

SCHOLARMATCH, INC.

SEPTEMBER 30, 2022

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

ScholarMatch, Inc.

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

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

Opinion

We have audited the financial statements of **SCHOLARMATCH, INC.** which comprise the statement of financial position as of September 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ScholarMatch as of September 30, 2022, and its 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ScholarMatch and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ScholarMatch's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ScholarMatch's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ScholarMatch's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the ScholarMatch's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Francisco, California
May 15, 2023

ScholarMatch, Inc.

Statement of Financial Position

<i>September 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Assets:		
Cash and cash equivalents	\$ 4,023,450	\$ 2,812,134
Contribution receivable	1,224,652	2,240,402
Fixed assets, net		3,824
Prepaid expenses and other assets	12,902	18,400
Total assets	\$ 5,261,004	\$ 5,074,760
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 94,371	\$ 91,031
Total liabilities	94,371	91,031
Net Assets:		
Net assets without donor restrictions	2,068,763	1,345,448
Net assets with donor restrictions	3,097,870	3,638,281
Total net assets	5,166,633	4,983,729
Total liabilities and net assets	\$ 5,261,004	\$ 5,074,760

See accompanying notes to the financial statements.

ScholarMatch, Inc.

Statement of Activities

Year Ended September 30, 2022 (with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenue and Support:				
Contributions	\$ 1,686,671	\$ 1,733,612	\$ 3,420,283	\$ 1,947,339
Program service fees	145,444		145,444	306,820
Investment income	11,290		11,290	11,472
Other income	5,516		5,516	16,551
Net assets released from restriction	2,274,023	(2,274,023)	-	-
Total revenue and support	4,122,944	(540,411)	3,582,533	2,282,182
Expenses:				
Student assistance programs	1,557,573		1,557,573	2,298,808
Scholarships	1,188,027		1,188,027	1,510,793
Management and general	293,891		293,891	433,506
Fundraising	360,138		360,138	552,306
Total expenses	3,399,629	-	3,399,629	4,795,413
Changes in Net Assets	723,315	(540,411)	182,904	(2,513,231)
Other Changes in Net Assets:				
Gain on extinguishment of debt			-	504,255
Total Change in Net Assets	723,315	(540,411)	182,904	(2,008,976)
Net Assets, beginning of year	1,345,448	3,638,281	4,983,729	6,992,705
Net Assets, end of year	\$ 2,068,763	\$ 3,097,870	\$ 5,166,633	\$ 4,983,729

See accompanying notes to the financial statements.

ScholarMatch, Inc.

Statement of Functional Expenses

Year Ended September 30, 2022 (with comparative totals for 2021)

	Program	Management and General	Fundraising	2022 Total	2021 Total
Salaries	\$ 1,075,327	\$ 188,522	\$ 244,323	\$ 1,508,172	\$ 2,069,303
Payroll taxes	84,718	14,852	19,249	118,819	167,349
Total Salaries and payroll taxes	1,160,045	203,374	263,572	1,626,991	2,236,652
Scholarships	1,188,027			1,188,027	1,510,793
Occupancy	34,513	6,051	7,841	48,405	235,740
Employee benefits	130,922	22,953	29,746	183,621	239,251
Student events and travel	20,689			20,689	50,607
Professional services	181,016	31,735	41,128	253,879	418,114
Office expenses		8,070	10,831	18,901	33,069
Depreciation		3,394		3,394	15,789
Conferences and meetings	14,280	2,504	3,244	20,028	8,267
Staff and donor appreciation	360	63	82	505	2,144
Insurance	12,053	12,052		24,105	29,714
Information technology	3,695	3,695	3,694	11,084	15,273
Total functional expenses	\$ 2,745,600	\$ 293,891	\$ 360,138	\$ 3,399,629	\$ 4,795,413

See accompanying notes to the financial statements.

ScholarMatch, Inc.

