

MATTHEW HILL FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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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, 2018 and 2017, 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, 2018 and 2017, 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 J Davis LLP

June 28, 2019

STATEMENTS OF FINANCIAL POSITION

As of December 31	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,687,074	\$ 1,879,884
EQUIPMENT		
Equipment	5,473	2,878
Less Accumulated Depreciation	1,428	630
Equipment, net	4,045	2,248
INTANGIBLE ASSETS, net of Accumulated Amortization	24,792	—
TOTAL ASSETS	\$ 1,715,911	\$ 1,882,132
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 8,702	\$ 25,902
Grants Payable	1,364,552	1,576,733
Accrued Payroll and Related Taxes	363	—
Total Current Liabilities	1,373,617	1,602,635
NET ASSETS		
Without Donor Restriction	342,294	279,497
TOTAL LIABILITIES AND NET ASSETS	\$ 1,715,911	\$ 1,882,132

STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES

For the Year Ended December 31	2018	2017
SUPPORT AND REVENUES		
Contributions	\$ 1,683,329	\$ 1,961,141
Other Revenue		
Interest Income	<u>3,756</u>	<u>1,852</u>
Total Support and Revenues	<u>1,687,085</u>	<u>1,962,993</u>
FUNCTIONAL EXPENSES		
Program Services		
Grants	1,364,552	1,576,733
Payroll	34,375	3,656
Payroll Taxes	2,911	308
Employee Benefits	1,012	—
Travel	742	1,852
Total Program Services Expenses	<u>1,403,592</u>	<u>1,582,549</u>
Management and General		
Marketing	11,469	5,401
Office Expenses	4,169	4,575
Payroll	17,188	32,905
Payroll Taxes	1,455	2,776
Employee Benefits	506	—
State/Charity Registration	15,045	22,409
Depreciation	798	446
Professional Fees	43,643	39,743
Total Management and General Expenses	<u>94,273</u>	<u>108,255</u>
Fundraising		
Payroll	59,461	36,562
Payroll Taxes	5,035	3,084
Employee Benefits	507	—
Contract Services	2,750	—
Technology	12,301	8,214
Website Amortization	708	—
Pay Pal Fees	45,661	53,650
Total Fundraising Expenses	<u>126,423</u>	<u>101,510</u>
Total Expenses	<u>1,624,288</u>	<u>1,792,314</u>
CHANGE IN NET ASSETS	62,797	170,679
Net Assets, Beginning	279,497	108,818
NET ASSETS, ENDING	\$ 342,294	\$ 279,497

STATEMENTS OF CASH FLOWS

For the Year Ended December 31	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 62,797</u>	<u>\$ 170,679</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	798	446
Website Amortization	708	—
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(17,200)	13,376
Grants Payable	(212,181)	(280,867)
Accrued Payroll and Related Taxes	363	(4,344)
Total Adjustments	<u>(227,512)</u>	<u>(271,389)</u>
Net Cash Used by Operating Activities	<u>(164,715)</u>	<u>(100,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(2,595)	(1,339)
Website Design Costs	<u>(25,500)</u>	<u>—</u>
Net Cash Used by Investing Activities	<u>(28,095)</u>	<u>(1,339)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(192,810)	(102,049)
Cash, Beginning	<u>1,879,884</u>	<u>1,981,933</u>
CASH, ENDING	\$ 1,687,074	\$ 1,879,884
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Activities		
Donated Services	<u>\$ 16,650</u>	<u>\$ 4,525</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:

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 Council (purpose restrictions) and/or the passage of time (time restrictions). As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying financial statements as net assets released from restrictions. At December 31, 2018 and 2017, the Foundation had no net assets with donor restrictions.

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

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 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), restricted net assets are reclassified to net assets without donor restriction and reported in the statements 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.

INTANGIBLES

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 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 \$16,650 of donated professional services during the year ended December 31, 2018, and \$4,525 during the year ended December 31, 2017, 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. 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

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 and cash equivalents.

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 PRONOUNCEMENT

The Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and was effective for the Foundation's year ended December 31, 2018. ASU No. 2016-14 required significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions; changes in the way certain information is aggregated and reported by the organization, including required disclosures about the liquidity and availability of resources; and a statement of functional expenses with required disclosure of the allocation methodology. The new standard was applied on a retrospective basis. Other than these additional disclosures and name changes, no additional revisions were required.

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 is comprised of \$1,687,074 cash at December 31, 2018.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3—INTANGIBLE ASSETS

	<u>2018</u>	<u>2017</u>
Website	\$ 25,500	\$ —
Less Accumulated Amortization.....	<u>708</u>	<u>—</u>
	<u>\$ 24,792</u>	<u>\$ —</u>

Amortization expense was \$708 for 2018 and \$-0- for 2017. Amortization expense for the next three years is as follows:

Year Ending June 30		
2019	\$	8,500
2020		8,500
2021		<u>7,792</u>
		<u>\$ 24,792</u>

NOTE 4—RELATED PARTY TRANSACTIONS

Members of the Board of Directors were paid \$68,740 and \$68,542 during the year ended December 31, 2018 and 2017, respectively. These amounts are included in payroll and related payroll taxes on the statements of activities.

NOTE 5—RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 6—SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2019, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.