

SCHOLARMATCH, INC.

SEPTEMBER 30, 2018

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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, 2018, 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, 2018, 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.

*Hood & Strong LLP*

San Francisco, California  
December 5, 2019

# ScholarMatch, Inc.

## Statement of Financial Position

September 30, 2018

### Assets

Cash and cash equivalents	\$	1,413,560
Contributions receivable		252,630
Investments		803,973
Prepaid expenses and other assets		45,163

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Total assets	\$	2,515,326
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### Liabilities and Net Assets

#### Liabilities:

Accounts payable and accrued expenses	\$	78,823
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Total liabilities		78,823
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#### Net Assets:

Net assets without donor restrictions		1,378,017
Net assets with donor restrictions		1,058,486

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Total net assets		2,436,503
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Total liabilities and net assets	\$	2,515,326
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See accompanying notes to financial statements.

# ScholarMatch, Inc.

## Statement of Activities

*Year Ended September 30, 2018*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>			
Contributions and program service fees	\$ 2,194,811	\$ 1,042,058	\$ 3,236,869
Investment income	6,659		6,659
Other income	60,838		60,838
Net assets released from restriction	725,228	(725,228)	
<b>Total revenue and support</b>	<b>2,987,536</b>	<b>316,830</b>	<b>3,304,366</b>
<b>Expenses:</b>			
Student assistance programs	1,573,951		1,573,951
Scholarships	813,103		813,103
Management and general	163,003		163,003
Fundraising	203,263		203,263
<b>Total expenses</b>	<b>2,753,320</b>		<b>2,753,320</b>
<b>Changes in Net Assets</b>	<b>234,216</b>	<b>316,830</b>	<b>551,046</b>
<b>Net Assets, beginning of year</b>	<b>1,143,801</b>	<b>741,656</b>	<b>1,885,457</b>
<b>Net Assets, end of year</b>	<b>\$ 1,378,017</b>	<b>\$ 1,058,486</b>	<b>\$ 2,436,503</b>

See accompanying notes to financial statements.

# ScholarMatch, Inc.

## Statement of Functional Expenses

*Year Ended September 30, 2018*

	Program	Management and General	Fundraising	Total
Scholarships	\$ 813,103			\$ 813,103
Salaries	1,052,939	\$ 100,280	\$ 100,280	1,253,499
Other employee salaries	4,973			4,973
Other employee benefits	69,669	6,635	6,635	82,939
Payroll taxes	90,980	8,665	8,665	108,310
Professional services	12,628	25,258	25,258	63,144
Advertising and promotion	75			75
Office expenses	19,834		19,834	39,668
Information technology	4,201	1,050		5,251
Other		5,128	15,385	20,513
Occupancy	126,067	12,006	12,006	150,079
Travel	38,539		7,341	45,880
Conferences, meetings	20,358		3,878	24,236
Insurance	9,496	904	904	11,304
Workshop expenses	124,192			124,192
Donor and staff appreciation		3,077	3,077	6,154
Total functional expenses	\$ 2,387,054	\$ 163,003	\$ 203,263	\$ 2,753,320

See accompanying notes to financial statements.

# ScholarMatch, Inc.

## Statement of Cash Flows

*Year Ended September 30, 2018*

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 551,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized gains	(6,092)
Changes in operating assets and liabilities:	
Contributions receivable	1,419
Prepaid expense and other assets	(1,768)
Accounts payable and accrued expenses	(15,112)
<b>Cash provided by operating activities</b>	<b>529,493</b>
<b>Cash Flows from Investing Activities:</b>	
Purchase of investments	(415,500)
<b>Cash used by investing activities</b>	<b>(415,500)</b>
<b>Change in Cash</b>	<b>113,993</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,299,567</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,413,560</b>

See accompanying notes to financial statements.

# ScholarMatch, Inc.

## Notes to Financial Statements

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### 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 the majority of its funds for ongoing support of ScholarMatch's scholarship activity.

*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, Inc.

## Notes to Financial Statements

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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, 2018.

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, Inc.

## Notes to Financial Statements

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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.

h. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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. Pronouncement Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 – Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. The amendments in this ASU set forth the FASB's changes to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. ScholarMatch early adopted the ASU as of October 1, 2017.

k. Subsequent Events

ScholarMatch has reviewed the results of activities for the period of time from its fiscal year ended September 30, 2018 through December 5, 2019, 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.

# ScholarMatch, Inc.

## Notes to Financial Statements

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### Note 3 - Investments and Fair Value Measurements:

Investments consist of the following at September 30, 2018:

	Fair Value
Cash	\$ 259,646
Fixed income securities	105,951
Exchange traded funds	373,886
Mutual funds	64,490
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	\$ 803,973

At September 30, 2018, all of the investments are valued under ASC 820 at level one.

### Note 4 - Net Assets with Restrictions:

Net assets with restrictions of \$1,058,486 are available for scholarship awards and student assistance programs and \$725,228 was released in accordance with donor restrictions during the year ended September 30, 2018.

### 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, 2018, one donor owes approximately 90% of ScholarMatch's total outstanding receivables.

# ScholarMatch, Inc.

## Notes to Financial Statements

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### 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,

2019	\$ 108,000
2020	131,000
2021	135,000
2022	118,000
2023	113,000
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	\$ 605,000

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, 2018 was approximately \$134,000.

### Note 7 - Liquidity and Availability:

ScholarMatch's financial assets at September 30, 2018 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,413,560
Contributions receivable	252,630
Investments	803,973
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	2,470,163
Less: Board designated reserves	(803,973)
Net assets with restrictions	(1,058,486)
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	\$ 607,704

ScholarMatch will likely fulfill the donor restrictions of \$1,058,486 during the year ended September 30, 2019. The Board can make available board designated reserves should they be necessary to the operations of ScholarMatch.