

MATHCOUNTS Foundation

Financial Statements
and Independent Auditor's Report

July 31, 2022 and 2021

MATHCOUNTS Foundation

Financial Statements
July 31, 2022 and 2021

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
MATHCOUNTS Foundation

Opinion

We have audited the accompanying financial statements of MATHCOUNTS Foundation (“the Foundation”), which comprise the statements of financial position as of July 31, 2022 and 2021; the related statements of activities, 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 the Foundation as of July 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

Responsibilities of Management for the Financial Statements (continued)

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 the Foundation'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 the Foundation'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 the Foundation's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

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

Vienna, Virginia
February 8, 2023

MATHCOUNTS Foundation

Statements of Financial Position July 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash	\$ 1,931,840	\$ 2,053,149
Accounts receivable	5,395	7,379
Contributions receivable, net	1,252,920	204,857
Investments, scholarships payable, short-term	128,625	130,250
Investments, other	2,655,453	2,924,925
Prepaid expenses and other current assets	<u>35,218</u>	<u>37,199</u>
Total current assets	6,009,451	5,357,759
Investments, scholarships payable, long-term	361,654	356,126
Property and equipment, net	<u>192,392</u>	<u>225,771</u>
Total assets	<u>\$ 6,563,497</u>	<u>\$ 5,939,656</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 100,810	\$ 155,477
Due to National Society of Professional Engineers	12,542	2,622
Scholarships payable, short-term	128,625	130,250
Deferred subscription fees	27,742	16,206
State custodials	<u>122,195</u>	<u>102,979</u>
Total current liabilities	391,914	407,534
Scholarships payable, long-term, net	<u>361,654</u>	<u>356,126</u>
Total liabilities	<u>753,568</u>	<u>763,660</u>
Net Assets		
Without donor restrictions	3,933,739	4,275,996
With donor restrictions	<u>1,876,190</u>	<u>900,000</u>
Total net assets	<u>5,809,929</u>	<u>5,175,996</u>
Total liabilities and net assets	<u>\$ 6,563,497</u>	<u>\$ 5,939,656</u>

See accompanying notes.

MATHCOUNTS Foundation

Statement of Activities
For the Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 915,904	\$ 1,876,190	\$ 2,792,094
In-kind contributions	180,347	-	180,347
School registration fees	840,740	-	840,740
Coaching materials revenue	109,444	-	109,444
National competition revenue	39,597	-	39,597
Sale of trophies and promotional items	11,733	-	11,733
Other income	3,118	-	3,118
Investment return, net	(264,315)	-	(264,315)
Released from restrictions	900,000	(900,000)	-
Total revenue and support	2,736,568	976,190	3,712,758
Expenses			
Program services:			
Competition Series	1,820,031	-	1,820,031
The National Math Club	245,551	-	245,551
College and outreach programs	360,073	-	360,073
Math Video Challenge	171,575	-	171,575
School recruitment	59,141	-	59,141
Production of coaching materials	52,250	-	52,250
Total program services	2,708,621	-	2,708,621
Supporting services:			
General and administration	198,367	-	198,367
Fundraising	171,837	-	171,837
Total supporting services	370,204	-	370,204
Total expenses	3,078,825	-	3,078,825
Change in Net Assets	(342,257)	976,190	633,933
Net Assets, beginning of year	4,275,996	900,000	5,175,996
Net Assets, end of year	\$ 3,933,739	\$ 1,876,190	\$ 5,809,929

See accompanying notes.

MATHCOUNTS Foundation

Statement of Activities
For the Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 1,064,719	\$ 900,000	\$ 1,964,719
In-kind contributions	182,688	-	182,688
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)	-
	3,665,926	(65,000)	3,600,926
Total revenue and support			
	3,665,926	(65,000)	3,600,926
Expenses			
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
	2,233,856	-	2,233,856
Total program services			
	2,233,856	-	2,233,856
Supporting services:			
General and administration	188,153	-	188,153
Fundraising	170,562	-	170,562
	358,715	-	358,715
Total supporting services			
	358,715	-	358,715
Total expenses			
	2,592,571	-	2,592,571
Change in Net Assets	1,073,355	(65,000)	1,008,355
Net Assets, beginning of year	3,202,641	965,000	4,167,641
	3,202,641	965,000	4,167,641
Net Assets, end of year	\$ 4,275,996	\$ 900,000	\$ 5,175,996
	\$ 4,275,996	\$ 900,000	\$ 5,175,996

See accompanying notes.

