

**MATTHEW HILL FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Matthew Hill Foundation, Inc.  
Emeryville, CA

We have audited the accompanying financial statements of MATTHEW HILL FOUNDATION, INC., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and functional expenses and cash flows for the years 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 audits. We conducted our audits 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 from 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 MATTHEW HILL FOUNDATION, INC. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warady & Davis LLP

July 8, 2020

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	<u>\$ 1,472,235</u>	<u>\$ 1,687,074</u>
<b>EQUIPMENT</b>		
Equipment	5,473	5,473
Less Accumulated Depreciation	<u>2,592</u>	<u>1,428</u>
Equipment, net	<u>2,881</u>	<u>4,045</u>
<b>INTANGIBLE ASSETS, net of Accumulated Amortization</b>	<b>16,292</b>	24,792
<b>TOTAL ASSETS</b>	<b><u>\$ 1,491,408</u></b>	<b><u>\$ 1,715,911</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 11,543	\$ 8,702
Grants Payable	1,097,747	1,364,552
Accrued Payroll and Related Taxes	<u>121</u>	<u>363</u>
Total Current Liabilities	<u>1,109,411</u>	1,373,617
<b>NET ASSETS</b>		
Without Donor Restriction	<u>381,997</u>	342,294
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,491,408</u></b>	<b><u>\$ 1,715,911</u></b>

## STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES

For the Years Ended December 31	2019	2018
<b>SUPPORT AND REVENUES</b>		
Contributions	\$ 1,440,021	\$ 1,679,385
Product Sales, net of Cost of Sales of \$7,807 and \$7,451	(107)	3,944
Interest Income	5,747	3,756
Total Support and Revenues	<u>1,445,661</u>	<u>1,687,085</u>
<b>FUNCTIONAL EXPENSES</b>		
Program Services		
Grants	1,097,747	1,364,552
Payroll	40,000	34,375
Payroll Taxes	3,271	2,911
Employee Benefits	1,400	1,012
Travel	1,366	742
Total Program Services Expenses	<u>1,143,784</u>	<u>1,403,592</u>
Management and General		
Marketing	—	11,469
Office Expenses	2,997	4,169
Payroll	20,000	17,188
Payroll Taxes	1,636	1,455
Employee Benefits	700	506
State/Charity Registration	17,259	15,045
Depreciation	1,164	798
Professional Fees	28,876	26,993
Donated Professional Fees	42,595	16,650
Total Management and General Expenses	<u>115,227</u>	<u>94,273</u>
Fundraising		
Marketing	1,055	—
Payroll	81,572	59,461
Payroll Taxes	6,671	5,035
Employee Benefits	700	507
Contract Services	—	2,750
Technology	9,756	12,301
Website Amortization	8,500	708
Pay Pal Fees	38,693	45,661
Total Fundraising Expenses	<u>146,947</u>	<u>126,423</u>
Total Expenses	<u>1,405,958</u>	<u>1,624,288</u>
CHANGE IN NET ASSETS	39,703	62,797
Net Assets, Beginning	342,294	279,497
<b>NET ASSETS, ENDING</b>	<b>\$ 381,997</b>	<b>\$ 342,294</b>

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 39,703</u>	<u>\$ 62,797</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	1,164	798
Website Amortization	8,500	708
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	2,841	(17,200)
Grants Payable	(266,805)	(212,181)
Accrued Payroll and Related Taxes	<u>(242)</u>	<u>363</u>
Total Adjustments	<u>(254,542)</u>	<u>(227,512)</u>
Net Cash Used by Operating Activities	<u>(214,839)</u>	<u>(164,715)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	—	(2,595)
Website Design Costs	<u>—</u>	<u>(25,500)</u>
Net Cash Used by Investing Activities	<u>—</u>	<u>(28,095)</u>
<b>NET DECREASE IN CASH</b>	<b>(214,839)</b>	<b>(192,810)</b>
Cash, Beginning	<u>1,687,074</u>	<u>1,879,884</u>
<b>CASH, ENDING</b>	<b><u>\$ 1,472,235</u></b>	<b><u>\$ 1,687,074</u></b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash Activities		
Donated Services	<u>\$ 42,595</u>	<u>\$ 16,650</u>

NOTES TO FINANCIAL STATEMENTS

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**NATURE OF ORGANIZATION**

Matthew Hill Foundation, Inc. (the Foundation) is a web-based not-for-profit organization incorporated on April 7, 2015 and devoted to raising cancer awareness and supportive funds by putting a fun twist on the month of November. The goal of the Foundation is to grow awareness by embracing our hair, which many cancer patients lose, and letting it grow wild and free. Donate the money you usually spend on shaving and grooming for a month to educate about cancer prevention, save lives, and aid those fighting the battle. Revenues are derived primarily from contributions. The majority of the raised funds are awarded as grants to cancer fighting organizations.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**BASIS OF ACCOUNTING**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification topic related to "Financial Statements of Not-for-Profit Organizations." This guidance requires the Foundation to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without donor restriction - Net assets that are not subject to donor-imposed stipulations plus those resources for which donor-imposed stipulations have been satisfied. Net assets without donor restriction may be designated by action of the Board of Directors.

