

MATHCOUNTS Foundation

Financial Statements
and Independent Auditors' Report

July 31, 2019 and 2018

MATHCOUNTS Foundation

Financial Statements
July 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MATHCOUNTS Foundation

We have audited the accompanying financial statements of MATHCOUNTS Foundation (“the Foundation”), which comprise the statements of financial position as of July 31, 2019 and 2018; the related statements of activities and cash flows for the years ended July 31, 2019 and 2018; the statement of functional expenses for the year ended July 31, 2019; 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s 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 the Foundation as of July 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.

Emphasis of Matter

As disclosed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the issuance of the statement of functional expenses, additional footnote disclosures, and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
January 30, 2020

MATHCOUNTS Foundation

Statements of Financial Position July 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 580,692	\$ 359,609
Accounts receivable	43,722	31,114
Grants receivable	214,996	204,634
Investments, scholarships payable, short-term	111,225	96,250
Investments, other	2,433,247	2,366,818
Prepaid expenses and other current assets	26,646	36,584
	<hr/>	<hr/>
Total current assets	3,410,528	3,095,009
Investments, scholarships payable, long-term	230,594	239,156
Property and equipment, net	166,757	247,973
	<hr/>	<hr/>
Total assets	<u>\$ 3,807,879</u>	<u>\$ 3,582,138</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 157,267	\$ 41,606
Due to National Society of Professional Engineers	5,652	14,565
Scholarships payable, short-term	111,225	96,250
Deferred revenue	65,326	23,842
State custodials	70,991	76,025
	<hr/>	<hr/>
Total current liabilities	410,461	252,288
Scholarships payable, long-term, net	230,594	239,156
	<hr/>	<hr/>
Total liabilities	641,055	491,444
Net Assets		
Without donor restrictions	2,316,824	2,215,694
With donor restrictions	850,000	875,000
	<hr/>	<hr/>
Total net assets	3,166,824	3,090,694
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 3,807,879</u>	<u>\$ 3,582,138</u>

See accompanying notes.

MATHCOUNTS Foundation

Statement of Activities
For the Year Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 773,750	\$ 850,000	\$ 1,623,750
School registration fees	1,065,498	-	1,065,498
Coaching materials revenue	98,380	-	98,380
National competition revenue	55,179	-	55,179
Sale of trophies and promotional items	22,323	-	22,323
Investment income, net	73,238	-	73,238
Released from restrictions	875,000	(875,000)	-
	2,963,368	(25,000)	2,938,368
Expenses			
Program services:			
Competition series	1,757,289	-	1,757,289
The National Math Club	214,679	-	214,679
College and outreach programs	219,207	-	219,207
Math Video Challenge	114,381	-	114,381
School recruitment	138,217	-	138,217
Production of coaching materials	40,542	-	40,542
	2,484,315	-	2,484,315
Supporting services:			
General and administration	203,858	-	203,858
Fundraising	174,065	-	174,065
	377,923	-	377,923
Total expenses	2,862,238	-	2,862,238
Change in Net Assets	101,130	(25,000)	76,130
Net Assets, beginning of year	2,215,694	875,000	3,090,694
Net Assets, end of year	\$ 2,316,824	\$ 850,000	\$ 3,166,824

See accompanying notes.

MATHCOUNTS Foundation

Statement of Activities
For the Year Ended July 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 1,150,784	\$ 875,000	\$ 2,025,784
School registration fees	1,073,807	-	1,073,807
Coaching materials revenue	102,384	-	102,384
National competition revenue	46,756	-	46,756
Sale of trophies and promotional items	22,948	-	22,948
Investment income, net	150,512	-	150,512
Miscellaneous income	150	-	150
Released from restrictions	600,000	(600,000)	-
Total revenue and support	3,147,341	275,000	3,422,341
Expenses			
Program services:			
Competition series	1,781,615	-	1,781,615
The National Math Club	221,438	-	221,438
College and outreach programs	185,876	-	185,876
Math Video Challenge	117,100	-	117,100
School recruitment	263,610	-	263,610
Production of coaching materials	52,368	-	52,368
Coordinator convention	167,271	-	167,271
Total program services	2,789,278	-	2,789,278
Supporting services:			
General and administration	189,895	-	189,895
Fundraising	170,972	-	170,972
Total supporting services	360,867	-	360,867
Total expenses	3,150,145	-	3,150,145
Change in Net Assets	(2,804)	275,000	272,196
Net Assets, beginning of year	2,218,498	600,000	2,818,498
Net Assets, end of year	\$ 2,215,694	\$ 875,000	\$ 3,090,694

See accompanying notes.

