

**MATHCOUNTS Foundation**

Financial Statements  
and Independent Auditors' Report

July 31, 2021 and 2020

**MATHCOUNTS Foundation**

Financial Statements  
July 31, 2021 and 2020

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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, 2021 and 2020; the related statements of activities, 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 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*

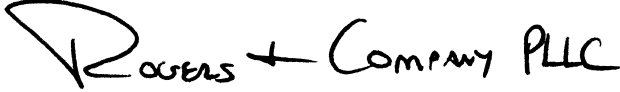
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2021 and 2020, 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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, with a loop at the top. The plus sign is a simple horizontal line. "Company" is written in a cursive-like script, and "PLLC" is in a more formal, blocky font.

Vienna, Virginia  
February 4, 2022

## MATHCOUNTS Foundation

### Statements of Financial Position July 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 2,053,149	\$ 1,588,735
Accounts receivable	7,379	55,714
Grants receivable	204,857	42,140
Investments, scholarships payable, short-term	130,250	111,875
Investments, other	2,924,925	2,586,941
Prepaid expenses and other current assets	37,199	32,928
	<hr/>	<hr/>
Total current assets	5,357,759	4,418,333
Investments, scholarships payable, long-term	356,126	205,338
Property and equipment, net	225,771	127,630
	<hr/>	<hr/>
Total assets	<u>\$ 5,939,656</u>	<u>\$ 4,751,301</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 155,477	\$ 130,579
Due to National Society of Professional Engineers	2,622	8,572
Scholarships payable, short-term	130,250	111,875
Deferred revenue	16,206	43,201
State custodials	102,979	84,095
	<hr/>	<hr/>
Total current liabilities	407,534	378,322
Scholarships payable, long-term, net	356,126	205,338
	<hr/>	<hr/>
Total liabilities	<u>763,660</u>	<u>583,660</u>
<b>Net Assets</b>		
Without donor restrictions	4,275,996	3,202,641
With donor restrictions	900,000	965,000
	<hr/>	<hr/>
Total net assets	<u>5,175,996</u>	<u>4,167,641</u>
Total liabilities and net assets	<u>\$ 5,939,656</u>	<u>\$ 4,751,301</u>

See accompanying notes.

## MATHCOUNTS Foundation

Statement of Activities  
For the Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions and grants	\$ 1,247,407	\$ 900,000	\$ 2,147,407
School registration fees	850,891	-	850,891
Coaching materials revenue	88,109	-	88,109
Sale of trophies and promotional items	4,157	-	4,157
Other income	1,657	-	1,657
Investment return, net	508,705	-	508,705
Released from restrictions	965,000	(965,000)	-
	<u>3,665,926</u>	<u>(65,000)</u>	<u>3,600,926</u>
<b>Expenses</b>			
Program services:			
Competition Series	1,358,554	-	1,358,554
The National Math Club	288,401	-	288,401
College and outreach programs	319,389	-	319,389
Math Video Challenge	172,369	-	172,369
School recruitment	58,841	-	58,841
Production of coaching materials	36,302	-	36,302
	<u>2,233,856</u>	<u>-</u>	<u>2,233,856</u>
Supporting services:			
General and administration	188,153	-	188,153
Fundraising	170,562	-	170,562
	<u>358,715</u>	<u>-</u>	<u>358,715</u>
Total expenses	<u>2,592,571</u>	<u>-</u>	<u>2,592,571</u>
<b>Change in Net Assets</b>	1,073,355	(65,000)	1,008,355
<b>Net Assets, beginning of year</b>	<u>3,202,641</u>	<u>965,000</u>	<u>4,167,641</u>
<b>Net Assets, end of year</b>	<u>\$ 4,275,996</u>	<u>\$ 900,000</u>	<u>\$ 5,175,996</u>

See accompanying notes.

## MATHCOUNTS Foundation

Statement of Activities  
For the Year Ended July 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions and grants	\$ 1,064,707	\$ 965,000	\$ 2,029,707
School registration fees	1,070,775	-	1,070,775
Coaching materials revenue	90,542	-	90,542
Sale of trophies and promotional items	22,274	-	22,274
Other income	1,367	-	1,367
Investment return, net	129,979	-	129,979
Released from restrictions	850,000	(850,000)	-
	3,229,644	115,000	3,344,644
<b>Expenses</b>			
Program services:			
Competition Series	1,236,595	-	1,236,595
The National Math Club	235,216	-	235,216
College and outreach programs	282,244	-	282,244
Math Video Challenge	146,432	-	146,432
School recruitment	83,028	-	83,028
Production of coaching materials	32,945	-	32,945
	2,016,460	-	2,016,460
Total program services	2,016,460	-	2,016,460
Supporting services:			
General and administration	156,171	-	156,171
Fundraising	171,196	-	171,196
	327,367	-	327,367
Total supporting services	327,367	-	327,367
Total expenses	2,343,827	-	2,343,827
<b>Change in Net Assets</b>	885,817	115,000	1,000,817
<b>Net Assets, beginning of year</b>	2,316,824	850,000	3,166,824
<b>Net Assets, end of year</b>	\$ 3,202,641	\$ 965,000	\$ 4,167,641

See accompanying notes.