MATHCOUNTS Foundation

Statement of Functional Expenses
For the Year Ended July 31, 2022

	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	\$ 480,006	\$ 117,335	\$ 192,002	\$ 85,334	\$ 21,334	\$ 10,667	\$ 906,678	\$ 42,667	\$ 117,335	\$ 160,002	\$ 1,066,680
Employee benefits and payroll taxes	119,951	29,321	47,980	21,325	5,331	2,666	226,574	10,662	29,321	39,983	266,557
Professional fees	-	-	-	-	-	-	-	42,751	-	42,751	42,751
Consulting	62,834	5,401	18,082	5,264	5,213	10,701	107,495	8,794	-	8,794	116,289
Advertising and promotion	5,708	9,650	23,914	-	2,284	-	41,556	-	-	-	41,556
Credit card and bank fees	22,656	-	-	-	-	1,603	24,259	2,503	4,312	6,815	31,074
Telecommunications	3,155	181	20,906	8,079	600	-	32,921	30,902	-	30,902	63,823
Reimbursements	179,180	-	-	-	-	-	179,180	-	-	-	179,180
Meeting expenses	146	-	-	-	-	-	146	13,236	-	13,236	13,382
Awards and scholarships	149,736	18,315	18,943	7,034	-	-	194,028	599	-	599	194,627
Office rent	73,405	17,943	29,362	13,050	3,262	1,631	138,653	8,475	17,943	26,418	165,071
Postage and shipping	98,946	32,444	618	7,484	4,854	844	145,190	4,367	431	4,798	149,988
Printing and publishing	44,372	6,565	274	3,236	6,364	24,138	84,949	2,118	94	2,212	87,161
Books and staff development	195	195	6	195	-	-	591	7,741	2,150	9,891	10,482
Travel	8,592	-	135	-	1,819	-	10,546	-	69	69	10,615
National competition participant costs	430,168	-	-	12,448	-	-	442,616	-	-	-	442,616
Audio visual	124,517	-	-	-	-	-	124,517	-	-	-	124,517
Depreciation and amortization	15,598	8,035	7,563	8,035	8,035	-	47,266	18,192	-	18,192	65,458
Other	866	166	288	91	45	-	1,456	5,360	182	5,542	6,998
Total Expenses	\$ 1,820,031	\$ 245,551	\$ 360,073	\$ 171,575	\$ 59,141	\$ 52,250	\$ 2,708,621	\$ 198,367	\$ 171,837	\$ 370,204	\$ 3,078,825

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
Total Expenses	\$ 1,358,554	\$ 288,401	\$ 319,389	\$ 172,369	\$ 58,841	\$ 36,302	\$ 2,233,856	\$ 188,153	\$ 170,562	\$ 358,715	\$ 2,592,571

See accompanying notes.

MATHCOUNTS Foundation

Statements of Cash Flows For the Years Ended July 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 633,933	\$ 1,008,355
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in discount to net present value	23,810	-
Realized and unrealized loss (gain) on investments	323,011	(456,014)
Depreciation and amortization	65,458	38,391
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,984	48,335
Contributions receivable	(1,071,873)	(162,717)
Prepaid expenses and other current assets	1,981	(4,271)
Increase (decrease) in:		
Accounts payable and accrued expenses	(54,667)	24,898
Due to National Society of Professional Engineers	9,920	(5,950)
Scholarships payable	3,903	169,163
Deferred subscription fees	11,536	(26,995)
State custodials	19,216	18,884
	(31,788)	652,079
Cash Flows from Investing Activities		
Purchases of property and equipment	(32,079)	(136,532)
Net purchases of investments	(57,442)	(51,133)
	(89,521)	(187,665)
Net (Decrease) Increase in Cash	(121,309)	464,414
Cash, beginning of year	2,053,149	1,588,735
Cash, end of year	\$ 1,931,840	\$ 2,053,149

See accompanying notes.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

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, 2022 and 2021.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable represent unconditional amounts committed to the Foundation, and are reflected at their net realizable value. Contributions receivable due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. 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

Revenue Accounted for in Accordance with Contribution Accounting

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.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Foundation satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (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.

Coaching materials and sales 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.

National competition revenue is recognized when the event is held and services are provided.

