

PANHELLENIC SCHOLARSHIP FOUNDATION
FINANCIAL STATEMENTS
INCLUDING INDEPENDENT ACCOUNTANTS' AUDIT REPORT

For the Period Ended
September 30, 2017

PANHELLENIC SCHOLARSHIP FOUNDATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
PanHellenic Scholarship Foundation
Chicago, Illinois 60602

We have audited the accompanying financial statements of PanHellenic Scholarship Foundation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the period January 1, 2017 to September 30, 2017, 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.

Auditors' 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 PanHellenic Scholarship Foundation as of September 30, 2017, and the changes in its net assets and its cash flows for the period January 1, 2017 to September 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DeMarco Sciacotta Wilkens & Dunleavy LLP

Frankfort, Illinois
May 8, 2018

PANHELLENIC SCHOLARSHIP FOUNDATION
STATEMENT OF FINANCIAL POSITION
As of September 30, 2017

ASSETS

Cash and cash equivalents	\$ 202,619
Investments	2,251,787
Prepaid expenses	<u>11,635</u>
Total Current Assets	2,466,041

PROPERTY AND EQUIPMENT

Building	1,200,000
Leasehold improvements	19,800
Land	<u>300,000</u>
Total Property and Equipment	<u>1,519,800</u>

TOTAL ASSETS

\$ 3,985,841

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,046
Accrued expenses	21,729
Due to Tomaras Investments	<u>24,741</u>
Total Current Liabilities	47,516

NET ASSETS

Unrestricted	3,428,990
Temporarily restricted	13,500
Permanently restricted	<u>495,835</u>
Total Net Assets	<u>3,938,325</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 3,985,841

See accompanying notes and independent auditors' report

PANHELLENIC SCHOLARSHIP FOUNDATION
STATEMENT OF ACTIVITIES
For the Period January 1, 2017 to September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
<u>Contributed</u>				
Individuals	\$ 136,280	\$ 14,500	\$ -	\$ 150,780
Corporations	117,300	-	-	117,300
Foundations	72,500	-	-	72,500
Organizations	35,200	-	-	35,200
Special event revenue	93,685	-	-	93,685
In-kind	29,157	-	-	29,157
<u>Other</u>				
Dividend and interest income	29,192	-	8,150	37,342
Unrealized gain (loss) on marketable securities	140,071	-	41,211	181,282
<u>Net Assets Released from Restrictions</u>				
Expiration of time and program satisfaction	60,572	(31,000)	(29,572)	-
Total Revenues	713,957	(16,500)	19,789	717,246
EXPENSES				
Program services	390,200	-	-	390,200
Cost of direct benefits to donors	184,613	-	-	184,613
<u>Support services</u>				
General and administrative	86,303	-	2,569	88,872
Fund raising and development	49,559	-	-	49,559
Total Expenses	710,675	-	2,569	713,244
CHANGE IN NET ASSETS	3,282	(16,500)	17,220	4,002
NET ASSETS, BEGINNING OF PERIOD	3,425,708	30,000	478,615	3,934,323
NET ASSETS, END OF PERIOD	\$ 3,428,990	\$ 13,500	\$ 495,835	\$ 3,938,325

See accompanying notes and independent auditors' report

PANHELLENIC SCHOLARSHIP FOUNDATION
STATEMENT OF CASH FLOWS
For the Period January 1, 2017 to September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	\$	4,002
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain (loss) on marketable securities		(181,282)
Dividends and interest earned on investments		(37,342)
Investment fees		15,881
(Increase) decrease in:		
Grant receivable		10,000
Contributions receivable		1,000
Prepaid expenses		1,466
Increase (decrease) in:		
Accounts payable		(2,752)
Credit card payable		(759)
Accrued expenses		21,729
Due to Tomaras Investments		(26,990)
		<u>(195,047)</u>
NET CASH USED IN OPERATING ACTIVITIES		(195,047)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities		(1,600,001)
Purchase of property and equipment		(19,800)
Payments out of investments		29,572
		<u>(1,590,229)</u>
NET CASH USED IN INVESTING ACTIVITIES		(1,590,229)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,785,276)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>1,987,895</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	<u>202,619</u>

See accompanying notes and independent auditors' report

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - NATURE OF ACTIVITIES

PanHellenic Scholarship Foundation (the "Foundation") is a not-for-profit corporation whose purpose is the furthering of higher education among Greek Americans by awarding scholarships to students demonstrating high academic and leadership skills.

