

MATTHEW HILL FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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

August 18, 2021

STATEMENTS OF FINANCIAL POSITION

As of December 31	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,052,476	\$ 1,472,235
Accounts Receivable	5,000	—
Contributions Receivable	100,000	—
Prepaid Expenses	3,341	—
Total Current Assets	<u>1,160,817</u>	<u>1,472,235</u>
EQUIPMENT		
Equipment	5,473	5,473
Less Accumulated Depreciation	3,686	2,592
Equipment, net	<u>1,787</u>	<u>2,881</u>
INTANGIBLE ASSETS, net of Accumulated Amortization	7,792	16,292
TOTAL ASSETS	\$ 1,170,396	\$ 1,491,408
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 11,280	\$ 11,543
Grants Payable	764,720	1,097,747
Accrued Payroll and Related Taxes	1,564	121
Total Current Liabilities	<u>777,564</u>	<u>1,109,411</u>
NET ASSETS		
Without Donor Restriction	392,832	381,997
TOTAL LIABILITIES AND NET ASSETS	\$ 1,170,396	\$ 1,491,408

STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES

For the Years Ended December 31	2020	2019
SUPPORT AND REVENUES		
Contributions	\$ 1,035,658	\$ 1,440,021
Product Sales, net of Cost of Sales of \$7,754 and \$7,807	(207)	(107)
Total Support and Revenues	<u>1,035,451</u>	<u>1,439,914</u>
Other Revenue		
Licensing and Advertising Fees	5,000	—
Interest Income	3,282	5,747
Total Other Revenue	<u>8,282</u>	<u>5,747</u>
Total Support and Revenues	<u>1,043,733</u>	<u>1,445,661</u>
FUNCTIONAL EXPENSES		
Program Services		
Grants	764,720	1,097,747
Payroll	22,875	40,000
Payroll Taxes	1,932	3,271
Employee Benefits	1,165	1,400
Travel	2,316	1,366
Total Program Services Expenses	<u>793,008</u>	<u>1,143,784</u>
Management and General		
Office Expenses	4,479	2,997
Payroll	26,250	20,000
Payroll Taxes	2,217	1,636
Employee Benefits	917	700
State/Charity Registration	20,816	17,259
Depreciation	1,094	1,164
Professional Fees and Dues	28,784	28,876
Donated Professional Fees	42,720	42,595
Total Management and General Expenses	<u>127,277</u>	<u>115,227</u>
Fundraising		
Marketing	368	1,055
Payroll	61,829	81,572
Payroll Taxes	5,222	6,671
Employee Benefits	1,643	700
Contract Services	4,388	—
Technology	6,512	9,756
Website Amortization	8,500	8,500
Pay Pal Fees	24,151	38,693
Total Fundraising Expenses	<u>112,613</u>	<u>146,947</u>
Total Expenses	<u>1,032,898</u>	<u>1,405,958</u>
CHANGE IN NET ASSETS	10,835	39,703
Net Assets, Beginning	381,997	342,294
NET ASSETS, ENDING	\$ 392,832	\$ 381,997

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 10,835</u>	<u>\$ 39,703</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	1,094	1,164
Website Amortization	8,500	8,500
(Increase) Decrease in Assets		
Accounts Receivable	(5,000)	—
Contributions Receivable	(100,000)	—
Prepaid Expenses	(3,341)	—
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(263)	2,841
Grants Payable	(333,027)	(266,805)
Accrued Payroll and Related Taxes	<u>1,443</u>	<u>(242)</u>
Total Adjustments	<u>(430,594)</u>	<u>(254,542)</u>
Net Cash Used by Operating Activities and Net Decrease in Cash	(419,759)	(214,839)
Cash, Beginning	<u>1,472,235</u>	1,687,074
CASH, ENDING	<u>\$ 1,052,476</u>	<u>\$ 1,472,235</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Activities		
Donated Services	<u>\$ 42,720</u>	<u>\$ 42,595</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 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, 2020 and 2019, 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

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.

A substantial portion of the Foundation's revenue arrangements related to product sales which 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

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 \$42,720 of donated professional services during the year ended December 31, 2020, and \$42,595 during the year ended December 31, 2019, which are included in contributions on the statements of activities and functional expenses, and are separately disclosed as 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Credit risk associated with accounts and contributions grants receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors/grantors supportive of the Foundation's mission.

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.

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 \$1,052,476 cash, \$5,000 of Accounts receivable and \$100,000 of contributions receivable totaling \$1,157,476 at December 31, 2020 and \$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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3—INTANGIBLE ASSETS

	<u>2020</u>	<u>2019</u>
Website	\$ 25,500	\$ 25,500
Less Accumulated Amortization.....	<u>17,708</u>	<u>9,208</u>
	<u>\$ 7,792</u>	<u>\$ 16,292</u>

Amortization expense was \$8,500 for 2020 and 2019. Amortization expense for the next year is as follows:

Year Ending December 31	
2021	<u>\$ 7,792</u>

NOTE 4—RELATED PARTY TRANSACTIONS

Members of the Board of Directors were paid \$82,500 and \$80,000 during the years ended December 31, 2020 and 2019, respectively. These amounts are included in payroll and related payroll taxes on the statements of activities and functional expenses.

NOTE 5—SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 18, 2021, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.