

Scholar Athletes, Inc.

Financial Statements

Year Ended August 31, 2016

Scholar Athletes, Inc.

FINANCIAL STATEMENTS Year Ended August 31, 2016

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Independent Auditor's Report

RSM US LLP

To the Board of Directors
Scholar Athletes, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Scholar Athletes, Inc. (the Organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, (collectively, 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 from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scholar Athletes, Inc. as of August 31, 2016, and the changes of 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.

RSM US LLP

Boston, Massachusetts
July 10, 2017

Scholar Athletes, Inc.

Statement of Financial Position

August 31, 2016

ASSETS

Cash	\$	473,537
Contributions receivable, net		40,253
Prepaid expenses and other current assets		<u>47,176</u>
Total assets	\$	<u><u>560,966</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$	36,805
Accrued expenses		107,278
Due to related parties		<u>104,601</u>
Total liabilities		<u>248,684</u>

Net assets:

Unrestricted net assets		22,029
Temporarily restricted net assets		<u>290,253</u>
Total net assets		<u>312,282</u>

Total liabilities and net assets	\$	<u><u>560,966</u></u>
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Scholar Athletes, Inc.

Statement of Activities

Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions	\$ 3,637,117	\$ 290,253	\$ 3,927,370
Contributed services and facilities, at fair value	170,979	-	170,979
Total revenues and support	<u>3,808,096</u>	<u>290,253</u>	<u>4,098,349</u>
Expenses:			
Program services	2,412,117	-	2,412,117
Management and general	521,991	-	521,991
Fundraising	918,220	-	918,220
	<u>3,852,328</u>	<u>-</u>	<u>3,852,328</u>
Contributed services:			
Contributed program services	55,192	-	55,192
Contributed management and general	45,907	-	45,907
Contributed fundraising	69,880	-	69,880
	<u>170,979</u>	<u>-</u>	<u>170,979</u>
Total expenses and contributed services	<u>4,023,307</u>	<u>-</u>	<u>4,023,307</u>
Change in net assets from operations	<u>(215,211)</u>	<u>290,253</u>	<u>75,042</u>
Other expense:			
Loss on sale of donated securities	1,566	-	1,566
Total other expense	<u>1,566</u>	<u>-</u>	<u>1,566</u>
Change in net assets	<u>(216,777)</u>	<u>290,253</u>	<u>73,476</u>
Net assets, beginning of year	<u>238,806</u>	<u>-</u>	<u>238,806</u>
Net assets, end of year	<u>\$ 22,029</u>	<u>\$ 290,253</u>	<u>\$ 312,282</u>

See notes to financial statements.

Scholar Athletes, Inc.

Statement of Cash Flows
Year Ended August 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ 73,476
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Loss on sale of donated securities	1,566
Donated securities	(48,595)
Changes in assets and liabilities:	
Increase in contributions receivable	(40,253)
Increase in prepaid expenses and other current assets	(34,176)
Decrease in due to affiliate	(464,705)
Increase in accounts payable	2,803
Increase in accrued expenses	49,150
Net cash used in operating activities	<u>(460,734)</u>
Cash flows from investing activities:	
Proceeds from sale of donated securities	<u>47,029</u>
Net cash provided by investing activities	<u>47,029</u>
Change in cash	(413,705)
Cash, beginning of year	<u>887,242</u>
Cash, end of year	<u>\$ 473,537</u>
Supplemental disclosure of cash flow information:	
Donated securities	<u>\$ 48,595</u>

See notes to financial statements.

Scholar Athletes, Inc.

Notes to Financial Statements
Year Ended August 31, 2016

1. ORGANIZATION AND OPERATIONS

Scholar Athletes, Inc., (the "Organization") is a not-for-profit organization created to support various charitable and educational endeavors for the relief and betterment of students and student-athletes in the greater Boston area and Springfield, Massachusetts. The Organization also fosters individual student-athlete growth through mentoring, tutoring, coaching and conditioning through the support of athletic and wellness programs and academic support programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP") to ensure financial condition, results of operations and cash flows are consistently reported. References to GAAP in these footnotes are to the FASB Accounting Standards Codification ("FASB ASC").

The financial statements of the Organization have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

Basis of Presentation

Financial statement presentation follows FASB ASC 958, *Not-for-Profit Entities* ("ASC 958"). Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of August 31, 2016.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Scholar Athletes, Inc.

