

TRAVIS ROY FOUNDATION AND SUBSIDIARIES{PRIVATE }

BOSTON, MASSACHUSETTS

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Travis Roy Foundation
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Travis Roy Foundation and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Travis Roy Foundation and Subsidiaries as of September 30, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses on page 17 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Wellesley, Massachusetts
June 13, 2018

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

| | ASSETS | |
|---------------------------------------|--------------|--------------|
| | 2017 | 2016 |
| Cash and cash equivalents | \$ 1,167,782 | \$ 1,104,609 |
| Receivables | 72,411 | 92,830 |
| Security deposit | 5,180 | - |
| Pledges receivable | 407,302 | 441,015 |
| Investments - Board restricted | 1,415,481 | 1,603,618 |
| Property and equipment, net | 897,375 | - |
| TOTAL ASSETS | \$ 3,965,531 | \$ 3,242,072 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 18,725 | \$ 15,142 |
| Security deposit payable | 20,000 | - |
| Grants payable | 222,979 | 145,723 |
| TOTAL LIABILITIES | 261,704 | 160,865 |
| Net assets: | | |
| Unrestricted | 3,319,243 | 2,556,710 |
| Temporarily restricted | 384,584 | 524,497 |
| TOTAL NET ASSETS | 3,703,827 | 3,081,207 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,965,531 | \$ 3,242,072 |

The accompanying notes are an integral part of these consolidated financial statements.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

| | 2017 | | | | 2016 | | | |
|--------------------------------------|----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------|---------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues: | | | | | | | | |
| Contributions | \$ 1,370,972 | \$ 787 | \$ - | \$ 1,371,759 | \$ 1,151,325 | \$ 491,015 | \$ - | \$ 1,642,340 |
| Special events | 293,781 | - | - | 293,781 | 1,146,139 | - | - | 1,146,139 |
| Investment income | 223,249 | 135 | - | 223,384 | 65,923 | 34 | - | 65,957 |
| Contributed services | 273,462 | - | - | 273,462 | 176,317 | - | - | 176,317 |
| Net assets released from restriction | <u>140,835</u> | <u>(140,835)</u> | <u>-</u> | <u>-</u> | <u>58,313</u> | <u>(58,313)</u> | <u>-</u> | <u>-</u> |
| | 2,302,299 | (139,913) | - | 2,162,386 | 2,598,017 | 432,736 | - | 3,030,753 |
| Expenses: | | | | | | | | |
| Program services | 949,256 | - | - | 949,256 | 708,118 | - | - | 708,118 |
| General administration | 347,935 | - | - | 347,935 | 252,984 | - | - | 252,984 |
| Fundraising | <u>242,575</u> | <u>-</u> | <u>-</u> | <u>242,575</u> | <u>361,827</u> | <u>-</u> | <u>-</u> | <u>361,827</u> |
| | <u>1,539,766</u> | <u>-</u> | <u>-</u> | <u>1,539,766</u> | <u>1,322,929</u> | <u>-</u> | <u>-</u> | <u>1,322,929</u> |
| CHANGE IN NET ASSETS | 762,533 | (139,913) | - | 622,620 | 1,275,088 | 432,736 | - | 1,707,824 |
| Net assets - beginning of year | <u>2,556,710</u> | <u>524,497</u> | <u>-</u> | <u>3,081,207</u> | <u>1,281,622</u> | <u>91,761</u> | <u>-</u> | <u>1,373,383</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 3,319,243</u></u> | <u><u>\$ 384,584</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,703,827</u></u> | <u><u>\$ 2,556,710</u></u> | <u><u>\$ 524,497</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,081,207</u></u> |

The accompanying notes are an integral part of these consolidated financial statements.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 622,620 | \$ 1,707,824 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Realized and unrealized (appreciation) of investments | (195,893) | (52,432) |
| Depreciation expense | 27,337 | - |
| In-kind donations - capitalized | (74,805) | - |
| (Increase) decrease in receivables | 20,419 | (22,881) |
| (Increase) decrease in security deposit | (5,180) | - |
| (Increase) decrease in pledges receivable | 33,713 | (416,015) |
| Increase (decrease) in accounts payable and accrued expenses | 3,583 | 11,216 |
| Increase (decrease) in security deposit payable | 20,000 | - |
| Increase (decrease) in grants payable | 77,256 | 32,136 |
| Increase (decrease) in refundable advances | - | (70,000) |
| | 529,050 | 1,189,848 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 529,050 | 1,189,848 |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments - Board restricted | 1,113,985 | 126,350 |
| Purchase of investments - Board restricted | (729,955) | (1,119,496) |
| Purchase of property and equipment | (849,907) | - |
| | (465,877) | (993,146) |
| NET CASH USED BY INVESTING ACTIVITIES | (465,877) | (993,146) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 63,173 | 196,702 |
| Cash and cash equivalents - beginning of year | 1,104,609 | 907,907 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 1,167,782 | \$ 1,104,609 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ - | \$ - |
| Cash paid for taxes | \$ - | \$ - |
| Noncash transactions: | | |
| Stock donations - sold for cash | \$ 285,608 | \$ 14,719 |
| Capitalized in-kind donations | \$ 74,805 | \$ - |