MATHCOUNTS Foundation

Statement of Functional Expenses
For the Year Ended July 31, 2019

	Program Services						Supporting Services			
	Competition Series	The National Math Club	College and Outreach Programs	Math Video Challenge	School Recruitment	Production of Coaching Materials	Total Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 339,822	\$ 79,028	\$ 134,348	\$ 39,514	\$ 55,320	\$ 7,903	\$ 655,935	\$ 23,708	\$ 110,640	\$ 790,283
Employee benefits and payroll taxes	71,813	16,701	28,391	8,350	11,691	1,670	138,616	5,028	23,381	167,025
Professional fees	-	-	-	-	-	-	-	66,084	-	66,084
Consulting	109,627	200	-	15,434	19,271	11,948	156,480	8,400	5,750	170,630
Advertising and promotion	26,708	-	-	565	14,625	-	41,898	-	-	41,898
Credit card and bank fees	19,582	-	-	-	-	2,134	21,716	185	4,105	26,006
Telecommunications	1,961	934	8,400	7,308	-	-	18,603	23,609	-	42,212
Reimbursements	223,841	-	-	-	-	-	223,841	-	-	223,841
Meeting expenses	34,689	128	5,130	603	3,992	-	44,542	2,017	31	46,590
Awards and scholarships	127,419	9,239	5,483	5,777	-	12	147,930	1,528	-	149,458
Office rent	67,583	15,717	26,719	7,858	11,002	1,572	130,451	6,875	22,004	159,330
Postage and shipping	80,555	49,000	592	3,590	3,210	224	137,171	10,746	1,322	149,239
Printing and publishing	66,192	34,845	1,525	3,136	4,516	15,079	125,293	1,316	3,039	129,648
Books and staff development	-	-	-	-	-	-	-	18,755	2,560	21,315
Travel	18,105	-	8,619	553	4,592	-	31,869	3,161	1,233	36,263
National competition participant costs	397,072	3,887	-	21,693	-	-	422,652	-	-	422,652
Audio visual	119,455	-	-	-	-	-	119,455	-	-	119,455
Depreciation and amortization	52,865	5,000	-	-	9,998	-	67,863	17,855	-	85,718
Bad debt expense	-	-	-	-	-	-	-	3,858	-	3,858
Other	-	-	-	-	-	-	-	10,733	-	10,733
Total Expenses	\$ 1,757,289	\$ 214,679	\$ 219,207	\$ 114,381	\$ 138,217	\$ 40,542	\$ 2,484,315	\$ 203,858	\$ 174,065	\$ 2,862,238

See accompanying notes.

MATHCOUNTS Foundation

Statements of Cash Flows For the Years Ended July 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 76,130	\$ 272,196
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(20,668)	(105,384)
Depreciation and amortization	85,718	85,467
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(12,608)	4,367
Grants receivable	(10,362)	(75,784)
Prepaid expenses and other current assets	9,938	41,882
Increase (decrease) in:		
Accounts payable and accrued expenses	115,661	(40,679)
Due to National Society of Professional Engineers	(8,913)	10,979
Scholarships payable	6,413	18,283
Deferred revenue	41,484	(47,828)
State custodials	(5,034)	17,159
	277,759	180,658
Cash Flows from Investing Activities		
Purchases of property and equipment	(4,502)	(207,291)
Net purchases of investments	(52,174)	(293,421)
	(56,676)	(500,712)
Net cash used in investing activities		
	221,083	(320,054)
Net Increase (Decrease) in Cash		
	359,609	679,663
Cash, beginning of year		
	359,609	679,663
Cash, end of year	\$ 580,692	\$ 359,609

See accompanying notes.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

1. Nature of Operations

The MATHCOUNTS Foundation (“the Foundation”) originally operated as a joint program between the National Society of Professional Engineers (NSPE), CNA Foundation (CNA), and the National Council of Teachers of Mathematics (NCTM) from its inception in 1983 until its incorporation.

