

SCHOLARMATCH, INC.

SEPTEMBER 30, 2019

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

SCHOLARMATCH, INC.

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
SCHOLARMATCH, INC.
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **SCHOLARMATCH, INC.** which comprise the statement of financial position as of September 30, 2019, the related statements of activities, functional expenses 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.

Auditor's 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 of 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 ScholarMatch, Inc. as of September 30, 2019, and the changes in 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 Summarized Comparative Information

We have previously audited the School's September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
May 29, 2020

ScholarMatch, Inc.

Statement of Financial Position

<i>September 30, 2019 (with comparative totals for 2018)</i>	2019	2018
Assets:		
Cash and cash equivalents	\$ 1,346,190	\$ 1,413,560
Contribution receivable	304,518	252,630
Investments	1,048,890	803,973
Fixed assets, net	39,622	32,261
Prepaid expenses and other assets	18,482	12,902
Total assets	\$ 2,757,702	\$ 2,515,326
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 88,587	\$ 78,823
Total liabilities	88,587	78,823
Net Assets:		
Net assets without donor restrictions	1,115,652	1,378,017
Net assets with donor restrictions	1,553,463	1,058,486
Total net assets	2,669,115	2,436,503
Total liabilities and net assets	\$ 2,757,702	\$ 2,515,326

See accompanying notes to financial statements.

ScholarMatch, Inc.

Statement of Activities

Year Ended September 30, 2019 (with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue and Support:				
Contributions	\$ 1,372,522	\$ 1,370,882	\$ 2,743,404	\$ 2,245,463
Program service fees	1,133,751		1,133,751	991,406
Investment income	45,407		45,407	6,659
Other income	63,189		63,189	60,838
Net assets released from restriction	875,905	(875,905)	-	-
Total revenue and support	3,490,774	494,977	3,985,751	3,304,366
Expenses:				
Student assistance programs	2,158,218		2,158,218	1,573,951
Scholarships	875,905		875,905	813,103
Management and general	437,516		437,516	163,003
Fundraising	281,500		281,500	203,263
Total expenses	3,753,139		3,753,139	2,753,320
Changes in Net Assets	(262,365)	494,977	232,612	551,046
Net Assets, beginning of year	1,378,017	1,058,486	2,436,503	1,885,457
Net Assets, end of year	\$ 1,115,652	\$ 1,553,463	\$ 2,669,115	\$ 2,436,503

See accompanying notes to financial statements.

ScholarMatch, Inc.

Statement of Functional Expenses

Year Ended September 30, 2019 (with comparative totals for 2018)

	Program	Management and General	Fundraising	2019 Total	2018 Total
Salaries	\$ 1,336,883	\$ 217,592	\$ 186,258	\$ 1,740,733	\$ 1,258,472
Scholarships	875,905			875,905	813,103
Occupancy	193,711	31,529	26,988	252,228	150,079
Employee benefits	180,407	29,363	25,135	234,905	82,939
Student events and travel	213,796	2,730	2,337	218,863	190,657
Payroll taxes	109,240	17,780	15,220	142,240	108,310
Professional services	103,617	16,865	14,436	134,918	63,144
Office expenses		51,544		51,544	39,668
Depreciation		36,169		36,169	-
Conferences, meetings	20,564	3,347	2,865	26,776	24,236
Staff and donor appreciation		8,261	8,261	16,522	6,154
Insurance		15,024		15,024	11,304
Information technology		7,312		7,312	5,254
Total functional expenses	\$ 3,034,123	\$ 437,516	\$ 281,500	\$ 3,753,139	\$ 2,753,320

See accompanying notes to financial statements.

ScholarMatch, Inc.

Statement of Cash Flows

<i>Year Ended September 30, 2019 (with comparative totals for 2018)</i>	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 232,612	\$ 551,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	36,619	
Realized and unrealized gains	(44,919)	(6,092)
Changes in operating assets and liabilities:		
Contributions receivable	(51,888)	1,419
Prepaid expense and other assets	(5,579)	(1,768)
Accounts payable and accrued expenses	9,764	(15,112)
Cash provided by operating activities	176,609	529,493
Cash Flows from Investing Activities:		
Purchase of fixed assets	(43,979)	
Purchase of investments	(200,000)	(415,500)
Cash used by investing activities	(243,979)	(415,500)
Change in Cash	(67,370)	113,993
Cash and Cash Equivalents, beginning of year	1,413,560	1,299,567
Cash and Cash Equivalents, end of year	\$ 1,346,190	\$ 1,413,560

See accompanying notes to financial statements.

ScholarMatch, Inc.

Notes to Financial Statements

Note 1 - Nature of Organization:

ScholarMatch, Inc. (ScholarMatch) is a nonprofit organization dedicated to support low-income students with targeted in-person and online support to low-income students at key points in their college journey. The Organization provides three programs – Destination College, Virtual Destination College, and College to Career. Together, along with these three programs, along with robust scholarships, create a support network from when students first begin their college application all the way through to graduation. The services are free for students and available for contract by outside community-based organizations and foundations.

