

**MATTHEW HILL FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the accompanying financial statements of MATTHEW HILL FOUNDATION, INC. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 MATTHEW HILL FOUNDATION, INC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 MATTHEW HILL FOUNDATION, INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 MATTHEW HILL FOUNDATION, INC.'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 MATTHEW HILL FOUNDATION, INC.'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.

Ward & Davis LLP

July 10, 2023

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 297,342	\$ 854,204
Contributions Receivable	427,760	—
Prepaid Expenses	4,178	2,879
Total Current Assets	<u>729,280</u>	<u>857,083</u>
<b>EQUIPMENT</b>		
Equipment	5,473	5,473
Less Accumulated Depreciation	5,193	4,652
Equipment, net	<u>280</u>	<u>821</u>
INTANGIBLE ASSETS, net of Accumulated Amortization	7,428	8,167
<b>TOTAL ASSETS</b>	<b>\$ 736,988</b>	<b>\$ 866,071</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 15,664	\$ 11,700
Grants Payable	306,269	360,560
Accrued Payroll and Related Taxes	9,785	709
Total Current Liabilities	<u>331,718</u>	<u>372,969</u>
<b>NET ASSETS</b>		
Without Donor Restriction	405,270	493,102
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 736,988</b>	<b>\$ 866,071</b>

## STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES

For the Years Ended December 31	2022	2021
<b>SUPPORT AND REVENUES</b>		
Contributions	\$ 616,341	\$ 730,678
Donated Services	42,300	43,100
Product Sales, net of Cost of Sales of \$2,235 and \$4,611	102	2,466
Total Support and Revenues	<u>658,743</u>	<u>776,244</u>
Other Revenue		
Interest Income	568	983
Miscellaneous	482	33
Total Other Revenue	<u>1,050</u>	<u>1,016</u>
Total Support and Revenues	<u>659,793</u>	<u>777,260</u>
<b>FUNCTIONAL EXPENSES</b>		
Program Services		
Grants	376,269	360,560
Payroll	58,075	36,877
Payroll Taxes	4,833	2,972
Employee Benefits	4,764	1,093
Insurance	100	403
Technology	4,518	—
Travel	—	80
Total Program Services Expenses	<u>448,559</u>	<u>401,985</u>
Management and General		
Office Expenses	14,296	4,283
Payroll	55,788	39,444
Payroll Taxes	4,642	3,179
Employee Benefits	4,914	1,470
Insurance	3,843	4,318
State/Charity Registration and Compliance	22,001	18,965
Travel	180	—
Depreciation	541	966
Professional Fees and Dues	28,830	23,007
Donated Professional Fees	42,300	43,100
Total Management and General Expenses	<u>177,335</u>	<u>138,732</u>
Fundraising		
Marketing	812	1,361
Payroll	87,763	86,965
Payroll Taxes	7,303	7,019
Employee Benefits	5,746	3,316
Contract Services	619	—
Insurance	151	953
Technology	—	8,195
Website Amortization	3,339	9,425
Merchant Fees	15,998	19,039
Total Fundraising Expenses	<u>121,731</u>	<u>136,273</u>
Total Expenses	<u>747,625</u>	<u>676,990</u>
CHANGE IN NET ASSETS	(87,832)	100,270
Net Assets, Beginning	493,102	392,832
NET ASSETS, ENDING	\$ 405,270	\$ 493,102

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ (87,832)</u>	<u>\$ 100,270</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	541	966
Website Amortization	3,339	9,425
(Increase) Decrease in Assets		
Accounts Receivable	—	5,000
Contributions Receivable	(427,760)	100,000
Prepaid Expenses	(1,299)	462
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	3,964	420
Grants Payable	(54,291)	(404,160)
Accrued Payroll and Related Taxes	<u>9,076</u>	<u>(855)</u>
Total Adjustments	<u>(466,430)</u>	<u>(288,742)</u>
Net Cash Used by Operating Activities	(554,262)	(188,472)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Intangible Assets Addition	<u>(2,600)</u>	<u>(9,800)</u>
<b>NET DECREASE IN CASH</b>	<b>(556,862)</b>	<b>(198,272)</b>
Cash, Beginning	854,204	1,052,476
<b>CASH, ENDING</b>	<u><b>\$ 297,342</b></u>	<u><b>\$ 854,204</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash Activities		
Donated Services	<u><b>\$ 42,300</b></u>	<u><b>\$ 43,100</b></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, 2022 and 2021, 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. 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. The Foundation determines an allowance for doubtful accounts based on past experience and analyses of collectability of the various receivables. The allowance for doubtful accounts was \$-0- at December 31, 2022 and 2021 as the Foundations believes all amounts were collectible. Receivables are charged to bad debt expense or loss when deemed uncollectible.

A substantial portion of the Foundation's revenue arrangements consist of product sales, which are recognized at a point in time upon completion of the sale and the payment of these amounts are due prior to shipment of the products. 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 and subsequent upgrades, which are amortized over an 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 \$42,300 of donated professional accounting services during the year ended December 31, 2022, and \$43,100 during the year ended December 31, 2021. These services are valued based on prevailing hourly rates in the Foundation's principal market for the same kind of services. These amounts are reflected in the statements of activities and functional expenses as donated services revenue and as donated professional fees expense. There were no donor-imposed restrictions associated with the donated services and they were utilized in the Foundation's supporting activities.

**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, which include an allocation of personnel, and any other related costs based on estimates of time and effort spent by employees on the different functional expense categories.

**CONCENTRATION OF CREDIT RISK**

The Foundation's cash balances, at times, may exceed federally-insured limits. At December 31, 2022 and 2021 the Foundation has deposits at financial institutions in excess of federally insured limits of approximately \$-0- and \$564,216, respectively. The Foundation has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk on cash.

Credit risk associated with contributions receivable is 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 statements of financial position date are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents.....	\$ 297,342	\$ 854,204
Contribution Receivables, net .....	<u>427,760</u>	<u>-</u>
	<u>\$ 725,102</u>	<u>\$ 854,204</u>

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>2022</u>	<u>2021</u>
Website .....	\$ 37,900	\$ 35,300
Less Accumulated Amortization.....	<u>30,472</u>	<u>27,133</u>
	<u>\$ 7,428</u>	<u>\$ 8,167</u>

Amortization expense was \$3,339 for 2022 and \$9,425 for 2021. Amortization expense for the following years is:

Year Ending December 31	
2023 .....	\$ 4,134
2024 .....	2,500
2025 .....	<u>794</u>
	<u>\$ 7,428</u>

**NOTE 4—RETIREMENT PLAN**

The Foundation offers a voluntary 401(k) retirement plan for its employees who have completed three months of service and attained the age of twenty-one. The plan allows for employee contributions and a safe harbor employer matching contribution, equal to 100% of deferrals up to 3% of compensation, plus 50% of deferrals for the next 2%. The Foundation's matching contributions are vesting at a rate of 20% per year, starting after the first full year of service. The Foundation's contribution was \$7,202 and \$5,879 in 2022 and 2021, respectively.

**NOTE 5—RELATED PARTY TRANSACTIONS**

Compensation of a member of the Board of Directors, totaled \$104,534 and \$96,144 for the years ended December 31, 2022 and 2021, respectively which is included on the statements of activities and functional expenses in payroll, payroll taxes, and employee benefits.

**NOTE 6—RECLASSIFICATIONS**

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

**NOTE 7—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 10, 2023, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.