**MATHCOUNTS Foundation**

Statement of Functional Expenses  
For the Year Ended July 31, 2021

	Program Services							Supporting Services			Total
	Competition Series	The National Math Club	College and Outreach Programs	Math Video Challenge	School Recruitment	Production of Coaching Materials	Total Program Services	General and Administration	Fundraising	Total Supporting Services	
Salaries	\$ 456,834	\$ 111,671	\$ 182,734	\$ 81,215	\$ 20,304	\$ 10,152	\$ 862,910	\$ 40,608	\$ 111,671	\$ 152,279	\$ 1,015,189
Employee benefits and payroll taxes	115,658	28,272	46,263	20,561	5,140	2,570	218,464	10,281	28,272	38,553	257,017
Professional fees	-	-	-	-	-	-	-	41,124	-	41,124	41,124
Consulting	34,942	3,339	12,500	10,590	10,677	10,073	82,121	11,335	2,875	14,210	96,331
Advertising and promotion	14,755	10,634	2,500	5,126	2,064	-	35,079	-	4	4	35,083
Credit card and bank fees	17,986	-	-	-	-	1,381	19,367	1,520	4,480	6,000	25,367
Telecommunications	4,439	145	16,059	7,880	-	-	28,523	29,142	-	29,142	57,665
Reimbursements	186,823	-	-	-	-	-	186,823	-	-	-	186,823
Meeting expenses	5,890	-	-	296	-	-	6,186	498	-	498	6,684
Awards and scholarships	287,998	25,793	26,616	20,968	-	-	361,375	1,939	-	1,939	363,314
Office rent	70,721	17,287	28,702	11,744	3,557	1,572	133,583	8,032	17,701	25,733	159,316
Postage and shipping	69,430	65,122	678	6,580	4,578	785	147,173	638	1,457	2,095	149,268
Printing and publishing	26,683	20,525	-	3,754	5,146	9,769	65,877	4,421	22	4,443	70,320
Books and staff development	255	195	80	195	-	-	725	5,555	4,080	9,635	10,360
Travel	789	-	-	-	-	-	789	47	-	47	836
Audio visual	54,719	-	-	-	-	-	54,719	-	-	-	54,719
Depreciation and amortization	10,632	5,418	3,257	3,460	7,375	-	30,142	8,249	-	8,249	38,391
Bad debt expense	-	-	-	-	-	-	-	19,555	-	19,555	19,555
Other	-	-	-	-	-	-	-	5,209	-	5,209	5,209
<b>Total Expenses</b>	<b>\$ 1,358,554</b>	<b>\$ 288,401</b>	<b>\$ 319,389</b>	<b>\$ 172,369</b>	<b>\$ 58,841</b>	<b>\$ 36,302</b>	<b>\$ 2,233,856</b>	<b>\$ 188,153</b>	<b>\$ 170,562</b>	<b>\$ 358,715</b>	<b>\$ 2,592,571</b>

See accompanying notes.



