

SCHOLARMATCH, INC.

SEPTEMBER 30, 2020

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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, 2020, the related statements of activities and changes in net assets, 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.

### **Auditors' 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, 2020, 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 ScholarMatch's September 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
April 29, 2021

# ScholarMatch, Inc.

## Statement of Financial Position

<i>September 30, 2020 (with comparative totals for 2019)</i>	2020	2019
<b>Assets:</b>		
Cash and cash equivalents	\$ 4,314,827	\$ 1,346,190
Contributions receivable	3,272,914	304,518
Investments		1,048,890
Fixed assets, net	19,612	39,622
Prepaid expenses and other assets	37,726	18,482
<b>Total assets</b>	<b>\$ 7,645,079</b>	<b>\$ 2,757,702</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 148,119	\$ 88,587
Paycheck Protection Plan loan	504,255	
<b>Total liabilities</b>	<b>652,374</b>	<b>88,587</b>
<b>Net Assets:</b>		
Net assets without donor restrictions	1,368,254	1,115,652
Net assets with donor restrictions	5,624,451	1,553,463
<b>Total net assets</b>	<b>6,992,705</b>	<b>2,669,115</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,645,079</b>	<b>\$ 2,757,702</b>

See accompanying notes to financial statements.

## ScholarMatch, Inc.

### Statement of Activities and Changes in Net Assets

*Year Ended September 30, 2020 (with comparative totals for 2019)*

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>Revenue and Support:</b>				
Contributions	\$ 1,337,620	\$ 4,861,423	\$ 6,199,043	\$ 2,743,404
Program service fees	1,758,815	1,005,800	2,764,615	1,133,751
Investment income	(25,397)		(25,397)	45,407
Other income	50,518		50,518	63,189
Net assets released from restriction	1,796,235	(1,796,235)		
<b>Total revenue and support</b>	<b>4,917,791</b>	<b>4,070,988</b>	<b>8,988,779</b>	<b>3,985,751</b>
<b>Expenses:</b>				
Student assistance programs	2,842,786		2,842,786	2,158,218
Scholarships	965,359		965,359	875,905
Management and general	484,679		484,679	437,516
Fundraising	372,365		372,365	281,500
<b>Total expenses</b>	<b>4,665,189</b>		<b>4,665,189</b>	<b>3,753,139</b>
<b>Changes in Net Assets</b>	<b>252,602</b>	<b>4,070,988</b>	<b>4,323,590</b>	<b>232,612</b>
<b>Net Assets, beginning of year</b>	<b>1,115,652</b>	<b>1,553,463</b>	<b>2,669,115</b>	<b>2,436,503</b>
<b>Net Assets, end of year</b>	<b>\$ 1,368,254</b>	<b>\$ 5,624,451</b>	<b>\$ 6,992,705</b>	<b>\$ 2,669,115</b>

See accompanying notes to financial statements.

# ScholarMatch, Inc.

## Statement of Functional Expenses

*Year Ended September 30, 2020 (with comparative totals for 2019)*

	Program	Management and General	Fundraising	2020 Total	2019 Total
Salaries	\$ 1,930,566	\$ 308,215	\$ 218,805	\$ 2,457,586	\$ 1,740,733
Payroll taxes	149,532	17,035	22,714	189,281	142,240
<b>Total Salaries and Payroll taxes</b>	<b>2,080,098</b>	<b>325,250</b>	<b>241,519</b>	<b>2,646,867</b>	<b>1,882,973</b>
Scholarships	965,359			965,359	875,905
Occupancy	187,631	19,244	33,677	240,552	252,228
Employee benefits	212,331	24,190	32,253	268,774	234,905
Student events and travel	89,513			89,513	218,863
Professional services	183,768	20,936	27,914	232,618	134,918
Office expenses	22,273	28,455	14,985	65,713	51,544
Depreciation		21,114		21,114	36,169
Conferences and meetings	67,172	7,653	10,203	85,028	26,776
Staff and donor appreciation		2,186	2,186	4,372	16,522
Insurance		26,022		26,022	15,024
Information technology		9,629	9,628	19,257	7,312
<b>Total functional expenses</b>	<b>\$ 3,808,145</b>	<b>\$ 484,679</b>	<b>\$ 372,365</b>	<b>\$ 4,665,189</b>	<b>\$ 3,753,139</b>

See accompanying notes to financial statements.