In-Kind Contributions

The Foundation receives donated facilities for the use of office space from NSPE. The fair value of the use of donated facilities totaled \$115,787 and \$112,688 for the years ended July 31, 2022 and 2021, respectively, and is included in in-kind contributions 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 in-kind contributions in the accompanying statements of activities in the amount of \$64,560 and \$70,000 for the years ended July 31, 2022 and 2021, 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.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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's fiscal 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.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 8, 2023, the date the financial statements were available to be issued.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

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:

	2022	2021
Cash	\$ 1,931,840	\$ 2,053,149
Accounts receivable	5,395	7,379
Contributions receivable, net	1,252,920	204,857
Investments, other	2,655,453	2,924,925
Less: restricted by donors with purpose or time restrictions	<u>(1,876,190)</u>	<u>(900,000)</u>
Total available for general expenditures	<u>\$ 3,969,418</u>	<u>\$ 4,290,310</u>

4. Concentrations of Risk

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.

Revenue Risk

For the year ended July 31, 2022, \$1,500,000 of the Foundation's revenue was generated from one donor, which is approximately 40% of the Foundation's total revenue and support for the year. For the year ended July 31, 2021, \$500,000 of the Foundation's revenue was generated from one donor, which is approximately 14% of the Foundation's total revenue and support for the year.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

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.

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at July 31, 2022:

	Level 1	Level 2	Level 3	Total
Exchange-traded funds:				
Mid cap blend	\$ 68,048	\$ -	\$ -	\$ 68,048
Mutual funds:				
Intermediate term bonds	1,042,669	-	-	1,042,669
Large blend	802,106	-	-	802,106
Mid cap growth	67,125	-	-	67,125
Small cap value	68,306	-	-	68,306
Small cap growth	64,015	-	-	64,015
Foreign large value	175,781	-	-	175,781
Foreign large growth	176,139	-	-	176,139
World allocation	84,982	-	-	84,982
Emerging markets	73,156	-	-	73,156
Short-term investments	523,405	-	-	523,405
Total investments	\$ 3,145,732	\$ -	\$ -	\$ 3,145,732

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

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, 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	\$ 3,411,301	\$ -	\$ -	\$ 3,411,301

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

	2022	2021
Interest and dividends	\$ 84,645	\$ 75,452
Realized and unrealized (loss) gain	(323,011)	456,014
Less: investment management fees	(25,949)	(22,761)
Total investment return, net	\$ (264,315)	\$ 508,705

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

6. Contributions Receivable

Contributions receivable consist of the following at July 31:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 776,730	\$ 204,857
Receivable in one to five years	<u>500,000</u>	<u>-</u>
Total contributions receivable	1,276,730	204,857
Less: present value discount (5%)	<u>(23,810)</u>	<u>-</u>
Contributions receivable, net	<u><u>\$ 1,252,920</u></u>	<u><u>\$ 204,857</u></u>

7. Property and Equipment

Property and equipment consists of the following at July 31:

	<u>2022</u>	<u>2021</u>
Computers and software	\$ 685,740	\$ 653,661
Leasehold improvements	<u>146,614</u>	<u>146,614</u>
Total property and equipment	832,354	800,275
Less: accumulated depreciation and amortization	<u>(639,962)</u>	<u>(574,504)</u>
Property and equipment, net	<u><u>\$ 192,392</u></u>	<u><u>\$ 225,771</u></u>

8. 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, 2022 and 2021, the Foundation owed NSPE \$15,542 and \$2,622, respectively, for unreimbursed expenses.

The Foundation also receives donated facilities for the use of office space from NSPE. The fair value of the use of donated facilities totaled \$115,787 and \$112,688 for the years ended July 31, 2022 and 2021, respectively, and is included in in-kind contributions in the accompanying statements of activities.

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:

2023	\$	128,624
2024		53,500
2025		44,125
2026		151,313
2027		87,063
Thereafter		<u>90,750</u>
Total		555,375
Less: present-value discount (5%)		<u>(65,096)</u>
Net present value of scholarships payable	\$	<u><u>490,279</u></u>

The discount rate used on long-term scholarships was 5% at July 31, 2022, which is based on various factors including the projected rate of return and market inflation.

MATHCOUNTS Foundation

Notes to Financial Statements
July 31, 2022 and 2021

10. 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.

	State Custodials
Balance, July 31, 2020	\$ 84,095
Cash receipts	31,435
Paid to states	(12,551)
	<hr/>
Balance, July 31, 2021	102,979
Cash receipts	48,173
Paid to states	(28,957)
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Balance, July 31, 2022	<u>\$ 122,195</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:

	2022	2021
Raytheon Technologies	\$ 1,476,190	\$ 500,000
Northrop Grumman Foundation	300,000	300,000
3M	100,000	75,000
C.N.A	-	25,000
	<hr/>	<hr/>
Total net assets with donor restrictions	<u>\$ 1,876,190</u>	<u>\$ 900,000</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, 2022 and 2021, \$1,333,237 and \$1,272,206, 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, 2022 and 2021, 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.