With donor restriction - Net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation (purpose restrictions) and/or the passage of time (time restrictions). As the restrictions are satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the accompanying financial statements as net assets released from restrictions. As of and for the years ended December 31, 2019 and 2018, the Foundation had no net assets with donor restriction.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction.



NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RECOGNITION OF SUPPORT, RECEIVABLES AND REVENUES**

The Foundation accounts for contributions received and unconditional promises to give under the provisions of the FASB Codification topic related to contributions made and received. In accordance with the FASB Codification, contributions are recognized as support revenue when received. Unconditional promises to give are recognized when received at the estimated present value of future cash flows, net of allowances. Contributions received are recorded as support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities and functional expenses as net assets released from restrictions. Annually, management assesses outstanding receivable balances taking into consideration the age of past due accounts, assessment of individuals' ability to pay, as well as current relationships to determine collectability of contributions receivable, if any.

**EQUIPMENT**

Property and equipment purchases of \$1,500 or more are recorded at cost. Donated assets are recorded at their estimated fair value on the date of donation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which is five years.

**INTANGIBLE ASSETS**

Intangible assets are recorded at cost and include the Foundation's website, which is amortized over its estimated useful life of three years using the straight-line method.

**DONATED SERVICES**

Donated services received are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. The Foundation received \$42,595 of donated professional services during the year ended December 31, 2019, and \$16,650 during the year ended December 31, 2018, which are included in contributions on the statements of activities and functional expenses.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities and functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. Expenses related to more than one function are charged to program, management and general expense or fundraising based on allocation methods which include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## CONCENTRATION OF CREDIT RISK

The Foundation's cash balances, at times, may exceed federally-insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

## INCOME TAX STATUS

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and applicable state law.

The Foundation has adopted the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Foundation has taken or expects to take in its tax returns. Under the guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Foundation believes that it has appropriate support for the positions taken on its returns.

## ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions and clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is delayed until the condition is met) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier" that the recipient must overcome to be entitled to the resources and (2) releases the donor from its obligation to transfer resources if the barrier is not achieved. An agreement that includes both is a conditional contribution. The Foundation applied the ASU effective January 1, 2019.

In May 2014, the FASB issued ASU No. 2014-09 to introduce Accounting Standards Codification (ASC) *Topic 606, Revenue from Contracts with Customers*, which superseded the current revenue recognition requirements in *Topic 605, Revenue Recognition*, and provides a process for determining when and how revenue derived from contracts with customers is recognized. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration which the entity expects to be entitled to in exchange for those goods or services. ASC 606 is now effective for the Foundation's year ending December 31, 2020. Management early adopted ASC 606 using the full-retrospective method effective January 1, 2019. Management determined there was no cumulative effect of applying the new standard to the opening balance of net assets without donor restrictions and there is no impact to change in net assets without donor restrictions currently or in the future.

NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ACCOUNTING PRONOUNCEMENTS (Continued)

As part of the adoption of ASC 606, the Foundation elected to use the following transition practical expedients: (1) similarities among portfolio contracts are sufficient to apply the standard on a portfolio basis; (2) revenue from contracts which begin and end in the same fiscal year has not been restated; and (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed.

The Foundation’s product sales revenues are recognized at a point in time upon completion of the sale and the payment of these amounts are due upon receipt. There are no contracts which contain variable consideration. There are very few, if any, contract modifications. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of ASC 606 did not have a significant impact on the Foundation’s financial position, results of activities, or cash flows. A substantial portion of the Foundation’s revenue arrangements related to product sales which consist of a single performance obligation to provide the product at a point in time. Based on the Foundation’s evaluation of its contracts with customers, the timing and amount of revenues recognized previously is consistent with how revenues are recognized under the new standard. No changes were required to previously reported revenues as a result of the standard adoption.

**NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are comprised of \$1,472,235 cash at December 31, 2019.

As part of its liquidity management plan, the Foundation maintains sufficient liquid assets to meet current operating needs.

**NOTE 3—INTANGIBLE ASSETS**

	<u>2019</u>	<u>2018</u>
Website .....	\$ 25,500	\$ 25,500
Less Accumulated Amortization.....	<u>9,208</u>	<u>708</u>
	<u>\$ 16,292</u>	<u>\$ 24,792</u>

Amortization expense was \$8,500 for 2019 and \$708 for 2018. Amortization expense for the next two years is as follows:

Year Ending December 31		
2020 .....		\$ 8,500
2021 .....		<u>7,792</u>
		<u>\$ 16,292</u>

NOTES TO FINANCIAL STATEMENTS

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**NOTE 4—RELATED PARTY TRANSACTIONS**

Members of the Board of Directors were paid \$80,000 and \$68,750 during the years ended December 31, 2019 and 2018, respectively. These amounts are included in payroll and related payroll taxes on the statements of activities and functional expenses.

**NOTE 5—RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on change in net assets.

**NOTE 6—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 8, 2020, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.