All of the Foundation's support is derived from voluntary donations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation has elected to present its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for not-for-profit entities. The Foundation is required to report information regarding its financial position and activities using three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are based on the existence or absence of donor-imposed restrictions. Accordingly, unrestricted net assets are amounts that are not subject to donor-imposed stipulations and are available for operations. Temporarily restricted net assets are those whose use has been limited by donors and grantors to a specific time period or purpose. Permanently restricted net assets are amounts restricted by donors to be maintained in perpetuity.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions

In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the absence or existence and nature of donor restrictions.

Expense Allocation

Directly identifiable expenses are charged to the scholarship and Hellenic Birthright program and support services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense estimates. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments primarily consist of equity funds, fixed income funds and alternative assets classes (i.e. venture capital/private equities and real estate investment trusts). The Foundation maintains a diversified portfolio of investments to manage market and interest-rate risks. Investments are recorded at fair value.

Investment income, unrealized gains (losses) and realized gains (losses) are included in the change in net assets and classified in accordance with the presence or absence of donor stipulation.

Property and Equipment

The Foundation capitalizes all property and equipment with a cost, if purchased, or a fair market value, if donated, of more than \$1,000 and a useful life of 3 or more years. Provisions for depreciation and amortization of property and equipment are computed under the straight-line method over the estimated useful lives of the assets. No depreciation was recorded in 2017 because the assets were not in service.

Income Taxes

The Foundation is a not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code. The Foundation is not classified as a private foundation. The Foundation files annual informational returns to the Internal Revenue Service (Form 990) and to the Office of the Attorney General of the state of Illinois. The Foundation has not been informed of any tax examinations by either the Internal Revenue Service or the State. The tax years 2014, 2015, and 2016 are still open for both federal and state purposes.

Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Foundation.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Advertising

The Foundation uses advertising to promote its scholarship program. These costs are expensed as incurred. Advertising expense for the year ended September 30, 2017 was \$19,709

NOTE 3 - ANNUAL EVENT

Gala events were held in June, 2017. The event realized \$67,875 in ticket sales and \$25,810 from the event auction. Direct expenses for the event was \$184,613.

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 - SCHOLARSHIP AWARD PROGRAM

In 2017 the Foundation awarded twenty scholarships of \$10,000 each and twenty-two scholarships of \$2,500 each in accordance with scholarship guidelines. Applications were reviewed and recommendations were made by the Foundation's Academic Committee. The Board of Directors made the final approval for all award recipients.

NOTE 5 - THE GEORGIA SFONDOURIS MITCHELL MUSIC & ARTS SCHOLARSHIP FUND - PERMANENTLY RESTRICTED NET ASSETS

The Foundation was the recipient of a \$500,000 gift. The funds are to be used for two scholarships per year of \$10,000 each and an annual allowance of two percent of the outstanding value to be used as an administrative fee. The scholarships are to be awarded as donor defined. The fund is to be invested to generate earnings with the goal of asset appreciation. The Board of Directors has established a committee for oversight of the fund's operation. As required by GAAP, net assets associated with the fund are classified and reported based on the existence of donor-imposed restrictions.

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
January 1, 2017	\$ 59,449	\$ -	\$ 478,615	\$ 538,064
Scholarships	20,000	-	(20,000)	-
Administrative fee	9,572	-	(9,572)	-
Investment income	-	-	8,150	8,150
Investment fees	-	-	(2,569)	(2,569)
Net unrealized gains	-	-	41,211	41,211
September 30, 2017	<u>\$ 89,021</u>	<u>\$ -</u>	<u>\$ 495,835</u>	<u>\$ 584,856</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods.

	<u>2017</u>
Scholarships	<u>\$ 13,500</u>
	<u>\$ 13,500</u>

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 7 - FAIR VALUE MEASUREMENTS

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1: Quoted prices for similar assets or liabilities in active markets.

Level 2: Inputs other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the assets or liability; and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

<u>September 30, 2017</u>	<u>Fair Value</u>	<u>Significant Observable Inputs (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>
Cash/Currency	\$ 23,567	\$ 23,567	\$ -
Equities	1,323,647	1,323,647	-
Bonds - Fixed Income	658,224	-	658,224
Mutual Funds	201,420	-	201,420
Hedge Funds	44,929	-	44,929
TOTAL	<u>\$ 2,251,787</u>	<u>\$ 1,347,214</u>	<u>\$ 904,573</u>

NOTE 8 - INVESTMENTS

Balances of major classes of investments as of September 30, 2017 are as follows (at fair market value):

	<u>2017</u>
Cash/Currency	\$ 23,567
Equities	1,323,647
Bonds - Fixed Income	658,224
Mutual Funds	201,420
Hedge Funds	44,929
TOTAL	<u>\$ 2,251,787</u>

Investment income consists of the following during the period ended September 30, 2017.

