

MATTHEW HILL FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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.

Waraby & Davis LLP

June 1, 2018

STATEMENTS OF FINANCIAL POSITION

As of December 31	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	<u>\$ 1,879,884</u>	<u>\$ 1,981,933</u>
NONCURRENT ASSETS		
Equipment	2,878	1,539
Less Accumulated Depreciation	<u>630</u>	<u>184</u>
Equipment, net	<u>2,248</u>	<u>1,355</u>
TOTAL ASSETS	<u>\$ 1,882,132</u>	<u>\$ 1,983,288</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 25,902	\$ 12,526
Grants Payable	1,576,733	1,857,600
Accrued Payroll and Related Taxes	<u>—</u>	<u>4,344</u>
Total Current Liabilities	<u>1,602,635</u>	<u>1,874,470</u>
NET ASSETS		
Unrestricted	<u>279,497</u>	<u>108,818</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,882,132</u>	<u>\$ 1,983,288</u>

STATEMENTS OF ACTIVITIES

For the Year Ended December 31	2017	2016
SUPPORT AND REVENUES		
Contributions	<u>\$ 1,961,141</u>	<u>\$ 2,082,238</u>
Other Revenue		
Interest Income	1,852	1,357
Miscellaneous	—	1,480
Total Other Revenue	<u>1,852</u>	<u>2,837</u>
Total Support and Revenues	<u>1,962,993</u>	<u>2,085,075</u>
FUNCTIONAL EXPENSES		
Program Services		
Grants	1,576,733	1,857,600
Payroll and Related Payroll Taxes	3,964	3,615
Travel	1,852	2,673
Total Program Services Expenses	<u>1,582,549</u>	<u>1,863,888</u>
Management and General		
Marketing	5,401	6,301
Office Expenses	4,575	4,143
Payroll and Related Payroll Taxes	35,681	32,543
State/Charity Registration	22,409	16,701
Depreciation	446	184
Bad Debt Loss	—	953
Professional Fees	39,743	22,062
Total Management and General Expenses	<u>108,255</u>	<u>82,887</u>
Fundraising		
Payroll and Related Payroll Taxes	39,646	36,159
Technology	8,214	5,019
Pay Pal Fees	53,650	59,753
Total Fundraising Expenses	<u>101,510</u>	<u>100,931</u>
Total Expenses	<u>1,792,314</u>	<u>2,047,706</u>
CHANGE IN NET ASSETS	170,679	37,369
Net Assets, Beginning	<u>108,818</u>	<u>71,449</u>
NET ASSETS, ENDING	<u>\$ 279,497</u>	<u>\$ 108,818</u>

STATEMENTS OF CASH FLOWS

For the Year Ended December 31	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 170,679</u>	<u>\$ 37,369</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	446	184
Decrease in Assets		
Contributions Receivable	—	36,999
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	13,376	11,526
Grants Payable	(280,867)	343,000
Accrued Payroll and Related Taxes	<u>(4,344)</u>	<u>3,819</u>
Total Adjustments	<u>(271,389)</u>	<u>395,528</u>
Net Cash Provided (Used) by Operating Activities	(100,710)	432,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	<u>(1,339)</u>	<u>(1,539)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(102,049)	431,358
Cash, Beginning	1,981,933	1,550,575
CASH, ENDING	<u>\$ 1,879,884</u>	<u>\$ 1,981,933</u>

NOTES TO FINANCIAL STATEMENTS

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:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – Net assets whose use by the Foundation is subject to donor-imposed stipulations that could be fulfilled either by actions of the Foundation, pursuant to those stipulations and/or that expire by the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met. At December 31, 2017 and 2016, the Foundation had no temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Foundation. Investment income, including realized and unrealized gains and losses, are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). At December 31, 2017 and 2016, the Foundation had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECOGNITION OF SUPPORT, RECEIVABLE 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 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 unrestricted or temporarily restricted 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities 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 fair market value on the date of donation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which for equipment is five years.

DONATED SERVICES

Donated services 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 \$4,525 of donated professional services during the year ended December 31, 2017, and \$6,460 during the year ended December 31, 2016.

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. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

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 and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NEW PRONOUNCEMENTS NOT YET ADOPTED

On August 18, 2016, the FASB issued ASU 2016-14 Not-for-Profit Entities (Topic 958) in order to simplify and improve the way not-for-profit organizations present their financial information. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of the guidance include presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The Organization is currently evaluating the impact of this standard on its December 31, 2018 financial statements.

NOTE 2—RELATED PARTY TRANSACTIONS

Members of the Board of Directors were paid \$68,542 and \$52,500 during the year ended December 31, 2017 and 2016, respectively. These amounts are included in payroll and related payroll taxes on the statements of activities.

NOTE 3—SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 1, 2018, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.