

**SMART BOWLING SCHOLARSHIP FUNDING  
CORPORATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
SMART Bowling Scholarship Funding Corporation  
Arlington, Texas

We have audited the accompanying financial statements of SMART Bowling Scholarship Funding Corporation, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 auditors' 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.

Board of Directors  
SMART Bowling Scholarship Funding Corporation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMART Bowling Scholarship Funding Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Milwaukee, Wisconsin  
March 20, 2017

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,211,140	\$ 1,866,466
Accounts Receivable	233,477	166,815
Due from Related Parties	3,195	-
Investment Income Receivable	346,443	332,390
Investments, at Fair Value	61,633,393	54,442,290
Total Current Assets	63,427,648	56,807,961
<b>SOFTWARE</b>		
Software	910,467	910,467
Less: Accumulated Depreciation	506,857	372,321
Total Software	403,610	538,146
 Total Assets	 \$ 63,831,258	 \$ 57,346,107
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 47,809	\$ 51,491
Due to Related Parties	6,311	-
Scholarship Awards Payable	58,403,784	54,490,390
Total Liabilities	58,457,904	54,541,881
<b>NET ASSETS - UNRESTRICTED</b>	<b>5,373,354</b>	<b>2,804,226</b>
Total Liabilities and Net Assets	<b>\$ 63,831,258</b>	<b>\$ 57,346,107</b>

See accompanying Notes to Financial Statements.

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>REVENUES</b>		
Investment Income:		
Interest and Dividends	\$ 1,142,071	\$ 868,422
Net Realized and Unrealized Gains (Losses)	2,710,051	(1,389,365)
Total Revenues	3,852,122	(520,943)
 <b>EXPENSES</b>		
Program Services:		
Earnings Allocated to Providers	450,000	400,000
Management and General	832,994	839,370
Total Expenses	1,282,994	1,239,370
 <b>CHANGE IN NET ASSETS</b>	2,569,128	(1,760,313)
 Net Assets - Beginning of Year	2,804,226	4,564,539
 <b>NET ASSETS - END OF YEAR</b>	\$ 5,373,354	\$ 2,804,226

See accompanying Notes to Financial Statements.

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,569,128	\$ (1,760,313)
Adjustments to Reconcile Change in Net Assets to net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gains) Losses	(2,710,051)	1,389,365
Depreciation	134,536	139,368
Effects of Changes in Operating Assets and Liabilities:		
Investment Income Receivable	(14,053)	(135,952)
Accounts Receivable	(66,662)	49,359
Due from Related Parties	(3,195)	40,500
Accounts Payable	(3,682)	7,327
Due to Related Parties	6,311	-
Scholarship Awards Payable	3,913,394	4,042,604
Net Cash Provided by Operating Activities	3,825,726	3,772,258
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	187,502,108	154,486,407
Purchase of Investments	(191,983,160)	(160,043,448)
Net Cash Used by Investing Activities	(4,481,052)	(5,557,041)
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(655,326)	(1,784,783)
Cash and Cash Equivalents - Beginning of Year	1,866,466	3,651,249
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,211,140	\$ 1,866,466

See accompanying Notes to Financial Statements.

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The SMART Bowling Scholarship Funding Corporation (SMART) was incorporated on March 23, 2010, in the state of Wisconsin, for the purpose of administering a scholarship program. SMART's revenues are derived primarily from investment gains. Significant accounting policies followed by SMART are presented below.

**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.

**Cash Equivalents**

SMART considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Accounts receivable are uncollateralized obligations. Accounts receivable are stated at the provider unfunded scholarship amount. Payments of accounts receivable are applied to the specific scholarships identified, or, if unspecified, to the earliest unfunded scholarships. Management has determined no valuation allowance is deemed necessary.

**Investments**

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses on investments are included in the statement of activities.

**Software**

Software is stated at cost. Depreciation is determined using the straight-line method over seven years.

**Risks and Uncertainties**

SMART utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect SMART's account balances and the amounts reported in the financial statements.



**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Scholarship Awards Payable**

SMART administers a scholarship program for the bowling community known as Scholarship Management and Accounting Reports for Tenpins. SMART collects, manages, and disburses scholarship funds for youth bowling scholarships. A scholarship awards payable is recorded for payments received. SMART effectively acts as an agent for these funds. Investment income is used to pay the administrative costs of operating the program. Investment income in excess of these administrative costs may be allocated to the accounts of the provider organizations.

