 557,323	\$ -	\$ 557,323
Special events gross revenue	1,036,224	-	1,036,224
Less: Special events direct expenses	<u>(502,300)</u>	<u>-</u>	<u>(502,300)</u>
Net special events revenue	533,924		533,924
In-kind office space	26,672	-	26,672
Interest income	4,476	-	4,476
Net assets released from restriction	<u>145,780</u>	<u>(145,780)</u>	<u>-</u>
Total Revenues and Support	<u>1,268,175</u>	<u>(145,780)</u>	<u>1,122,395</u>
Expenses			
Program services	170,336	-	170,336
General and administrative	379,068	-	379,068
Fundraising	<u>146,555</u>	<u>-</u>	<u>146,555</u>
Total Expenses	<u>695,959</u>	<u>-</u>	<u>695,959</u>
Change in Net Assets	572,216	(145,780)	426,436
Net Assets - Beginning of the Year	<u>699,207</u>	<u>190,971</u>	<u>890,178</u>
Net Assets - End of the Year	<u><u>\$ 1,271,423</u></u>	<u><u>\$ 45,191</u></u>	<u><u>\$ 1,316,614</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, 2018

Operating Activities

Change in net assets \$ 426,436

**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities**

Depreciation	285
Increase in accounts receivable	(115,047)
Decrease in prepaid expenses	1,304
Decrease in donated items	6,825
Increase in accounts payable and accrued expenses	10,656
Increase in credit card balance	991
Decrease in payroll liabilities	(12,085)
Decrease in grant payable	(200,000)

Net Cash Provided by Operating Activities	<u>119,365</u>
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Net Change in Cash	119,365
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Cash - Beginning of Year	<u>1,138,138</u>
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Cash - End of Year	<u><u>\$ 1,257,503</u></u>
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Supplemental Cash Flow Information

Interest paid	<u><u>\$ -</u></u>
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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, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 31,807	\$ 151,612	\$ 134,649	\$ 318,068
Charitable distributions	138,529	-	-	138,529
Professional expense	-	87,054	-	87,054
Other expenses	-	16,424	11,906	28,330
Occupancy expense	-	27,640	-	27,640
Bank and processing fees	-	24,737	-	24,737
Travel, meals, and entertainment	-	20,051	-	20,051
Advertising expense	-	17,746	-	17,746
Software and IT	-	16,597	-	16,597
Insurance expense	-	9,143	-	9,143
Office expense	-	7,779	-	7,779
Depreciation expense	-	285	-	285
Total Functional Expenses	<u><u>\$ 170,336</u></u>	<u><u>\$ 379,068</u></u>	<u><u>\$ 146,555</u></u>	<u><u>\$ 695,959</u></u>

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

Scott Hamilton CARES Foundation, Inc.

Notes to Financial Statements

December 31, 2018

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.

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 donor 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 as net assets released from restriction. At December 31, 2018, there were \$45,191 of restricted net assets, all of which was designated to offset employee compensation.

Measure of Operations

The Statements of Activities and Changes in Net Assets report 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.

There were no non-operating activities for the year ended December 31, 2018.

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.

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 does not adopt a formal pledge system, but specific commitments made by individuals and organizations were recognized as receivables as of December 31, 2018. All of these were paid in the first months of 2019.

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
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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 2018 was \$285.

Payroll Liabilities

The Organization pays payroll taxes simultaneously with its disbursement of employee payroll. Payroll liabilities comprise a year-end accrual for 2018 compensation paid in 2019, 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.

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 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.

Program and Supporting Services - Functional Expenses

The following program and supporting services are included in the accompanying financial statements on the Statements 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.

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, 2018 was \$17,746 and is included in general and administrative expenses 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 FASB 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.

Subsequent Events

The Organization has evaluated subsequent events through November 18, 2019, the date which the financial statements were available to be issued.

Note 2 - Adoption of New Accounting Pronouncements

On August 16, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. There was no effect in change in the 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	\$ 1,257,503
Less – Net asset with donor restrictions	<u>(45,191)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,212,312</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

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 \$143,968 and included as revenues in Special events revenue on the Statement of Activities. Donated items that were successfully auctioned in 2018 were valued at their sale prices of \$28,167 and were included as revenue in General contributions revenue on the Statement of Activities. 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 7 months of the lease in 2018 at \$26,672 and included as both revenues and expenses in In-kind office space on the Statement of Activities and Occupancy expense on the Statement of Functional Expenses. The total contribution value recognized for these in-kind gifts was \$54,839.

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 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 (2016 through 2018). 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 years ended December 31, 2018, the Organization did not recognize any interest and penalties relating to taxes, nor were any accrued at December 31, 2018.

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 for seven months in 2018 valued at \$26,672 and included as both revenues and expenses in In-kind office space on the Statement of Activities and Occupancy 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 drew \$480,294 from the Scott Hamilton & Friends Nashville Ice Show and \$403,035 from Sk8 to Eliminate events, totaling 54% of its revenue from these two special events.

Note 8 - Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-4, *Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2019.

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, 2020. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2021. The Organization is currently evaluating the impact that adoption of these ASUs will have on the Organization's financial position and results of operations.