

SCHOLARMATCH, INC.

SEPTEMBER 30, 2017

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, 2017, the related statements of activities, 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, 2017, 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
October 19, 2018

ScholarMatch, Inc.

Statement of Financial Position

September 30, 2017

Assets

Cash and cash equivalents	\$	1,299,567
Contributions receivable		253,655
Investments		382,380
Prepaid expenses and other assets		43,396

Total assets	\$	1,978,998
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Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	93,541
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Total liabilities		93,541
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Net Assets:

Unrestricted		1,143,801
Temporarily restricted		741,656

Total net assets		1,885,457
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Total liabilities and net assets	\$	1,978,998
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See accompanying notes to financial statements.

ScholarMatch, Inc.

Statement of Activities

For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Contributions	\$ 1,134,079	\$ 753,630	\$ 1,887,709
Program service fees	945,786		945,786
Investment income	12,712		12,712
Other income	19,058		19,058
Net assets released from restriction	280,467	(280,467)	-
Total revenue and support	2,392,102	473,163	2,865,265
Expenses:			
Student assistance programs	1,147,429		1,147,429
Scholarships	608,675		608,675
Management and general	114,809		114,809
Fundraising	240,349		240,349
Total expenses	2,111,262		2,111,262
Changes in Net Assets	280,840	473,163	754,003
Net Assets, beginning of year	862,961	268,493	1,131,454
Net Assets, end of year	\$ 1,143,801	\$ 741,656	\$ 1,885,457

See accompanying notes to financial statements.

ScholarMatch, Inc.

Statement of Cash Flows

For the Year Ended September 30, 2017

Cash Flows from Operating Activities:	
Change in net assets	\$ 754,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized gains	(12,380)
Changes in operating assets and liabilities:	
Contributions receivable	(232,293)
Prepaid expense	(12,000)
Accounts payable and accrued expenses	47,103
Cash provided by operating activities	544,433
Cash Flows from Investing Activities:	
Purchase of investments	(20,000)
Purchase of fixed assets	(27,089)
Cash used by investing activities	(47,089)
Change in Cash	497,344
Cash and Cash Equivalents, beginning of year	802,223
Cash and Cash Equivalents, end of year	\$ 1,299,567

See accompanying notes to financial statements.

ScholarMatch, Inc.

Statement of Functional Expenses

For the Year Ended September 30, 2017

	Program	Management	Fundraising	Total
Scholarships	\$ 608,675			\$ 608,675
Salaries	24,091	\$ 24,091	\$ 24,091	72,273
Other employee salaries	746,717	45,256	113,139	905,112
Other employee benefits	66,530	4,032	10,080	80,642
Payroll taxes	62,476	3,786	9,466	75,728
Professional services	1,082		7,889	8,971
Advertising and promotion	838	838	838	2,514
Office expenses	17,684	2,820	15,366	35,870
Information technology	1,953	1,953	1,953	5,859
Other		14,081	32,855	46,936
Occupancy	93,544		13,867	107,411
Travel	61,802		8,829	70,631
Conferences, meetings	9,442			9,442
Insurance		12,025		12,025
Workshop expenses	61,270			61,270
Donor and staff appreciation		5,927	1,976	7,903
Total functional expenses	\$ 1,756,104	\$ 114,809	\$ 240,349	\$ 2,111,262

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 are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

ScholarMatch reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently 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.

Temporarily Restricted Net Assets - the portion of net assets of which 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.

Permanently Restricted Net Assets - the portion of net assets of which use by ScholarMatch is limited by donor - imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of ScholarMatch. ScholarMatch has no permanently restricted net assets.

ScholarMatch, Inc.

Notes to Financial Statements

b. Recognition of Revenue

Contributions are recorded as revenue at their fair value when the promise to give to ScholarMatch is made. Contributions with donor restrictions are reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Certain contributions restricted by the donor are reported as an increase in unrestricted net assets if the restriction is released in the same reporting period in which the support is received.

Management reviews outstanding contributions receivable on a regular basis and maintains an allowance for doubtful accounts for estimated losses resulting from the inability of donors to make payments. This allowance is based on historical experience and identification of contribution-specific collectibility concerns. Losses incurred from uncollectible donations have not historically been material to ScholarMatch.

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.

ScholarMatch, Inc.

Notes to Financial Statements

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.

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. Management and General

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

j. New Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. This ASU sets forth the FASB's modifications to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for ScholarMatch as of October 1, 2018. ScholarMatch is currently evaluating the impact of the pronouncement on its financial statements.

ScholarMatch, Inc.

Notes to Financial Statements

k. Subsequent Events

ScholarMatch has reviewed the results of activities for the period of time from its fiscal year ended September 30, 2017 through October 19, 2018, 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.

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

The amortized cost and estimated fair values of the major components of investment are as follows:

September 30, 2017	Fair Value
Cash	\$ 42,550
Fixed Income Securities	254,773
Exchange traded funds	73,817
Mutual funds	11,170
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	\$ 382,310

At September 30, 2017, all of the investments are valued under ASC 820 using level 1 inputs.

Net investment income is comprised of the following at September 30, 2017:

Interest	\$ 432
Unrealized and realized gains	12,380
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	\$ 12,712

Note 4 - **Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available the following purposes:

Scholarship awards	\$ 527,656
Time restrictions	214,000
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	\$ 741,656

ScholarMatch, Inc.

Notes to Financial Statements

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, 2017, one donor owes approximately 95% of ScholarMatch's total outstanding pledge receivables.

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.

September 30,	
2019	\$ 98,700
2020	101,600
2021	104,700
2022	107,800
2023	46,200
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	\$ 459,000

ScholarMatch also has a month to month lease in its Los Angeles location with a monthly rent of \$3,000.

Rental expense under these agreements for the year ended September 30, 2017 was approximately \$61,157.