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FINANCIAL STATEMENTS

SEPTEMBER 2018

SMART CORPORATION
EXECUTIVE SUMMARY
FOR THE MONTH ENDING SEPTEMBER 30, 2018
(in thousands)

INCOME STATEMENT

	Year to Date			Annual	
	Actual	Budget	Variance	Forecast	Budget
INCOME					
Investment Income	\$ 1,095	-	\$ 1,095	\$ 1,095	\$ -
Unrealized Gains (Losses)	(648)	-	(648)	(648)	-
Realized Gains (Losses)	(463)	-	(463)	(463)	-
Equity Inv Gains (Losses)	31	-	31	31	-
Charitable Contributions	-	-	-	-	-
TOTAL INCOME	15	-	15	15	-
EXPENSE					
Consulting & Professional Fees	0	-	-	0.37	-
Professional Fee - Fiera Capital	11	6	(5)	15	8
Professional Fee - Logan	78	86	8	105	115
Professional Fee-Asset Strategy	64	80	16	88	106
Professional Fee - BNY	25	25	0	34	33
Professional Fee - M&T	6	7	1	7	9
Professional Fee - USBC	339	352	14	475	475
Other	38	65	27	63	82
ADMINISTRATIVE EXPENSE	561	621	60	785	828
Earnings Allocation to Providers	1,750	-	(1,750)	1,750	-
Depreciation	101	90	(11)	135	123
TOTAL EXPENSE	2,412	710	(1,701)	2,670	952
NET INCOME	\$ (2,397)	\$ (710)	\$ (1,686)	\$ (2,655)	\$ (952)

SCHOLARSHIP LIABILITY/INVESTMENT ACTIVITY

	Balance 8/31/18	Deposits	Disbursements	Balance 9/30/18
SCHOLARSHIP LIABILITY	\$ 68,394	\$ 632	\$ (303)	\$ 68,722

	Balance 8/31/18	Deposits/ Withdrawals	Disbursements Gains(Losses)	Balance 9/30/18	% of Portfolio
CASH & INVESTMENTS					
CASH (1)	\$ 893	632	(499)	\$ 1,026	
INVESTMENTS	74,293	150	(338)	\$ 74,105	
TOTAL CASH/INVESTMENTS	\$ 75,186	\$ 782	\$ (836)	\$ 75,131	

* Approximately 15% Equities and 85% Fixed Income

RETURN ON INVESTMENTS	Golub LP *	BNY Mellon	Wilmington	Total / YTD Mths	Avg Balance 9/30/18
Average Investment Base Year to Date	600	47,602	23,742	71,944	\$ 71,944
Investment Income to Date					\$ 15
Average Return on Investment					0.02%
Earnings Net of Investment Expenses					\$ (169)
Avg Return on Investment net of Investment expenses					-0.24%
Average Return on Investment net of Investment expenses excluding unrealized gains/losses					0.67%

* SMART has committed to \$2M in contributions to be called upon at any time. The earnings can be recalled 5 years from date of distribution. The investment principal cannot be liquidated until 2028 at the earliest and potentially not until 2032.

SMART Scholarship Funding Corp
Statement of Changes in Net Assets by Account
For the Nine Months Ending September 30, 2018
Amounts in Whole Units