The Foundation sponsors the three signature MATHCOUNTS programs through the support of many organizations and individuals. The Foundation is a 501(c)(3) nonprofit organization that strives to engage middle school students of all ability and interest levels in fun, challenging math programs, in order to expand their academic and professional opportunities.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Foundation’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded at net realizable value and represent amounts due from registration fees from the MATHCOUNTS Competition Series. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts receivable. The Foundation did not record an allowance for uncollectible accounts as of July 31, 2019 and 2018.

Grants Receivable

The Foundation's grants receivable are due in less than one year and are recorded at net realizable value at July 31, 2019 and 2018. No allowance for doubtful accounts is recorded, as management believes that all receivables are fully collectible.

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of investment income in the accompanying statements of activities.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are expensed as incurred.

Revenue Recognition

Contributions and grants are recorded as revenue when received or promised. The Foundation reports gifts of cash and other assets as restricted support if they are received or promised with grantor or donor stipulations that limit the use of the donated assets to one of the Foundation's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

School registration fees are recognized as revenue and support in the period in which the MATHCOUNTS competition series is held. Accordingly, registration fees paid in advance are recorded as deferred revenue in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

Donated Facilities and Goods

The Foundation receives donated facilities for the use of office space from NSPE. The fair value of the use of donated facilities totaled \$106,737 and \$103,873 for the years ended July 31, 2019 and 2018, respectively, and is included in contributions and grants in the accompanying statements of activities.

The Foundation also receives donated goods in the form of calculators. These items are valued using comparable market rates, and are included in contributions and grants in the accompanying statements of activities in the amount of \$47,189 and \$43,400 for the years ended July 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred, and approximated \$41,898 and \$44,313 during the years ended July 31, 2019 and 2018, respectively.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect in the change in net assets previously reported.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the statement of functional expenses, which is permitted by the ASU in the year of adoption. The implementation had no impact on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 30, 2020, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following at July 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 580,692	\$ 359,609
Accounts receivable	43,722	31,114
Grants receivable	214,996	204,634
Investments, other	<u>2,433,247</u>	<u>2,366,818</u>
Total available for general expenditures	<u>\$ 3,272,657</u>	<u>\$ 2,962,175</u>

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

4. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and investments. The Foundation maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

The Foundation follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs.

The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. In general, and where applicable, the Foundation uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

5. Investments and Fair Value Measurements (continued)

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at July 31, 2019:

	Level 1	Level 2	Level 3	Total
Exchange-traded funds:				
Mid cap blend	\$ 63,269	\$ -	\$ -	\$ 63,269
Small cap blend	57,863	-	-	57,863
Foreign large blend	138,303	-	-	138,303
Mutual funds:				
Intermediate term bonds	838,510	-	-	838,510
Large blend	690,940	-	-	690,940
Mid cap growth	61,688	-	-	61,688
Small cap value	47,620	-	-	47,620
Foreign large blend	122,439	-	-	122,439
Foreign large growth	142,501	-	-	142,501
Emerging markets	90,569	-	-	90,569
Short-term investments	521,364	-	-	521,364
Total investments	<u>\$ 2,775,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,775,066</u>

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at July 31, 2018:

	Level 1	Level 2	Level 3	Total
Exchange-traded funds:				
Mid cap blend	\$ 59,407	\$ -	\$ -	\$ 59,407
Small cap blend	62,291	-	-	62,291
Foreign large blend	144,294	-	-	144,294
Mutual funds:				
Intermediate term bonds	797,362	-	-	797,362
Large blend	639,942	-	-	639,942
Mid cap growth	53,585	-	-	53,585
Small cap value	54,057	-	-	54,057
Foreign large blend	143,825	-	-	143,825
Foreign large growth	149,047	-	-	149,047
Emerging markets	93,317	-	-	93,317
Short-term investments	505,097	-	-	505,097
Total investments	<u>\$ 2,702,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,702,224</u>