The accompanying notes are an integral part of these consolidated financial statements.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis Roy Foundation (the “Organization”) is a Massachusetts not-for-profit trust established on August 23, 1996. The primary charitable mission of the Organization is the rehabilitation of spinal cord injuries and research and educational programs related to such injuries. The Travis Roy Foundation established the Travis Roy Foundation, Inc., a domestic corporation and the Travis Roy Foundation LLC in connection with certain operations and activities.

Basis of Presentation

The consolidated financial statements include the accounts of the Travis Roy Foundation and its wholly-owned subsidiary, Travis Roy Foundation, Inc., and its single member limited liability company, Travis Roy Foundation LLC. All significant inter-organization balances and transactions were eliminated in consolidation.

Financial Statement Presentation

The Organization’s resources are classified for accounting and reporting purposes into different net asset categories - unrestricted net assets, temporarily restricted net assets and permanently restricted net assets - according to the existence or absence of externally imposed (donor) restrictions as follows:

- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the investment income on related investments for general or specific purposes. The Organization had no permanently restricted net assets as of September 30, 2017 and 2016.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.
- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less. For the purpose of the statements of cash flows, the cash balance included in the investment portfolio is not considered cash and cash equivalents as it is not available for operations.

Investments

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Purchases and sales are recorded on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statements of activities as increases or decreases in unrestricted net assets.

Fair Value Measurements

Fair value is defined as the price the Organization would receive from the sale of an asset, or pay to transfer a liability, in a timely transaction with an independent buyer in the principal market. Accounting standards establish a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Organization's investments. The inputs are summarized in three levels as outlined below:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Assets utilizing Level 1 inputs include the Organization's publicly-traded equity securities. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

Level 2 - Other significant observable inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from independent market sources. These observable inputs include quoted prices for similar investments, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. Assets utilizing Level 2 inputs include the Organization's corporate bonds. Valuations in this category are inherently less reliable than quoted market price due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability based upon the best information available in the circumstances.

The Organization's policy is to recognize transfers in and transfers out of the different levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers between levels in the years ended September 30, 2017 and 2016.

Revenue Recognition

The Organization records contributions as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, investments, collection of items, or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their fair value at the date received. Promises to give that are scheduled to be received after the statements of financial position date are shown as increases in restricted net assets. When a donor stipulated time restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met. If a restricted contribution is received in a given fiscal year and the time and/or purpose restriction is met in that same year, the contribution is recognized as unrestricted revenues. Event sponsorships that have been received but have not yet been earned are reflected in the accompanying consolidated financial statements as refundable advances.

Board Designated Endowment

The Board of Trustees had designated a portion of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets.

Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with the operations, office duties and fundraising. Contributed services are recognized at standard per-diem rates if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying consolidated financial statements as contributed services are offset by like amounts included in expenses.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Distributions for Charitable Purposes

The Trustees of the Organization may distribute any part of the income or principal as they consider advisable to charitable foundations or for charitable purposes as defined by certain sections of the Internal Revenue Code.

Functional Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Grants

Unconditional quality of life grants awarded to individuals are expensed and included in program services in the year the grants are approved by the Board of Trustees. Grants payable at year end included quality of life grants that have been approved but not yet paid. Conditional research grants are expensed when paid or when the payments become unconditionally due.

Income Tax Status

Both the Trust and the Corporation qualify as publicly supported organizations under Section 509(a) of the Internal Revenue Code. The LLC is a single member LLC, which is a disregarded entity for tax purposes. Accordingly, no provision for federal and state income taxes is required.