Notes to Financial Statements
Year Ended August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Concentration of Credit Risk and Operations

The Organization maintains its cash in bank deposit accounts which may at times exceed federally insured limits of \$250,000 per institution. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

For the year ended August 31, 2016, two donors accounted for 26% of total revenues and support.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or in support of stated fundraising objectives. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increase those net asset classes.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional pledges receivable are recognized at the estimated net present value using a rate commensurate with the risk involved, and net of an allowance for uncollectible amounts. Amortization of the discount is included in contributions revenue in accordance with donor-imposed restrictions, if any. Conditional promises are recorded when donor stipulations are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential uncollectible contributions. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activity. There was no allowance for uncollectible contributions as of August 31, 2016.

The methodology for calculating the fair value of the pledges and the pledge allowance includes management's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors including current economic conditions.

Contributions received with donor-imposed restrictions are reported as temporarily restricted revenues and released to unrestricted net assets upon expiration of such restrictions. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Contributed Services

The Organization recognizes as unrestricted revenues and expenses the estimated fair value of those contributed services that meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require specialized skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not provided by contribution.

Scholar Athletes, Inc.

Notes to Financial Statements
Year Ended August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Contributed Services...continued

Contributed services included the following for the year ended August 31, 2016:

Program services	\$ 55,192
Management services	45,907
Fundraising services	<u>69,880</u>
	<u>\$ 170,979</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its mission. No value for these volunteer hours is included in the total for contributed services.

Functional Allocation of Expenses

The costs of providing the Organization's activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among program and supporting services benefited. Expenses directly related to a program are distributed to programs while other expenses are allocated based upon management's estimate of the percentage attributable to the program.

Use of Estimates

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

Liquidity

In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities according to the nearness of their estimated maturity.

Advertising

The Organization expenses advertising costs as incurred. Advertising expenses for the year ended August 31, 2016 was \$3,864.

Income Taxes

The Organization is a not-for-profit organization which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Scholar Athletes, Inc.

Notes to Financial Statements
Year Ended August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Uncertainty of Income Taxes

The Organization follows the accounting standard, *Accounting for Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management believes that the Organization has no material uncertainties in income taxes. The Organization is not subject to income tax examinations by the U.S., federal, state or local tax authorities for fiscal years before 2013.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU makes improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the effect that this standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (A Consensus of the FASB Emerging Issues Task Force)*. To reduce diversity in practice, the ASU provides solutions for eight specific statement of cash flow classification issues. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2016 of \$40,253 are expected to be received in less than one year.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2016 totaling \$290,253 consist of \$40,253 restricted due to time and \$250,000 restricted for operations for the year ending August 31, 2017.

Scholar Athletes, Inc.

Notes to Financial Statements
Year Ended August 31, 2016

5. RELATED PARTY TRANSACTIONS

Amounts are owed to a company owned by the President of the Organization (the "Company") for expenses incurred by the Organization but paid by the Company. As of August 31, 2016, \$44,186 was owed to the Company. During the year ended August 31, 2016, the Company provided \$170,979 of contributed services to the Organization (see Note 2).

Suffolk Cares Charitable Foundation, Inc. (f/k/a Suffolk Cares, Inc.) (the "Foundation"), is a not-for-profit organization created to provide financial support to charitable, civic, educational, healthcare, arts and cultural organizations to foster lasting endurance and sustainability. The Foundation and the Organization are considered entities under common control through common management and board of directors.

The Foundation provided 13% of total contribution revenue for the year ended August 31, 2016.

Amounts are owed to the Foundation for expenses incurred by the Organization but paid by the Foundation. As of August 31, 2016, \$60,415 was due to the Foundation.

6. FUNCTIONAL EXPENSES

For the year ended August 31, 2016, expenses were incurred for the following:

	Program Services	Management and General	Fundraising	Total
Salaries, benefits and taxes	\$ 1,940,204	\$ 359,796	\$ 435,070	\$ 2,735,070
Event sponsorship	41,306	-	442,461	483,767
Grants awarded	115,325	-	-	115,325
Professional fees	-	110,046	-	110,046
Training	105,001	-	-	105,001
Other	64,837	16,357	-	81,194
Facilities	34,582	16,622	22,711	73,915
Supplies	39,044	15,041	14,382	68,467
Equipment	31,868	4,129	-	35,997
Travel	16,583	-	-	16,583
Prizes and awards	15,073	-	-	15,073
Uniforms	8,026	-	-	8,026
Advertising and promotion	268	-	3,596	3,864
	<u>2,412,117</u>	<u>521,991</u>	<u>918,220</u>	<u>3,852,328</u>
Contributed expenses	<u>55,192</u>	<u>45,907</u>	<u>69,880</u>	<u>170,979</u>
	<u>\$ 2,467,309</u>	<u>\$ 567,898</u>	<u>\$ 988,100</u>	<u>\$ 4,023,307</u>

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 10, 2017, the date which the financial statements were available to be issued.