**Net Assets**

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All net assets of SMART and changes therein are classified as unrestricted net assets at December 31, 2016 and 2015.

**Income Taxes**

The Internal Revenue Service (IRS) has issued a determination letter dated January 11, 2011, granting SMART an exemption from federal income tax under Internal Revenue Code Section 501(c)(3). Management is not aware of any items that could cause revocation of the tax-exempt status.

**NOTE 2 INVESTMENTS**

Investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Investments:		
Equities	\$ 926,493	\$ 68,948
Bonds	45,011,479	37,758,971
Mutual Funds	14,476,806	14,152,682
Interest-Bearing Cash	875,709	2,095,243
Money Market Funds	342,906	366,446
Total Investments	<u>\$ 61,633,393</u>	<u>\$ 54,442,290</u>

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Interest-bearing cash and money market funds are valued at cost which approximates fair value.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Bonds are valued with an institutional bid evaluation or an institutional mid evaluation. A bid evaluation is an estimated price at which a dealer would pay for a security (typically in an institutional round lot). A mid evaluation is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security (typically in an institutional round lot). Oftentimes, these evaluations are based on proprietary models which pricing vendors establish for these purposes. In some cases, there may be manual sources used when primary price vendors do not supply prices.

Mutual funds are valued at quoted market prices, which represent the net asset value of shares held at year-end.

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SMART believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, SMART's assets at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 875,709	\$ -	\$ 875,709
Money Market Funds	-	342,906	-	342,906
Equities:				
Common Stock	926,493	-	-	926,493
Fixed Income:				
Municipal Bonds	-	170,499	-	170,499
Corporate Bonds	-	31,766,067	-	31,766,067
Treasury Bonds	-	13,074,913	-	13,074,913
Mutual Funds:				
International	7,135,771	-	-	7,135,771
Index Funds	7,341,035	-	-	7,341,035
Total Assets at Fair Value	<u>\$ 15,403,299</u>	<u>\$ 46,230,094</u>	<u>\$ -</u>	<u>\$ 61,633,393</u>

The following table sets forth by level, within the fair value hierarchy, SMART's assets at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	\$ -	\$ 2,095,243	\$ -	\$ 2,095,243
Money Market Funds	-	366,446	-	366,446
Equities:				
Preferred Stock	68,948	-	-	68,948
Fixed Income:				
Government	-	70,821	-	70,821
Municipal	-	167,812	-	167,812
Corporate	-	26,101,885	-	26,101,885
Treasury	-	11,418,453	-	11,418,453
Mutual Funds:				
International	6,573,260	-	-	6,573,260
Index Funds	7,579,422	-	-	7,579,422
Total Assets at Fair Value	<u>\$ 14,221,630</u>	<u>\$ 40,220,660</u>	<u>\$ -</u>	<u>\$ 54,442,290</u>

**SMART BOWLING SCHOLARSHIP FUNDING CORPORATION**  
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**NOTE 4 RELATED-PARTY TRANSACTIONS**

SMART entered into a service agreement with United States Bowling Congress, Inc. (USBC), effective January 1, 2015, to manage the day-to-day operations of SMART. The service agreement calls for up to \$400,000 of reimbursements to USBC for the cost of services provided. The original agreement expired on December 31, 2016 and has been extended through December 31, 2019. Payments made to USBC pursuant to this agreement totaled \$400,000 and \$352,027 during the years ended December 31, 2016 and 2015, respectively.

Amounts due to USBC were \$6,311 and \$0 at December 31, 2016 and 2015, respectively.

Amounts due from Bowling Proprietors' Association of America, Inc. (BPAA) were \$2,481 and \$0 at December 31, 2016 and 2015, respectively, for funds collected by BPAA on behalf of SMART.

Amounts due from IBC Youth Bowling, Inc. (IBCYB) were \$714 and \$0 at December 31, 2016 and 2015, respectively, for funds collected by IBCYB on behalf of SMART.

**NOTE 5 CONCENTRATIONS OF CREDIT RISK**

SMART maintains its cash and cash equivalents in various commercial banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation up to specified limits. Balances in excess of these limits are uninsured.

**NOTE 6 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 20, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to March 20, 2017 that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2016.