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the tax position. Any tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Organization has analyzed tax positions taken, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open years (fiscal years ended September 30, 2014, 2015, and 2016) or expected to be taken in the tax returns for September 30, 2017. The Organization identifies its major tax jurisdiction as U.S. Federal and the Commonwealth of Massachusetts; however the Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The Organization's policy is to recognize interest and penalties related to unrecognized tax benefits (if any) in income tax expense. No such interest and penalties have been recognized as of September 30, 2017 and 2016.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost at date of acquisition or, if donated, at the market value on the date of the gift less accumulated depreciation and amortization. Maintenance repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized.

When an asset is retired or disposed of, the related costs and allowances for depreciation and amortization are removed from the accounts and any gain or loss on the disposition is reflected in the statements of activities. Provision for depreciation and amortization is made on the straight-line method by annual charges to the statements of activities calculated to absorb the costs over the estimated useful lives of the assets (refer to Note J).

NOTE B - INVESTMENTS

Investments, at fair market value, are comprised of the following:

| | <u>2017</u> | | <u>2016</u> | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Cash equivalents | \$ 8,120 | \$ 8,120 | \$ 688,435 | \$ 688,435 |
| Corporate bonds | 195,650 | 195,905 | 60,510 | 60,752 |
| Marketable equity securities | <u>926,052</u> | <u>1,211,456</u> | <u>748,439</u> | <u>854,431</u> |
| | <u>\$ 1,129,822</u> | <u>\$ 1,415,481</u> | <u>\$ 1,497,384</u> | <u>\$ 1,603,618</u> |

Investment income consists of the following:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------------|------------------|
| Dividends and interest | \$ 27,491 | \$ 13,525 |
| Realized gains and (losses), net | 16,468 | (5,838) |
| Unrealized gains and (losses), net | <u>179,425</u> | <u>58,270</u> |
| | <u>\$ 223,384</u> | <u>\$ 65,957</u> |

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE B - INVESTMENTS (Continued)

The following tables summarizes inputs used in determining the fair valuation of the Organization's investments at September 30, 2017 and 2016:

| | 2017 | | | |
|------------------------------------|---------------------|-------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | \$ 8,120 | \$ - | \$ - | \$ 8,120 |
| Marketable Debt Securities: | | | | |
| Corporate bonds | - | 195,905 | - | 195,905 |
| Total marketable debt securities | - | 195,905 | - | 195,905 |
| Marketable Equity Securities: | | | | |
| Consumer discretionary | 16,356 | - | - | 16,356 |
| Consumer staples | 183,100 | - | - | 183,100 |
| Energy | 60,033 | - | - | 60,033 |
| Financial | 108,538 | - | - | 108,538 |
| Health care | 252,759 | - | - | 252,759 |
| Industrials | 419,260 | - | - | 419,260 |
| Information technology | 171,410 | - | - | 171,410 |
| Total marketable equity securities | 1,211,456 | - | - | 1,211,456 |
| | <u>\$ 1,219,576</u> | <u>\$ 195,905</u> | <u>\$ -</u> | <u>\$ 1,415,481</u> |

| | 2016 | | | |
|------------------------------------|---------------------|------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | \$ 688,435 | \$ - | \$ - | \$ 688,435 |
| Marketable Debt Securities: | | | | |
| Corporate bonds | - | 60,752 | - | 60,752 |
| Total marketable debt securities | - | 60,752 | - | 60,752 |
| Marketable Equity Securities: | | | | |
| Consumer discretionary | 12,868 | - | - | 12,868 |
| Consumer staples | 125,314 | - | - | 125,314 |
| Energy | 43,279 | - | - | 43,279 |
| Financial | 67,032 | - | - | 67,032 |
| Health care | 196,711 | - | - | 196,711 |
| Industrials | 249,947 | - | - | 249,947 |
| Information technology | 129,355 | - | - | 129,355 |
| Utilities | 29,925 | - | - | 29,925 |
| Total marketable equity securities | 854,431 | - | - | 854,431 |
| | <u>\$ 1,542,866</u> | <u>\$ 60,752</u> | <u>\$ -</u> | <u>\$ 1,603,618</u> |

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE C - RELATED PARTY TRANSACTIONS

A Trustee of the Travis Roy Foundation provides legal and trustee services to the Organization in his role as a partner in a law firm. In addition, employees of the law firm provide administration and accounting services to the Organization. These services are provided on an in-kind basis to the Organization. Total contributed services received during the years ended September 30, 2017 and 2016 were \$180,457 and \$176,317, respectively, at standard per diem rates and are included in general administration in the statements of activities. During the year ended September 30, 2017, the Organization also paid legal fees in the amount of \$1,710.