	SEPTEMBER			YEAR TO DATE			ANNUAL			PRIOR YEAR	PRIOR MONTH
	ACTUAL	FORECAST	VARIANCE	ACTUAL	BUDGET	VARIANCE	BUDGET	FORECAST	VARIANCE	ACTUAL	FORECAST
Expenses											
6090 Training Expense	\$0	\$500	(\$500)	\$0	\$1,500	(\$1,500)	\$2,000	\$2,000	\$0	\$0	\$2,000
6300 Food and Beverage Costs	0	0	0	0	225	(225)	300	300	0	0	300
6800 Legal Fees	0	0	0	8,381	7,500	881	10,000	10,000	0	8,999	10,000
6810 Audit Fees	0	2,800	(2,800)	6,500	10,300	(3,800)	10,300	11,300	1,000	12,000	11,300
6820 Consulting and Professional Fee	0	0	0	37	0	37	0	37	37	40	37
6820 Professional Fee-Fiera Capt	1,211	1,205	6	10,865	5,925	4,940	7,900	14,580	6,680	A 8,825	14,474
6820 Professional Fee-Logan	8,722	8,677	44	78,362	85,912	(7,550)	114,550	104,527	(10,022)	B 107,463	104,350
6820 Professional Fee-Asset Strategy	7,585	7,415	170	64,264	79,804	(15,540)	106,405	87,527	(18,878)	B 101,339	86,339
6820 Professional Fee-BNY	9,398	8,857	541	24,785	24,998	(213)	33,331	34,085	754	30,493	33,105
6820 Professional Fee-M&T	669	2,500	(1,831)	5,870	7,102	(1,232)	9,469	6,520	(2,949)	10,288	9,670
6820 Professional Fee-USBC	32,576	41,158	(8,582)	338,560	352,137	(13,577)	475,000	475,000	0	475,000	475,000
6900 Bank and Credit Card Fees	3,175	4,000	(825)	41,378	30,000	11,378	40,000	49,378	9,378	C 15,962	51,203
6930 Office Supplies Cost	0	100	(100)	141	900	(759)	1,200	741	(459)	252	841
6950 Printing Costs	584	0	584	2,619	0	2,619	0	2,619	2,619	85	2,035
6970 Postage and Freight	0	0	0	0	0	0	0	0	0	46	0
7000 Travel Expenses	0	1,200	(1,200)	2,455	5,250	(2,795)	6,500	5,300	(1,200)	2,412	6,500
7010 Meals and Entertainment Costs	0	663	(663)	537	1,900	(1,363)	2,200	1,537	(663)	318	2,200
7020 Lodging	0	800	(800)	980	3,750	(2,770)	4,350	3,550	(800)	430	4,350
7300 Insurance Expense	398	398	0	3,584	3,517	67	4,689	4,778	89	4,673	4,778
7620 Miscellaneous Expense	0	0	0	(28,662)	0	(28,662)	0	(28,662)	(28,662)	D (1,198)	(28,662)
7800 License Fees	0	0	0	0	10	(10)	10	0	(10)	10	0
Total Expenses	64,318	80,273	(15,955)	560,656	620,730	(60,074)	828,204	785,117	(43,086)	777,436	789,819
Operating Income/(loss)	(64,318)	(80,273)	15,955	(560,656)	(620,730)	60,074	(828,204)	(785,117)	43,086	(777,436)	(789,819)
Non-Operating Income/Expense											
5010 Investment Income from Interest	136,570	0	136,570	1,094,552	0	1,094,552	0	1,094,552	1,094,552	1,312,347	957,981
5020 Investment Realized Gains (Loss)	12,686	0	12,686	(462,606)	0	(462,606)	0	(462,606)	(462,606)	942,365	(475,292)
5030 Investment Unrealized Gains (Loss)	(476,844)	0	(476,844)	(648,365)	0	(648,365)	0	(648,365)	(648,365)	3,173,263	(171,521)
5040 Gain (Loss) on Equity Investment	0	0	0	31,209	0	31,209	0	31,209	31,209	27,976	31,209
7630 Earnings Allocations to Providers	0	0	0	1,750,000	0	1,750,000	0	1,750,000	1,750,000	1,000,000	1,750,000
9000 Depreciation and Amortization Expense	11,211	11,211	0	100,902	89,688	11,214	123,321	134,536	11,215	E 134,536	134,536
Total Non-Operating Inc/Exp	(338,798)	(11,211)	(327,587)	(1,836,112)	(89,688)	(1,746,424)	(123,321)	(1,869,746)	(1,746,425)	4,321,415	(1,542,159)
Net Income	(403,116)	(91,485)	(311,632)	(2,396,768)	(710,418)	(1,686,350)	(951,525)	(2,654,864)	(1,703,339)	3,543,979	(2,331,978)

A: Fiera Capital annual forecasted investment fees increased due to growth in the investment and a \$610K transfer from the Asset Strategy M&T account during 2017 that was not known during Budget preparations

B: Favorable variance due to lower investment balances than expected during budget preparations

C: Unfavorable variance due to increased fees associated with increased acceptance of credit card payments

D: Favorable variance due to correcting adjustment related to 2015 scholarship liability

E: Budget for Depreciation and Amortization Expense is understated

SMART Scholarship Funding Corp
Balance Sheet
For the Nine Months Ending September 30, 2018
Amounts in Whole Units