**MATHCOUNTS Foundation**

Statement of Functional Expenses  
For the Year Ended July 31, 2020

	Program Services							Supporting Services			Total
	Competition Series	The National Math Club	College and Outreach Programs	Math Video Challenge	School Recruitment	Production of Coaching Materials	Total Program Services	General and Administration	Fundraising	Total Supporting Services	
Salaries	\$ 391,427	\$ 95,682	\$ 165,269	\$ 52,190	\$ 26,095	\$ 8,698	\$ 739,361	\$ 26,095	\$ 104,381	\$ 130,476	\$ 869,837
Employee benefits and payroll taxes	96,869	23,679	40,900	12,916	6,458	2,153	182,975	6,458	25,832	32,290	215,265
Professional fees	600	-	-	1,218	-	-	1,818	40,727	1,853	42,580	44,398
Consulting	28,532	-	22,768	20,190	14,287	10,529	96,306	11,650	8,625	20,275	116,581
Advertising and promotion	35,000	25,000	-	20,000	3,483	-	83,483	-	-	-	83,483
Credit card and bank fees	17,487	-	-	-	-	1,517	19,004	177	3,148	3,325	22,329
Telecommunications	6,010	2,720	2,522	10,688	-	-	21,940	27,679	-	27,679	49,619
Reimbursements	214,293	-	-	-	-	-	214,293	-	-	-	214,293
Meeting expenses	13,694	-	188	219	-	-	14,101	75	19	94	14,195
Awards and scholarships	175,031	16,579	13,678	7,038	-	-	212,326	-	-	-	212,326
Office rent	71,319	17,434	30,112	9,509	4,755	1,585	134,714	6,915	19,018	25,933	160,647
Postage and shipping	110,509	41,443	1,973	8,601	10,006	324	172,856	1,250	1,048	2,298	175,154
Printing and publishing	60,031	7,494	1,158	3,678	4,832	8,139	85,332	909	5,132	6,041	91,373
Books and staff development	185	185	-	185	-	-	555	10,817	1,981	12,798	13,353
Travel	2,259	-	3,676	-	3,113	-	9,048	389	159	548	9,596
Audio visual	3,350	-	-	-	-	-	3,350	-	-	-	3,350
Depreciation and amortization	9,999	5,000	-	-	9,999	-	24,998	17,796	-	17,796	42,794
Bad debt expense	-	-	-	-	-	-	-	240	-	240	240
Other	-	-	-	-	-	-	-	4,994	-	4,994	4,994
<b>Total Expenses</b>	<b>\$ 1,236,595</b>	<b>\$ 235,216</b>	<b>\$ 282,244</b>	<b>\$ 146,432</b>	<b>\$ 83,028</b>	<b>\$ 32,945</b>	<b>\$ 2,016,460</b>	<b>\$ 156,171</b>	<b>\$ 171,196</b>	<b>\$ 327,367</b>	<b>\$ 2,343,827</b>

See accompanying notes.

## MATHCOUNTS Foundation

### Statements of Cash Flows For the Years Ended July 31, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,008,355	\$ 1,000,817
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(456,014)	(83,032)
Depreciation and amortization	38,391	42,794
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	48,335	(11,992)
Grants receivable	(162,717)	172,856
Prepaid expenses and other current assets	(4,271)	(6,282)
Increase (decrease) in:		
Accounts payable and accrued expenses Due to National Society of Professional Engineers	24,898	(26,688)
Scholarships payable	(5,950)	2,920
Deferred revenue	169,163	(24,606)
State custodials	(26,995)	(22,125)
	18,884	13,104
Net cash provided by operating activities	652,079	1,057,766
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(136,532)	(3,667)
Net purchases of investments	(51,133)	(46,056)
Net cash used in investing activities	(187,665)	(49,723)
<b>Net Increase in Cash</b>	464,414	1,008,043
<b>Cash, beginning of year</b>	1,588,735	580,692
<b>Cash, end of year</b>	\$ 2,053,149	\$ 1,588,735

*See accompanying notes.*

# MATHCOUNTS Foundation

Notes to Financial Statements  
July 31, 2021 and 2020

## 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.

### 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, 2021 and 2020.

## MATHCOUNTS Foundation

Notes to Financial Statements  
July 31, 2021 and 2020

### 2. Summary of Significant Accounting Policies (continued)

#### Grants Receivable

The Foundation's grants receivable are due in less than one year and are recorded at net realizable value at July 31, 2021 and 2020. 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. Net investment return is reported in the accompanying statements of activities, and consists of interest and dividend income, and realized and unrealized gains and losses, less external and direct internal investment expenses.

#### Property and Equipment

Property and equipment acquisitions in excess of \$1,000 with a useful life exceeding one year are capitalized and 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

The Foundation recognizes contributions and grants when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

Coaching materials and sale of trophies and promotional items are recognized as revenue when the goods are transferred and services are provided. Accordingly, amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

## MATHCOUNTS Foundation

Notes to Financial Statements  
July 31, 2021 and 2020

### 2. Summary of Significant Accounting Policies (continued)

#### 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 \$112,688 and \$109,672 for the years ended July 31, 2021 and 2020, respectively, and is included in contributions and grants in the accompanying statements of activities.

The Foundation also receives donated goods and donated services in the form of calculators and advertising services. 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 \$70,000 and \$121,850 for the years ended July 31, 2021 and 2020, 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 statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Recently Issued Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the new ASU, not-for-profit entities will be required to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU will be effective for the Foundation for the year ending July 31, 2023.

#### 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, 2021 and 2020

### 2. Summary of Significant Accounting Policies (continued)

#### Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 4, 2022, 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 statements of financial position date, comprise of the following at July 31:

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,053,149	\$ 1,588,735
Accounts receivable	7,379	55,714
Grants receivable	204,857	42,140
Investments, other	<u>2,924,925</u>	<u>2,586,941</u>
Total available for general expenditures	<u>\$ 5,190,310</u>	<u>\$ 4,273,530</u>

### 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.

## MATHCOUNTS Foundation

Notes to Financial Statements  
July 31, 2021 and 2020

### 5. Investments and Fair Value Measurements

The Foundation follows Financial Accounting Standards Board 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.