ScholarMatch receives the majority of its contributions from individuals and foundations.

Note 2 - Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

The financial statements of ScholarMatch have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in United States of America (U.S. GAAP). Net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions – The portion of net assets that is not restricted by donor-imposed stipulations. These net assets are intended for use of management and the Board of Directors for educational scholarships and general operations. The Board of ScholarMatch has designated \$686,695 of its funds for ongoing support of ScholarMatch's scholarship activity and operating reserves.

Net Assets With Donor Restrictions – The portion of net assets whose use by ScholarMatch is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ScholarMatch.

b. Revenue Recognition

Contributions and pledges are recognized at their fair value when an unconditional promise to pay is made by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of assets other than cash are recorded at fair value. Contributions receivable represent amounts committed by donors that have not been received by ScholarMatch.

ScholarMatch uses the allowance method to account for uncollectible contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year. No allowance for uncollectible contributions was deemed necessary at September 30, 2019.

ScholarMatch, Inc.

Notes to Financial Statements

c. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and money market funds.

d. Investments

Investments consist primarily of fixed income securities and exchange traded funds.

Investments are recorded at fair value, with realized and unrealized gains and losses reflected in the Statement of Activities.

e. Fair Value Measurements

ScholarMatch carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ScholarMatch classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect ScholarMatch's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

f. Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. A number of unpaid volunteers have made significant contributions of their time to ScholarMatch. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

g. Income Taxes

ScholarMatch is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California tax code.

ScholarMatch follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. Management evaluated ScholarMatch's tax positions and concluded that ScholarMatch had maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustments to the statement of financial position to comply with provisions of this guidance.

ScholarMatch, Inc.

Notes to Financial Statements

h. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

i. Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, costs have been allocated among the programs and supporting services that are benefited based on direct costs and depreciation, insurance, occupancy and salaries and related costs have been allocated by management using time spent in each functional area.

Management and general represent expenses for salary and overhead related expenses incurred in administering ScholarMatch's programs.

j. Subsequent Events

ScholarMatch has reviewed the results of activities for the period of time from its fiscal year ended September 30, 2019 through May 29, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure, except as noted in Note 8.

ScholarMatch, Inc.

Notes to Financial Statements

Note 3 - Investments and Fair Value Measurements:

Investments consist of the following at September 30, 2019:

	Fair Value
Cash	\$ 228,513
Fixed income securities	258,622
Exchange traded funds	522,470
Mutual funds	39,285
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	\$ 1,048,890

At September 30, 2019, all of the investments are valued under ASC 820 at level one.

Note 4 - Net Assets with Restrictions:

Net assets with restrictions of \$1,553,568 are available for scholarship awards and student assistance programs and \$875,905 was released in accordance with donor restrictions during the year ended September 30, 2019.

Note 5 - Concentration of Credit Risk and Support:

ScholarMatch has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of investments and contributions receivable.

Investments consist of fixed income securities and exchange traded funds.

At September 30, 2019, one donor owes approximately 10% of ScholarMatch's total outstanding receivables.

ScholarMatch, Inc.

Notes to Financial Statements

Note 6 - Commitments and Contingencies:

ScholarMatch has an operating lease agreement for its headquarters in San Francisco through February 28, 2023, which requires minimum base lease payments. The following represents the annual lease obligations at September 30,

2020	\$ 137,000
2021	141,000
2022	116,000
2023	46,000
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	\$ 440,000

ScholarMatch also has a three year lease ending in 2021 for its Los Angeles location with a monthly rent of \$2,700.

Rental expense under these agreements for the year ended September 30, 2019 was approximately \$134,000.

Note 7 - Liquidity and Availability:

ScholarMatch's financial assets at September 30, 2019 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,346,190
Contributions receivable	304,518
Investments	1,048,890
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	2,699,598
Less: Board designated reserves	686,695
Net assets with restrictions	1,553,568
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	\$ 327,983

ScholarMatch will likely fulfill the donor restrictions during the year ended September 30, 2020. The Board can make available board designated reserves should they be necessary to the operations of ScholarMatch.

ScholarMatch, Inc.

Notes to Financial Statements

Note 8 - Subsequent Event:

An outbreak of respiratory disease caused by a novel (new) coronavirus was first detected in China and has now been detected in more than 100 locations internationally, including in the United States. The virus has been named “SARS-CoV-2” and the disease it causes has been named “coronavirus disease 2019” (abbreviated “COVID-19”). On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic.

On March 16, 2020, the individual governments of the Greater San Francisco Bay Area announced a mandatory shelter in place order for all residents in the area due to the COVID-19 pandemic. The orders required that all non-essential businesses close until the orders are lifted. ScholarMatch is currently evaluating on-going and long-term recovery plans and adaptations to current business plans to help ScholarMatch recover from the circumstances and adhere to any continuing Health Department orders.

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. ScholarMatch was provided with a \$504,255 loan through the CARES Act.

The majority of ScholarMatch’s revenue is derived from contributions. As such, it is reasonably possible that it is vulnerable to the risk of a near-term decline in contributions which may impact future programs.