NOTE D - PLEDGES RECEIVABLE

Unconditional pledges receivable are due as follows, as of September 30:

| | 2017 | 2016 |
|--|------------|------------|
| Unconditional promises to give before unamortized discount | \$ 440,500 | \$ 475,000 |
| Less: Unamortized discount | 33,198 | 33,985 |
| Net unconditional promises to give | \$ 407,302 | \$ 441,015 |
| | | |
| | 2017 | 2016 |
| Amounts due in: | | |
| Less than one year | \$ 90,500 | \$ 75,000 |
| One to five years | 200,000 | 200,000 |
| More than five years | 150,000 | 200,000 |
| Total | \$ 440,500 | \$ 475,000 |

At September 30, 2017 and 2016, pledges receivable have been discounted to reflect the present value. The discount rate for the years ended September 30, 2017 and 2016 was 1.60%.

Pledges receivable at September 30, 2017 and 2016 are due from two donors.

The Organization has received a conditional pledge to support staff positions of \$50,000 per year through December 31, 2025. Since this pledge is conditional upon the Organization paying the staff's salaries, it will not be recorded as contribution revenue until the salaries are paid.

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE E - UNRESTRICTED NET ASSETS

Unrestricted net assets are categorized by the following designations:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Undesignated | \$ 1,903,762 | \$ 907,094 |
| Designated by the Board for endowment | 1,415,481 | 1,603,618 |
| Designated by the Board for the benefit of an individual who suffered a spinal cord injury | <u>-</u> | <u>45,998</u> |
| Total unrestricted net assets | <u>\$ 3,319,243</u> | <u>\$ 2,556,710</u> |

NOTE F - BOARD DESIGNATED ENDOWMENT FUNDS

Endowment net asset composition by type of fund is as follows:

| | <u>2017</u> | | | |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Donor restricted endowment funds | \$ - | \$ - | \$ - | \$ - |
| Board designated endowment funds | <u>1,415,481</u> | <u>-</u> | <u>-</u> | <u>1,415,481</u> |
| Total endowment funds | <u>\$ 1,415,481</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,415,481</u> |

| | <u>2016</u> | | | |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Donor restricted endowment funds | \$ - | \$ - | \$ - | \$ - |
| Board designated endowment funds | <u>1,603,618</u> | <u>-</u> | <u>-</u> | <u>1,603,618</u> |
| Total endowment funds | <u>\$ 1,603,618</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,603,618</u> |

A reconciliation of endowment activity for the years ended September 30, 2017 and 2016 is as follows:

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE F - BOARD DESIGNATED ENDOWMENT FUNDS (Continued)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Endowment</u> |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------------|
| Endowment net assets, September 30, 2015 | \$ 558,040 | \$ - | \$ - | \$ 558,040 |
| Additions | 980,500 | - | - | 980,500 |
| Investment income | 6,808 | - | - | 6,808 |
| Net appreciation | <u>58,270</u> | <u>-</u> | <u>-</u> | <u>58,270</u> |
| Endowment net assets, September 30, 2016 | 1,603,618 | - | - | 1,603,618 |
| Additions | - | - | - | - |
| Withdrawals | (400,000) | - | - | (400,000) |
| Investment income | 32,438 | - | - | 32,438 |
| Net appreciation | <u>179,425</u> | <u>-</u> | <u>-</u> | <u>179,425</u> |
| Endowment net assets, September 30, 2017 | <u>\$ 1,415,481</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,415,481</u> |

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Office space/administrative salaries | \$ 366,802 | \$ 466,015 |
| Grants to purchase wheelchairs | 17,782 | 17,698 |
| Maintenance and lease of Little Fenway complex | - | 30,784 |
| Subsequent year's wiffleball tournament | <u>-</u> | <u>10,000</u> |
| Total temporarily restricted net assets | <u>\$ 384,584</u> | <u>\$ 524,497</u> |

Net assets were released from purpose restrictions during 2017 and 2016 as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------------|------------------|
| Maintenance of Little Fenway complex | \$ 30,835 | \$ 43,313 |
| Office space/administrative salaries | 100,000 | - |
| Wiffleball sponsorship | 10,000 | 10,000 |
| Little Fenway license | <u>-</u> | <u>5,000</u> |
| | <u>\$ 140,835</u> | <u>\$ 58,313</u> |

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE H - CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the consolidated statements of financial position. The Organization maintains cash balances at several financial institutions. Accounts at some of the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2017 and 2016, the Organization's uninsured cash and equivalents, including cash in the Board restricted investment portfolio, totaled approximately \$1,170,000 and \$1,787,000 respectively.