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at July 31, 2021:

	Level 1	Level 2	Level 3	Total
Exchange-traded funds:				
Mid cap blend	\$ 74,907	\$ -	\$ -	74,907
Mutual funds:				
Intermediate term bonds	1,101,030	-	-	1,101,030
Large blend	932,510	-	-	932,510
Mid cap growth	74,034	-	-	74,034
Small cap value	67,296	-	-	67,296
Small cap growth	70,286	-	-	70,286
Foreign large value	191,681	-	-	191,681
Foreign large growth	202,786	-	-	202,786
World allocation	90,434	-	-	90,434
Emerging markets	82,857	-	-	82,857
Short-term investments	523,480	-	-	523,480
Total investments	<u>\$ 3,411,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,411,301</u>

## MATHCOUNTS Foundation

Notes to Financial Statements  
July 31, 2021 and 2020

### 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, 2020:

	Level 1	Level 2	Level 3	Total
Exchange-traded funds:				
Mid cap blend	\$ 66,327	\$ -	\$ -	\$ 66,327
Small cap blend	56,449	-	-	56,449
Foreign large blend	138,269	-	-	138,269
Mutual funds:				
Intermediate term bonds	898,690	-	-	898,690
Large blend	764,828	-	-	764,828
Mid cap growth	64,153	-	-	64,153
Small cap value	38,997	-	-	38,997
Foreign large blend	112,098	-	-	112,098
Foreign large growth	158,360	-	-	158,360
Emerging markets	81,366	-	-	81,366
Short-term investments	524,617	-	-	524,617
Total investments	<u>\$ 2,904,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,904,154</u>

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

	2021	2020
Interest and dividends	\$ 75,452	\$ 67,076
Realized and unrealized gain	456,014	83,032
Less: investment management fees	<u>(22,761)</u>	<u>(20,129)</u>
Total investment return, net	<u>\$ 508,705</u>	<u>\$ 129,979</u>



## MATHCOUNTS Foundation

Notes to Financial Statements  
July 31, 2021 and 2020

### 6. Property and Equipment

Property and equipment consists of the following at July 31:

	<u>2021</u>	<u>2020</u>
Computers and software	\$ 653,661	\$ 517,129
Leasehold improvements	<u>146,614</u>	<u>146,614</u>
Total property and equipment	800,275	663,743
Less: accumulated depreciation and amortization	<u>(574,504)</u>	<u>(536,113)</u>
Property and equipment, net	<u><u>\$ 225,771</u></u>	<u><u>\$ 127,630</u></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, 2021 and 2020, the Foundation owed NSPE \$2,622 and \$8,572, respectively, for unreimbursed expenses.

### 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, 2019	\$ 70,991
Cash receipts	73,417
Paid to states	<u>(60,313)</u>
Balance, July 31, 2020	84,095
Cash receipts	31,435
Paid to states	<u>(12,551)</u>
Balance, July 31, 2021	<u><u>\$ 102,979</u></u>

## MATHCOUNTS Foundation

Notes to Financial Statements  
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### 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.

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

2022	\$	130,250
2023		53,875
2024		47,500
2025		44,125
2026		151,313
Thereafter		<u>130,314</u>
Total		557,377
Less: present-value discount (5%)		<u>(71,001)</u>
Net present value of scholarships payable	\$	<u><u>486,376</u></u>

The discount rate used on long-term scholarships was 5% at July 31, 2021, which is based on various factors including the projected rate of return and market inflation.

### 10. Deferred Revenue

Deferred revenue represents revenues received in advance, which will be recognized in future periods as they are earned or, in the case of conditional contributions, as conditions are met.

## MATHCOUNTS Foundation

Notes to Financial Statements  
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### 10. Deferred Revenue (continued)

Deferred revenue consists of the following at July 31:

	<u>2021</u>	<u>2020</u>
Deferred school registration fees	\$ -	\$ 26,286
Deferred subscription fees	<u>16,206</u>	<u>16,915</u>
Total deferred revenue	<u>\$ 16,206</u>	<u>\$ 43,201</u>

### 11. 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>2021</u>	<u>2020</u>
Raytheon	\$ 500,000	\$ 500,000
Northrop Grumman Foundation	300,000	300,000
Phillips 66	-	50,000
3M	75,000	115,000
C.N.A	<u>25,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 900,000</u>	<u>\$ 965,000</u>

### 12. Functionalized Expenses

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, office rent, and depreciation and amortization, which are allocated on the basis of estimates of time and effort.

## **MATHCOUNTS Foundation**

Notes to Financial Statements  
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### **13. 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, 2021 and 2020, \$1,272,206 and \$1,085,102, respectively, was incurred under this agreement.

### **14. 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, 2021 and 2020, 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.