	September YTD				Annual		
	2018	Last Year	Var \$	Var %	Last Year	Var \$	Var %
ASSETS							
Current Assets							
Cash and cash equivalents	\$1,025,968	\$993,474	\$32,494	3.%	\$966,568	\$59,400	6.%
Investments	74,105,141	68,917,959	5,187,182	8.%	70,270,189	3,834,952	5.%
Accounts Receivable	9,548	0	9,548	0.0%	364,966	(355,418)	(97.%)
Prepaid Expenses	1,219	1,168	51	4.4%	0	1,219	0.0%
Total Current Assets	75,141,876	69,912,602	5,229,275	7.5%	71,601,723	3,540,153	5.0%
Long Term Assets							
PP&E	910,467	910,467	0	0.0%	910,467	0	0.0%
Less Accum. Depreciation	(742,296)	(607,760)	(134,536)	22.2%	(641,394)	(100,902)	16.6%
Total Long Term Assets	168,170	302,707	(134,536)	(44.%)	269,073	(100,902)	(38.%)
Total Assets	\$75,310,047	\$70,215,308	\$5,094,738	7.3%	\$71,870,796	\$3,439,251	5.0%
LIABILITIES							
Current Liabilities							
Accounts Payable	67,608	65,589	(2,019)	(3.0%)	57,030	(10,579)	(19.%)
Scholarship Providers	68,721,874	62,478,837	(6,243,036)	(10.%)	62,896,434	(5,825,440)	(9.%)
Total Current Liabilities	68,789,482	62,544,427	6,245,055	10.0%	62,953,463	5,836,019	9.0%
Total Liabilities	68,789,482	62,544,427	6,245,055	10.0%	62,953,463	5,836,019	9.0%
NET ASSETS							
Net Assets - Beginning	8,917,333	5,373,350	(3,543,983)	(66.%)	5,373,354	(3,543,979)	(66.%)
Change in Net Assets - Year to Date	(2,396,768)	2,297,532	4,694,301	204.4%	3,543,979	5,940,748	168.0%
Total Net Assets	6,520,565	7,670,882	(1,150,317)	(15.%)	8,917,333	(2,396,768)	(27.%)
Total Liabilities & Net Assets	\$75,310,047	\$70,215,308	\$5,094,738	7.3%	\$71,870,796	\$3,439,251	5.0%

SMART Scholarship Funding Corp
Statement of Cash Flow
For the Two Months Ending September 30, 2018

Beginning Cash Balance	71,236,757
Change in Net Assets	(2,396,768)
Plus Non-Cash Items:	
Depreciation and Amortization	100,902
Loss/(Gain) Sale of Assets	-
Cash Flow from Operating Activities	
(Increase) Decrease in Accounts Receivable	10,935,294
(Increase) Decrease in Inventory	-
(Increase) Decrease in Prepaid Expenses & Other	(1,219)
Increase (Decrease) Accounts Payable	10,579
Increase (Decrease) Accrued Liabilities	(4,754,436)
Increase (Decrease) in Deferred Revenue	-
(Increase) Decrease in Long Term Assets	-
(Increase) Decrease Temp Restricted Funds	-
Total Adjustments	<u>6,190,217</u>
Net Cash from Operating Activities	<u>3,894,351</u>
Cash Flow from Investing Activities	
Sales of Investments	-
Purchases of Investments	-
Proceeds from Sale of PP&E	<u>-</u>
Net Cash from Investing Activities	-
Net Cash from Financing Activities	-
Net Cash Flow	3,894,351
Ending Cash Balance	<u>75,131,109</u>
Balance per GL	<u><u>75,131,109</u></u>