During the years ended September 30, 2017 and 2016, approximately 28% and 18%, respectively, of the Organization's revenue was derived from the annual wiffleball tournament that is held each year in August.

During 2017, the Organization received a contribution from one donor which represented approximately 11% of the Organization's revenue at September 30, 2017.

During 2016, the Organization received one pledge which represented approximately 16% of the Organization's revenue and 94% of its pledges receivable at September 30, 2016.

NOTE I - GRANT COMMITMENTS

Grants payable of \$222,979 and \$145,723 represent unconditional promises for quality of life grants approved by the Trustees but not paid prior to September 30, 2017 and 2016, respectively. These grants have not been discounted due to the short duration involved.

In addition, as of September 30, 2017, the Trustees have approved the payment of certain conditional grants for research, which have not been expensed or accrued. These grants are expected to be paid as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--------------------|---------------|
| September 30, 2018 | \$ 404,178 |
| September 30, 2019 | \$ 323,803 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

NOTE J - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2017 and 2016 are as follows:

| | Estimated Useful Life | 2017 | 2016 |
|---|--------------------------|------------|-------|
| Land and building | 20 years | \$ 827,992 | \$ - |
| Leasehold improvements | 5 years | 54,119 | - |
| Equipment | 3-10 years | 42,601 | 4,059 |
| | | 924,712 | 4,059 |
| Less accumulated depreciation and amortization | | 27,337 | 4,059 |
| | | \$ 897,375 | \$ - |

NOTE K – LEASE COMMITMENTS

The Organization has a commitment under an operating lease for office space which expires August 2020. Rent expense for the years ended September 30, 2017 and 2016 was \$18,498 and \$-0-, respectively. The following is a schedule of the approximate minimum future rental payments for the noncancelable operating lease as of September 30, 2017:

| <u>Year Ending September 30,</u> | |
|----------------------------------|------------|
| 2018 | \$ 50,000 |
| 2019 | 50,000 |
| 2020 | 45,833 |
| | \$ 145,833 |

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated the impact of subsequent events through June 13, 2018, which is the date the consolidated financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

TRAVIS ROY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

| | 2017 | | | | 2016 | | | |
|--|---------------------|---------------------------|-------------------|---------------------|---------------------|---------------------------|-------------------|---------------------|
| | Program Services | General Administration | Fundraising | Total | Program Services | General Administration | Fundraising | Total |
| Grants to individuals | \$ 499,569 | \$ - | \$ - | \$ 499,569 | \$ 319,658 | \$ - | \$ - | \$ 319,658 |
| Grants to organizations | 449,687 | - | - | 449,687 | 388,460 | - | - | 388,460 |
| Professional fees | - | 19,625 | - | 19,625 | - | 19,112 | - | 19,112 |
| Payroll and related taxes | - | 78,601 | 33,686 | 112,287 | - | 37,806 | 16,203 | 54,009 |
| Depreciation expense | - | 19,136 | 8,201 | 27,337 | - | - | - | - |
| Information technology fees | - | - | 80,942 | 80,942 | - | - | 65,515 | 65,515 |
| Payroll processing fees | - | 3,137 | - | 3,137 | - | 2,486 | - | 2,486 |
| Postage | - | 2,405 | - | 2,405 | - | 1,898 | - | 1,898 |
| Lease and space cost | - | 13,099 | 5,399 | 18,498 | - | - | - | - |
| Miscellaneous | - | 31,475 | - | 31,475 | - | 15,365 | - | 15,365 |
| Consultant | - | - | - | - | - | - | 17,809 | 17,809 |
| Marketing | - | - | 3,679 | 3,679 | - | - | 9,263 | 9,263 |
| Fundraising events | - | - | 110,668 | 110,668 | - | - | 253,037 | 253,037 |
| In-kind legal and administrative services | - | 180,457 | - | 180,457 | - | 176,317 | - | 176,317 |
| | <u>\$ 949,256</u> | <u>\$ 347,935</u> | <u>\$ 242,575</u> | <u>\$ 1,539,766</u> | <u>\$ 708,118</u> | <u>\$ 252,984</u> | <u>\$ 361,827</u> | <u>\$ 1,322,929</u> |

The accompanying notes are an integral part of these consolidated financial statements.