Statement of Cash Flows

<i>Year Ended September 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 182,904	\$ (2,008,976)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,394	15,788
Gain on extinguishment of debt		(504,255)
Changes in operating assets and liabilities:		
Contributions receivable	1,015,750	1,032,512
Prepaid expense and other assets	5,498	19,326
Accounts payable and accrued expenses	3,340	(57,088)
Cash provided (used) by operating activities	1,210,886	(1,502,693)
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	430	
Cash provided by investing activities	430	
Change in Cash and Cash Equivalents	1,211,316	(1,502,693)
Cash and Cash Equivalents, beginning of year	2,812,134	4,314,827
Cash and Cash Equivalents, end of year	\$ 4,023,450	\$ 2,812,134

See accompanying notes to the financial statements.

ScholarMatch, Inc.

Notes to the Financial Statements

Note 1 - Nature of Organization:

Founded in 2010 by author Dave Eggers, ScholarMatch provides holistic college access and persistence reach and support to approximately 1,000 first-generation, low-income students annually. ScholarMatch envisions a world where all students have access to higher education, support to persist to graduation, and the opportunity to succeed in a fulfilling career. The ScholarMatch program spans seven years and provides students with holistic support through three key transitions: college access, college persistence, and career readiness. The ScholarMatch model emphasizes ongoing mentorship and coaching from caring adults, connection with community, data-driven solutions to maximize impact, and targeted financial support. ScholarMatch core programming includes:

- a. Destination College (College Access): Starting the spring of junior year of high school, ScholarMatch students are matched with a volunteer college coach who works 1:1 with them for a full year. Volunteer coaches receive robust training from ScholarMatch and support students through all aspects of the college application process – from choosing where to apply, to writing personal statements, to evaluating financial aid. Students also receive access to college access workshops, and online tools including ScholarMatcher, an online college search engine designed specifically for low-income and first-generation students.
- b. Scholars Program (College Persistence): Students who successfully complete the Destination Program become eligible to apply to the Scholars Program, which currently serves 270 students. ScholarMatch Scholars are matched with a professional college advisor on staff who provides year-round advising and will receive up to \$25,000 in targeted financial aid, including student loan repayment, emergency funds, and more. Students also participate in workshops to support their wellbeing, academic performance, and career preparedness, and may request to be matched to a volunteer career coach as they continue through college.

ScholarMatch receives the majority of its contributions from individuals, corporations, 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.

ScholarMatch, Inc.

Notes to the Financial Statements

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 on the date they are donated. 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, 2022.

c. Cash and Cash Equivalents

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

d. 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 the Financial Statements

e. 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.

f. 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.

g. 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.

h. 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.

i. Subsequent Events

ScholarMatch has reviewed its results of operations for the period of time from its fiscal year ended September 30, 2022 through May 15, 2023, 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 described in Note 4.

ScholarMatch, Inc.

Notes to the Financial Statements

Note 3 - Net Assets With Restrictions:

Net assets with restrictions of \$3,097,870 are available for scholarship awards and student assistance programs as of September 30, 2022, and \$2,274,023 was released in accordance with donor restrictions during the year ended September 30, 2022.

Note 4 - 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 cash and contributions receivable.

As of September 30, 2022, ScholarMatch had cash deposits in excess of federally insured limits. Subsequent to year end, ScholarMatch has transferred all cash deposits into a money market sweep account that is federally insured up to \$5,000,000.

As of September 30, 2022, 73% of contributions receivable were attributed to two donors.

Note 5 - Liquidity and Availability:

ScholarMatch's financial assets at September 30, 2022 available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 4,023,450
Contributions receivable	1,224,652
	<hr/>
	5,248,102
Less:	
Net assets with restrictions	(3,097,870)
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	\$ 2,150,232

ScholarMatch will likely fulfill the donor restrictions during the year ended September 30, 2023. The Board can make available Board-designated reserves should they be necessary to the operations of ScholarMatch.