

PANHELLENIC SCHOLARSHIP FOUNDATION
FINANCIAL STATEMENTS
INCLUDING INDEPENDENT ACCOUNTANTS' AUDIT REPORT

For the Year Ended
September 30, 2018

PANHELLENIC SCHOLARSHIP FOUNDATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
PanHellenic Scholarship Foundation
Chicago, Illinois 60631

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, 2018, and the related statements of activities and cash flows 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.

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, 2018, 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.

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 on page 11 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
January 17, 2019

PANHELLENIC SCHOLARSHIP FOUNDATION
STATEMENT OF FINANCIAL POSITION
As of September 30, 2018

ASSETS

Investments	\$ 2,279,564
Contributions receivable	3,500
Prepaid expenses	<u>2,512</u>
Total Current Assets	<u>2,285,576</u>

PROPERTY AND EQUIPMENT

Building	1,200,000
Leasehold improvements	100,500
Land	<u>300,000</u>
Total Property and Equipment	<u>1,600,500</u>

TOTAL ASSETS

\$ 3,886,076

LIABILITIES AND NET ASSETS

Bank overdraft	\$ 3,201
Accounts payable	8,722
Accrued expenses	25,764
Credit card payable	661
Due to Tomaras Investments	<u>24,741</u>
Total Current Liabilities	<u>63,089</u>

NET ASSETS

Unrestricted	3,315,673
Temporarily restricted	15,000
Permanently restricted	<u>492,314</u>
Total Net Assets	<u>3,822,987</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 3,886,076

See accompanying notes and independent auditors' report

PANHELLENIC SCHOLARSHIP FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
<u>Contributed</u>				
Individuals	\$ 238,146	\$ 32,970	\$ -	\$ 271,116
Corporations	122,180	-	-	122,180
Foundations	50,000	-	-	50,000
Organizations	34,650	-	-	34,650
Special event revenue	107,063	-	-	107,063
In-kind	15,810	-	-	15,810
<u>Other</u>				
Dividend and interest income	59,981	-	10,317	70,298
Unrealized gain on marketable securities	71,339	-	20,222	91,561
<u>Net Assets Released from Restrictions</u>				
Expiration of time and program satisfaction	61,951	(31,470)	(30,481)	-
Total Revenues	761,120	1,500	58	762,678
EXPENSES				
Program services	449,804	-	-	449,804
Cost of direct benefits to donors	196,682	-	-	196,682
<u>Support services</u>				
General and administrative	167,067	-	3,579	170,646
Fund raising and development	60,884	-	-	60,884
Total Expenses	874,437	-	3,579	878,016
CHANGE IN NET ASSETS	(113,317)	1,500	(3,521)	(115,338)
NET ASSETS, BEGINNING OF YEAR	3,428,990	13,500	495,835	3,938,325
NET ASSETS, END OF YEAR	\$ 3,315,673	\$ 15,000	\$ 492,314	\$ 3,822,987

See accompanying notes and independent auditors' report

PANHELLENIC SCHOLARSHIP FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (115,338)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gain on marketable securities	(91,561)
Dividends and interest earned on investments	(70,298)
Investment fees	23,601
(Increase) decrease in:	
Contributions receivable	(3,500)
Prepaid expenses	9,123
Increase (decrease) in:	
Accounts payable	7,676
Credit card payable	661
Accrued expenses	4,035
	<u>(235,601)</u>
NET CASH USED IN OPERATING ACTIVITIES	(235,601)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(80,700)
Payments out of investments	110,481
	<u>29,781</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	29,781
NET DECREASE IN CASH AND CASH EQUIVALENTS	(205,820)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>202,619</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ (3,201)</u></u>

See accompanying notes and independent auditors' report

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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

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 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, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments primarily consist of cash, equities, fixed income funds, mutual 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 2018 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 2015, 2016, and 2017 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, 2018 was \$18,344.

NOTE 3 - ANNUAL EVENT

A gala event was held in June, 2018. The event realized \$69,625 in ticket sales and \$37,438 from the event raffle. Direct expenses for the event were \$196,682.

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 - SCHOLARSHIP AWARD PROGRAM

In 2018 the Foundation awarded nineteen scholarships of \$10,000 each, two scholarships of \$5,000 each and twenty-four 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 - SCHOLARSHIP SOCIETY

The Foundation implemented the Scholarship Society during the year ended September 30, 2018. To become a Scholarship Society member, the donor must commit to a \$10,000 contribution per year for either 5 years or 10 years. As a member, they will receive various benefits from the Foundation including complimentary gala tickets, VIP seating, and name and logo recognition on the Foundation's website and media releases. The \$10,000 annual contribution is then used to provide a scholarship to one of the award recipients. The commitment will be billed to the donors after January 1 of each year.