SMART Corporation
Report of Changes in Cash
September 30, 2018

	TOTAL	January 1	February 2	March 3	April 4	May 5	June 6	July 7	August 8	September 9
Beginning Cash Balance		966,568	777,503	1,119,772	1,135,724	1,186,422	1,261,622	1,011,415	901,632	893,022
Change in Cash										
Frost - Cash Inflow										
Scholarship Provider Deposits	8,703,519	437,931	502,906	589,336	732,006	1,841,215	1,345,250	1,163,932	1,459,382	631,561
Frost - Cash Outflow										
Operating Expenses	(214,113)	(38,271)	(2,760)	(22,141)	(13,533)	(63,063)	(7,722)	(35,885)	(27,273)	(3,463)
Scholarship Recipient Payments	(4,590,943)	(548,115)	(157,876)	(150,290)	(178,191)	(303,368)	(448,153)	(1,098,246)	(1,401,135)	(305,569)
Intercompany Payments	(349,064)	(40,610)	-	(70,954)	(39,583)	(39,583)	(39,583)	(39,583)	(39,583)	(39,583)
Cash Equivalents	-	-	-	-	-	-	-	-	-	-
Investment Transfers	(3,490,000)	-	-	(330,000)	(450,000)	(1,360,000)	(1,100,000)	(100,000)	-	(150,000)
Total Change in Cash	59,400	(189,065)	342,269	15,952	50,698	75,200	(250,208)	(109,783)	(8,609)	132,946
Ending Cash Balance		777,503	1,119,772	1,135,724	1,186,422	1,261,622	1,011,415	901,632	893,022	1,025,968

SMART Scholarship Funding Corp
Income Statement Forecast
For the Nine Months Ending September 30, 2018
Amounts in Whole Units

	ACTUALS									FORECAST			ACTUAL+FORECAST
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Income													
5010 Investment Income from Interest	\$113,594	\$114,519	\$118,270	\$124,115	\$121,302	\$129,638	\$128,923	\$107,621	\$136,570	\$0	\$0	\$0	\$1,094,552
5020 Investment Realized Gains (Loss)	(120,347)	(132,162)	5,401	(36,415)	(66,154)	23,332	33,266	(182,213)	12,686	0	0	0	(462,606)
5030 Investment Unrealized Gains (Loss)	345,037	(1,476,892)	62,026	(447,858)	480,791	(349,465)	575,065	639,775	(476,844)	0	0	0	(648,365)
5040 Gain (Loss) on Equity Investment	0	0	0	15,748	0	0	15,461	0	0	0	0	0	31,209
Total Income	338,283	(1,494,535)	185,697	(344,409)	535,939	(196,495)	752,715	565,182	(327,587)	0	0	0	14,790
Expenses													
6090 Training Expense	0	0	0	0	0	0	0	0	0	500	500	1,000	2,000
6300 Food and Beverage Costs	0	0	0	0	0	0	0	0	0	75	75	150	300
6800 Legal Fees	0	0	1,467	0	5,842	0	1,072	0	0	0	274	1,346	10,000
6810 Audit Fees	0	0	5,500	1,000	0	0	0	0	0	2,800	0	2,000	11,300
6820 Consulting and Professional Fee	51,697	52,998	63,389	53,698	55,571	64,792	57,703	62,735	60,161	63,208	63,167	73,158	722,277
6900 Bank and Credit Card Fees	2,398	2,760	3,171	4,378	8,819	7,473	4,684	4,519	3,175	3,000	3,000	2,000	49,378
6930 Office Supplies Cost	0	0	0	0	105	36	0	0	0	200	200	200	741
6950 Printing Costs	0	35	0	0	0	0	0	2,000	584	0	0	0	2,619
7000 Travel Expenses	0	0	0	407	50	0	767	1,232	0	577	1,250	1,018	5,300
7010 Meals and Entertainment Costs	0	0	0	0	20	222	0	295	0	700	300	0	1,537
7020 Lodging	0	0	0	0	0	0	980	0	0	800	975	795	3,550
7300 Insurance Expense	398	398	398	398	398	398	398	398	398	398	398	398	4,778
7620 Miscellaneous Expense	306	(9,380)	8,725	0	(3,734)	(24,603)	0	24	0	0	0	0	(28,662)
7630 Earnings Allocations to Provide	0	0	0	0	1,750,000	0	0	0	0	0	0	0	1,750,000
9000 Depreciation and Amortization Expense	11,211	11,211	11,211	11,211	11,211	11,211	11,211	11,211	11,211	11,211	11,211	11,211	134,536
Total Expenses	66,010	58,022	93,861	71,093	1,828,283	59,530	76,815	82,414	75,530	83,469	81,351	93,276	2,669,654
Net Income/(loss)	272,273	(1,552,557)	91,836	(415,502)	(1,292,344)	(256,025)	675,899	482,768	(403,116)	(83,469)	(81,351)	(93,276)	(2,654,864)