# ScholarMatch, Inc.

## Statement of Cash Flows

<i>Year Ended September 30, 2020 (with comparative totals for 2019)</i>	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 4,323,590	\$ 232,612
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,115	36,619
Realized and unrealized gains	42,512	(44,919)
Changes in operating assets and liabilities:		
Contributions receivable	(2,968,396)	(51,888)
Prepaid expense and other assets	(19,244)	(5,579)
Accounts payable and accrued expenses	59,532	9,764
Cash provided by operating activities	1,459,109	176,609
<b>Cash Flows from Investing Activities:</b>		
Purchase of fixed assets	(1,105)	(43,979)
Purchase of investments		(200,000)
Proceeds from sale of investments	1,006,378	
Cash used by investing activities	1,005,273	(243,979)
<b>Cash Flows from Financing Activities:</b>		
Proceeds of PPP loan	504,255	
Cash provided by financing activities	504,255	
<b>Change in Cash and Cash Equivalents</b>	2,968,637	(67,370)
<b>Cash and Cash Equivalents, beginning of year</b>	1,346,190	1,413,560
<b>Cash and Cash Equivalents, end of year</b>	\$ 4,314,827	\$ 1,346,190

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 supporting low-income students with targeted in-person and online support to low-income students at key points in their college journey. ScholarMatch 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.

*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, 2020.

# ScholarMatch, Inc.

## Notes to Financial Statements

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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 applicable California tax code.

Management evaluated ScholarMatch's tax positions and concluded that ScholarMatch has maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustments to the statement of financial position.

# ScholarMatch, Inc.

## Notes to Financial Statements

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### 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. New Accounting Pronouncements

#### *Adopted*

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. This ASU was adopted on October 1, 2019.

#### *Pronouncements Effective in the Future*

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is effective for fiscal years beginning after December 15, 2021. This ASU will apply to ScholarMatch, which is still evaluating its implementation.

# ScholarMatch, Inc.

## Notes to Financial Statements

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### k. Subsequent Events

ScholarMatch has reviewed its results of operations for the period of time from its fiscal year ended September 30, 2020 through April 29, 2021, 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 excepted as noted below as well as in Notes 3 and 6.

On March 8, 2021 the National Labor Relations Board certified an employee election which appoints Teamsters Local 856 as the official representative of the majority of ScholarMatch employees.

ScholarMatch has also determined that contributions of \$950,000 will not be forthcoming from donors in fiscal 2021 and is reforecasting its budget in order to manage the funding shortfalls.

### **Note 3 - Paycheck Protection Program Loan:**

In May 2020, ScholarMatch received a Paycheck Protection Program (PPP) loan in the amount of \$504,255 at 1% interest rate. ScholarMatch applied for loan forgiveness for certain qualifying costs incurred during the eight-week period beginning on the date of first disbursement of the loan. ScholarMatch was informed that the loan payable was forgiven on April 1, 2021.

### **Note 4 - Net Assets with Restrictions:**

Net assets with restrictions of \$5,624,451 are available for scholarship awards and student assistance programs and \$1,796,235 was released in accordance with donor restrictions during the year ended September 30, 2020.

### **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.

# ScholarMatch, Inc.

## Notes to Financial Statements

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### Note 6 - Commitments and Contingencies:

ScholarMatch has operating lease agreements for its headquarters in San Francisco (subleased as of January 2021) and offices in Los Angeles through February 28, 2022, which require minimum base lease payments. The following represents the annual lease obligations at September 30,

2021	\$ 158,057
2022	51,323
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	\$ 209,380

Rental expense under these agreements for the year ended September 30, 2020 was approximately \$149,489.

### Note 7 - Liquidity and Availability:

ScholarMatch's financial assets at September 30, 2020 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 4,314,827
Contributions receivable	3,272,914
	<hr/>
	7,587,741
Less:	
Net assets with restrictions	(5,624,451)
	<hr/>
	\$ 1,963,290

ScholarMatch will likely fulfill the donor restrictions during the year ended September 30, 2021.

### Note 8 - COVID-19:

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.

# **ScholarMatch, Inc.**

## **Notes to Financial Statements**

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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 these circumstances and adhere to any continuing Health Department orders.