	<u>2017</u>
Dividend and interest income	\$ 37,342
Unrealized gain (loss) on marketable securities	181,282
	<u>\$ 218,624</u>

Investment securities are exposed to various risks including interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 9 - RELATED PARTY TRANSACTIONS

Mr. Tomaras was a major contributor to the organization and board members were aware of this relationship. As part of Mr. Tomaras' living trust, the Foundation received property located in Chicago, Illinois valued at a total of \$1,500,000 for both land and building. Building renovations on that property were paid by Mr. Tomaras and Tomaras Investments, Ltd through the end of 2016. It is the Foundation's intention to lease the building to provide additional income for the Foundation and it's mission. The Foundation will also receive seventy five percent of the remainder of the corpus of the trust. The timing and amount of payment is unknown as of the date of this report. There are no donor imposed restrictions on any of the donations received from Chris Tomaras. Any operating expenses beginning January 1, 2017 are the responsibility of the Foundation. These expenses are reported as General and Administrative Expenses on the Schedule of Functional Expenses.

NOTE 10 - DUE TO TOMARAS INVESTMENTS

Administrative personnel and occupancy expenses paid in a prior year by Tomaras Investments, Ltd. are presented as a liability on the statement of financial position. After Chris Tomaras' passing, the Foundation no longer receives an in kind contribution to cover those expenses.

This liability was reduced by amounts paid by the Foundation for expenses on the building that was donated by Mr. Tomaras. The balance of the liability will not need to be paid by the Foundation. Instead, the amount received by the Foundation from the remainder of Mr. Tomaras' trust will be reduced by the liability at that time.

Administrative personnel	\$	63,641
Occupancy expenses		7,213
Building expenses		(19,123)
Real estate taxes		<u>(26,990)</u>
	TOTAL \$	<u>24,741</u>

NOTE 11 - LEASE COMMITMENT

North Wabash, Chicago

The Foundation currently leases office space in Chicago, Illinois. The location was owned by Chris Tomaras. After his passing, the building was given to the family of one of the trustees of the Foundation, so there is no concern regarding relocating. The Foundation began paying \$1,500 per month in rent beginning July, 2016. There is no written lease agreement in place for this location as of the date of this report. Rent expense for the period ended September 30, 2017 was \$13,500.

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 12 - SIGNIFICANT CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions, which from time to time exceed the federal depository insurance coverage limit; that excess is uninsured. Management has placed these funds in high quality institutions in order to minimize the risk. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

NOTE 13 - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through May 8, 2018, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PANHELLENIC SCHOLARSHIP FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the Period January 1, 2017 to September 30, 2017

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Program Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising and Development Expenses</u>	
FUNCTIONAL EXPENSES				
Scholarship grants	\$ 255,000	\$ -	\$ -	\$ 255,000
Award and travel expense	-	-	211	211
Bank and credit card processing charges	-	3,960	-	3,960
Computer expense	7,998	471	941	9,410
Contributions	-	100	-	100
Dues and subscriptions	-	368	-	368
Employee benefits	8,165	480	960	9,605
Equipment leasing	-	604	-	604
Fax broadcasting	34	-	34	68
Graphic design	688	-	687	1,375
Internet expense	668	667	-	1,335
Investment expense	-	13,312	-	13,312
Licenses	-	325	-	325
Marketing - publicity	9,855	-	9,854	19,709
Office supplies	-	1,185	-	1,185
Parking	-	13	12	25
Payroll processing fees	765	45	90	900
Postage and mailings	3,181	-	3,181	6,362
Printing	4,956	-	4,955	9,911
Rent	11,475	675	1,350	13,500
Salaries	76,917	4,524	9,049	90,490
Telephone	2,027	119	238	2,384
Temporary help	8,471	498	997	9,966
Web development and maintenance	-	2,755	-	2,755
Professional services - in-kind	-	-	17,000	17,000
Karlov Building				
Insurance	-	1,813	-	1,813
Janitorial services	-	4,500	-	4,500
Professional services	-	3,213	-	3,213
Real estate taxes	-	20,930	-	20,930
Security	-	1,451	-	1,451
Telephone	-	1,825	-	1,825
Utilities	-	22,470	-	22,470
TOTAL FUNCTIONAL EXPENSES	\$ 390,200	\$ 86,303	\$ 49,559	\$ 526,062

See independent auditors' report