

SCOTT HAMILTON CARES FOUNDATION, INC.

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

DECEMBER 31, 2021

Scott Hamilton CARES Foundation, Inc.

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Independent Auditor's Report

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

Opinion

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, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Auditor's report continued on next page)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Puryear & Noonan, CPAs
Nashville, Tennessee
October 26, 2022

Scott Hamilton CARES Foundation, Inc.
Statement of Financial Position
December 31, 2021

Assets

Current Assets

Cash	\$ 1,593,592
Accounts receivable	50,911
Inventory	15,538
Total Current Assets	<u>1,660,041</u>

Property and Equipment

Furniture and equipment	5,220
Less - Accumulated depreciation	<u>(1,770)</u>
Property and Equipment, net	<u>3,450</u>

Total Assets	<u><u>\$ 1,663,491</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 148,532
Credit cards payable	5,664
Payroll liabilities	5,926
Deferred revenue	1,156
Total Current Liabilities	<u>161,278</u>

Total Liabilities	<u>161,278</u>
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Net Assets

Without donor restrictions	1,502,213
With donor restrictions	<u>-</u>
Total Net Assets	<u>1,502,213</u>

Total Liabilities and Net Assets	<u><u>\$ 1,663,491</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Special events gross revenue	\$ 1,591,662	\$ -	\$ 1,591,662
Less - Special events direct expenses	(604,002)	-	(604,002)
Net special events revenue	987,660	-	987,660
General contributions	157,031	-	157,031
Event revenue	200,003	-	200,003
In-kind donations	90,691	-	90,691
Interest income	1,103	-	1,103
Total Revenues and Support	1,436,488	-	1,436,488
Expenses			
Program services	547,031	-	547,031
General and administrative	200,520	-	200,520
Fundraising	323,757	-	323,757
Total Expenses	1,071,308	-	1,071,308
Change in Net Assets	365,180	-	365,180
Net Assets - Beginning of Year	1,137,033	-	1,137,033
Net Assets - End of Year	\$ 1,502,213	\$ -	\$ 1,502,213

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, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 48,830	\$ 122,387	\$ 136,368	\$ 307,585
Charitable distributions	498,201	-	-	498,201
Professional expense	-	14,498	87,164	101,662
In-kind rent expense	-	45,720	-	45,720
Bank and processing fees	-	3,518	10,030	13,548
Travel, meals, and entertainment	-	69	20,394	20,463
Software and IT	-	755	7,173	7,928
Other expenses	-	1,547	14,931	16,478
Advertising expense	-	3,457	47,512	50,969
Insurance expense	-	5,649	-	5,649
Office expense	-	1,994	185	2,179
Depreciation expense	-	926	-	926
Total Functional Expenses	\$ 547,031	\$ 200,520	\$ 323,757	\$ 1,071,308

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, 2021

Operating Activities

Change in net assets \$ 365,180

Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by (Used for) Operating Activities

Depreciation	926
Increase in accounts receivable	(6,790)
Decrease in prepaid expenses	1,000
Increase in inventory	(15,538)
Increase in accounts payable and accrued expenses	137,132
Increase in credit card balance	4,792
Increase in payroll liabilities	1,562
Decrease in deferred revenue	(5,700)

Net Cash Provided by (Used for) Operating Activities	<u>482,564</u>
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Investing Activities

Purchase of equipment	<u>(1,020)</u>
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Net Cash Provided by (Used for) Investing Activities	<u>(1,020)</u>
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Net Change in Cash	481,544
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Cash - Beginning of Year	<u>1,112,048</u>
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Cash - End of Year	<u><u>\$ 1,593,592</u></u>
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See independent auditor's report and accompanying notes to financial statements.

Scott Hamilton CARES Foundation, Inc.
Notes to Financial Statements
December 31, 2021

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. The Organization 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 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. These net assets may be used at the discretion of the Organization's Board.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by the actions of the Organization pursuant to those restrictions or that expire by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities and Changes in 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, contributions, event income and rental income. Non-operating activities are limited to resources that generate return from investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

Use of Estimates

The management of the Organization has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reporting of revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from those estimates.

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, 2021. All of these receivables were collected in 2022.

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 2021 was \$926.

Payroll Liabilities

The Organization pays payroll taxes simultaneously with its disbursement of employee payroll. Payroll liabilities comprise a year-end accrual for 2021 compensation paid in 2022, 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

The Organization sponsored several events in support of its mission. The Scott Hamilton and Friends Nashville Ice Show raises funds through ticket sales for performances featuring Olympic skaters and musical artists. Sk8 to Eliminate 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, the Organization made changes to implement hybrid events and in-person events when possible. In-kind donations are reflected in both event revenues and event expenses (see Note 3).

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, 2021 was \$50,969 of which \$3,457 is included in general and administrative

expenses and \$47,512 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. 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. Therefore, management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2018-2020), or expected to be taken in the Organization's 2021 tax return. The Organization identifies its major tax jurisdiction's 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 incurred no interest or penalties during the year ended December 31, 2021.

Note 2 - 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	\$ 1,593,592
Accounts receivable	50,911
Less - Net assets with donor restrictions	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,644,503</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 3 - In-Kind Donations

Individuals and businesses donated goods and services to the Organization for several fundraiser events, including the Scott Hamilton and Friends Nashville Ice Show. These include use of the Bridgestone Arena, valued at \$44,971, and are included as revenues in special events revenue on the Statement of Activities and Changes in Net Assets. Office

space is donated to the Organization under a month-to-month lease with a \$1 per year obligation. The Organization estimated the value of the 12 months of the lease in 2021 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 total contribution value recognized for these in-kind donations was \$90,691.

Note 4 - 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 2021 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.

Note 5 - 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 6 - Commitments and Contingencies

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency. Future potential impacts may include disruptions or restrictions on the Organization's employees' ability to work, or the Organization's ability to have fundraising events. Changes in the operating environment may increase operating costs. The further effects of these issues are unknown.

Note 7 - Subsequent Events

The Organization has evaluated subsequent events through October 26, 2022, the date that the financial statements were available to be issued.

Note 8 - Accounting Standards Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, whose purpose is to clarify the presentation and disclosure of contributed nonfinancial assets with the intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the nonprofit entity. ASU 2020-07 should be applied on a retrospective basis and effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact that adoption of this ASU will have on the Organization's financial statements.