NOTE 6 - 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>
October 1, 2017	\$ 89,021	\$ -	\$ 495,835	\$ 584,856
Scholarships	20,000	-	(20,000)	-
Administrative fee	10,481	-	(10,481)	-
Investment income	-	-	10,317	10,317
Investment fees	-	-	(3,579)	(3,579)
Net unrealized gains	-	-	20,222	20,222
September 30, 2018	<u>\$ 119,502</u>	<u>\$ -</u>	<u>\$ 492,314</u>	<u>\$ 611,816</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>
Scholarships	<u>\$ 15,000</u>
	<u>\$ 15,000</u>

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 8 - 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, 2018</u>	<u>Fair Value</u>	<u>Significant Observable Inputs (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>
Cash/Currency	\$ 54,139	\$ 54,139	\$ -
Equities	1,323,012	1,323,012	-
Bonds - Fixed Income	643,914	-	643,914
Mutual Funds	176,740	-	176,740
Hedge Funds	63,414	-	63,414
Commodities	18,345	-	18,345
TOTAL	<u>\$ 2,279,564</u>	<u>\$ 1,377,151</u>	<u>\$ 902,413</u>

NOTE 9 - INVESTMENTS

Balances of major classes of investments as of September 30, 2018 are as follows (at fair market value):

	<u>2018</u>
Cash/Currency	\$ 54,139
Equities	1,323,012
Bonds - Fixed Income	643,914
Mutual Funds	176,740
Hedge Funds	63,414
Commodities	18,345
TOTAL	<u>\$ 2,279,564</u>

Investment income consists of the following during the period ended September 30, 2018.

	<u>2018</u>
Dividend and interest income	\$ 70,298
Unrealized gain (loss) on marketable securities	91,561
	<u>\$ 161,859</u>

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 9 - INVESTMENTS (CONTINUED)

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.

NOTE 10 - 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 was the Foundation's intention to lease the building to provide additional income for the Foundation and it's mission. The Foundation is currently trying to obtain a buyer for the property. 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 11 - 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 12 - LEASE COMMITMENT

North Wabash, Chicago

The Foundation leased office space in Chicago, Illinois. The location is owned by the family of one of the trustees of the Foundation. The Foundation pays \$2,333 per month. There is no written lease agreement in place for this location as of the date of this report. Rent expense for the year ended September 30, 2018 was \$30,500. Beginning January, 2019 the Foundation relocated their offices within Chicago.

PANHELLENIC SCHOLARSHIP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 13 - 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. 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. The Foundation has not experienced such losses related to uninsured amounts.

NOTE 14 - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through January 17, 2019, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PANHELLENIC SCHOLARSHIP FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2018

	<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	\$ 260,000	\$ -	\$ -	\$ 260,000
Bank and credit card processing charges	-	4,206	-	4,206
Computer expense	10,803	636	1,271	12,710
Dues and subscriptions	-	3,684	-	3,684
Email broadcasting	380	-	380	760
Employee benefits	12,970	763	1,526	15,259
Equipment leasing	-	1,141	-	1,141
Graphic design	549	-	548	1,097
Internet expense	882	882	-	1,764
Investment expense	-	20,022	-	20,022
Licenses	-	344	-	344
Marketing - publicity	9,172	-	9,172	18,344
Meeting and conferences	6,308	1,402	6,307	14,017
Office supplies	-	4,931	-	4,931
Parking	-	1,269	1,269	2,538
Payroll processing fees	1,426	84	168	1,678
Postage and mailings	7,977	-	7,976	15,953
Printing	11,988	-	11,988	23,976
Professional services	-	15,880	5,295	21,175
Rent	25,925	1,525	3,050	30,500
Salaries	84,494	4,970	9,941	99,405
Telephone	4,433	261	522	5,216
Temporary help	3,755	221	442	4,418
Web development and maintenance	8,742	514	1,029	10,285
Karlov Building				
Equipment Rental	-	872	-	872
Insurance	-	3,472	-	3,472
Janitorial services	-	7,499	-	7,499
Professional services	-	20,201	-	20,201
Real estate taxes	-	30,143	-	30,143
Security	-	1,538	-	1,538
Telephone	-	1,964	-	1,964
Utilities	-	38,643	-	38,643
TOTAL FUNCTIONAL EXPENSES	\$ 449,804	\$ 167,067	\$ 60,884	\$ 677,755

See independent auditors' report