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

5. Investments and Fair Value Measurements (continued)

Net investment income consists of the following for the years ended July 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 72,424	\$ 66,294
Realized and unrealized gain	20,668	105,384
Less: investment management fees	<u>(19,854)</u>	<u>(21,166)</u>
Investment income, net	<u>\$ 73,238</u>	<u>\$ 150,512</u>

6. Property and Equipment

Property and equipment consists of the following at July 31:

	<u>2019</u>	<u>2018</u>
Computers and software	\$ 514,500	\$ 509,998
Leasehold improvements	<u>131,019</u>	<u>131,019</u>
Total property and equipment	645,519	641,017
Less: accumulated depreciation and amortization	<u>(478,762)</u>	<u>(393,044)</u>
Property and equipment, net	<u>\$ 166,757</u>	<u>\$ 247,973</u>

7. Related Party Transactions

NSPE and other contributors jointly sponsor the MATHCOUNTS program. However, none of the sponsors have a controlling financial interest in the Foundation.

Amounts due to NSPE arise from expenses paid by NSPE on behalf of the Foundation, for which NSPE has not received reimbursement. As of July 31, 2019 and 2018, the Foundation owed NSPE \$5,652 and \$14,565, respectively, for unreimbursed expenses.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

8. State Custodials

The Foundation receives contributions for use in support of state competitions. The donors require that these contributions be used to reimburse the state societies for costs they have incurred in support of state competitions.

	<u>State Custodials</u>
Balance, July 31, 2017	\$ 58,866
Cash receipts	65,648
Paid to states	<u>(48,489)</u>
Balance, July 31, 2018	76,025
Cash receipts	39,861
Paid to states	<u>(44,895)</u>
Balance, July 31, 2019	<u><u>\$ 70,991</u></u>

9. Scholarships Payable

In 1988, the Foundation's Board of Directors voted to award college scholarships to the top three finalists in the national competition each year. The first such scholarship was awarded at the May 1989 national competition. In recent years, the Board of Directors has expanded the list of scholarships awarded to include the national champion, runner-up, and semi-finalists of the countdown round; the top scoring team; the two highest scoring individuals in the written competition; the winning team of the Math Video Challenge; and an alumni scholarship winner.

Except for the alumni scholarship, which is a one-time payment, the scholarships are payable ratably over the first four years of the students' college education. Since the national competition winners are middle school students, the first installment of the scholarship is normally payable four years after the scholarship is awarded.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

9. Scholarships Payable (continued)

The following is a schedule of future payments for scholarships awarded as of July 31:

2020	\$	111,225
2021		40,625
2022		38,500
2023		53,125
2024		46,800
Thereafter		<u>95,775</u>
Total		386,050
Less: present-value discount (5%)		<u>(44,231)</u>
Net present value of scholarships payable	\$	<u><u>341,819</u></u>

The discount rate used on long-term scholarships was 5% at July 31, 2019, which is based on various factors including the projected rate of return and market inflation.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following grants restricted for use in future periods at July 31:

	<u>2019</u>	<u>2018</u>
Raytheon	\$ 500,000	\$ 500,000
Northrop Grumman Foundation	300,000	275,000
Phillips 66	50,000	50,000
General Motors Foundation	<u>-</u>	<u>50,000</u>
Total net assets with donor restrictions	<u><u>\$ 850,000</u></u>	<u><u>\$ 875,000</u></u>

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2019 and 2018

11. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries, employee benefits and payroll taxes, depreciation and amortization, and office rent, which are allocated on the basis of estimates of time and effort.

12. Service Organization

The Foundation contracts with Insperity PEO Services, L.P. (“Insperity”) as their professional employer organization. As such, Insperity is the employer of record for tax, benefits, and insurance purposes for the Foundation’s employees. This co-employment relationship allows the Foundation to maintain direct control of the day-to-day activities of employees, while Insperity assumes the administrative functions of human resources and absorbs many employer-related liabilities. For the years ended July 31, 2019 and 2018, \$984,833 and \$928,367, respectively, was incurred under this agreement.

13. Income Taxes

The Foundation is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the years ended July 31, 2019 and 2018, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Management has evaluated the Foundation’s tax positions and concluded that the Foundation’s financial statements do not include any uncertain tax positions.