

**ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2019**

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of  
Achievement Rewards for College Scientists Foundation, Inc.

We have audited the accompanying financial statements of Achievement Rewards for College Scientists Foundation, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets - modified cash basis as of June 30, 2019, and the related statements of revenues, expenses and other changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the year 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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.

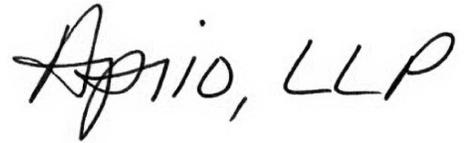
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Achievement Rewards for College Scientists Foundation, Inc. as of June 30, 2019, and its revenues, expenses, changes in net assets and its cash flow for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

## **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia

November 4, 2019

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 86,901
Investments	<u>2,365,752</u>
 Total assets	 <u>\$ 2,452,653</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	\$ <u>0</u>
<u>Net assets</u>	
Without donor restrictions	202,622
With donor restrictions	<u>2,250,031</u>
 Total net assets	 <u>2,452,653</u>
 Total liabilities and net assets	 <u>\$ 2,452,653</u>

See accompanying notes to the financial statements

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND OTHER  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and revenue</u>			
Contributions and bequests	\$ 127,515	\$ 79,306	\$ 206,821
Grant revenue	0	50,000	50,000
Dues	49,770	0	49,770
Meeting income	66,221	0	66,221
Investment return	5,230	83,984	89,214
Other income	<u>1,188</u>	<u>0</u>	<u>1,188</u>
Total support and revenue	249,924	213,290	463,214
<u>Net assets released from restriction</u>			
Restrictions satisfied by payments	<u>96,770</u>	<u>(96,770)</u>	<u>0</u>
Total support, revenue and restriction releases	<u>346,694</u>	<u>116,520</u>	<u>463,214</u>
<u>Expenses</u>			
Program services	66,541	0	66,541
Supporting services:			
Management and general	259,589	0	259,589
Fundraising	<u>4,122</u>	<u>0</u>	<u>4,122</u>
Total expenses	<u>330,252</u>	<u>0</u>	<u>330,252</u>
Change in net assets	16,442	116,520	132,962
Net assets, beginning of year	<u>186,180</u>	<u>2,133,511</u>	<u>2,319,691</u>
Net assets, end of year	<u>\$ 202,622</u>	<u>\$ 2,250,031</u>	<u>\$ 2,452,653</u>

See accompanying notes to the financial statements

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Meetings	\$ 23,415	\$ 26,095	\$ 0	\$ 49,510
Professional fees	0	160,323	0	160,323
Contributions to chapters	43,126	0	0	43,126
Website	0	40,600	0	40,600
Office and administrative	0	15,888	4,122	20,010
Communications	0	12,343	0	12,343
Officers	<u>0</u>	<u>4,340</u>	<u>0</u>	<u>4,340</u>
	<u>\$ 66,541</u>	<u>\$ 259,589</u>	<u>\$ 4,122</u>	<u>\$ 330,252</u>

See accompanying notes to the financial statements

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

Increase (Decrease) In Cash and Cash Equivalents

<u>Cash flows from operating activities</u>	
Change in net assets	\$ 132,962
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities	
Realized gain on sale of investments	<u>(14,972)</u>
Net cash and cash equivalents provided by operating activities	<u>117,990</u>
<u>Cash flows from investing activities</u>	
Income reinvested and purchases of short-term investments	(2,996,654)
Proceeds from sale of investments	<u>2,741,662</u>
Net cash and cash equivalents used by investing activities	<u>(254,992)</u>
Net decrease in cash and cash equivalents	(137,002)
Cash and cash equivalents, beginning of year	<u>223,903</u>
Cash and cash equivalents, end of year	<u>\$ 86,901</u>

See accompanying notes to the financial statements

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2019

**Note A**  
**Summary of Significant Accounting Policies**

Nature of Operations:

Achievement Rewards for College Scientists Foundation, Inc. (the Foundation) is a California non-profit organization. The Foundation advances science and technology in the United States by providing financial awards to academically outstanding U.S. citizens studying to complete degrees in science, engineering, and medical research.

In close collaboration with University departments across the United States that are recognized leaders in science and engineering fields, more than 1,300 women volunteer members of 15 regional Foundation chapters fund the most promising scholars at the startup or "seed stage" of their work and discovery.

Basis of Accounting:

The financial statements of the Foundation have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include omission of unrealized gains and losses related to the investments. Such variances are presumed to be material. The accompanying financial statements are not intended to present the statement of assets, liabilities and net assets and statement of revenues, expenses and other changes in net assets in conformity with accounting principles generally accepted in the United States of America.

New Accounting Pronouncements:

On August 18, 2016, the 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 new standard changes the following aspects of the Foundation's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.
- The financial statements include an enhanced disclosure about the functional allocation of expenses.

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
 JUNE 30, 2019

**Note A**  
**Summary of Significant Accounting Policies (Continued)**

The changes have the following effect on net assets at July 1, 2018:

<u>Net Asset Class</u>	<u>As Previously Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 186,180	\$ -
Temporarily restricted net assets	354,154	-
Permanently restricted net assets	1,779,357	-
Net assets without donor restrictions	-	186,180
Net assets with donor restrictions	<u>-</u>	<u>2,133,511</u>
Total net assets	<u>\$ 2,319,691</u>	<u>\$ 2,319,691</u>

**Financial Statement Presentation:**

Financial statement presentation is in accordance with accounting standards regarding the reporting of net assets. The Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.
- Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Federal Income Tax Status:**

The Foundation has been classified as an exempt organization under the Internal Revenue Code Section 501(c)(3), and as such, no provision for income taxes has been provided.

The Foundation is no longer subject to income tax examinations for tax years up to and including 2014.

**Cash and Cash Equivalents:**

The ARCS Foundation considers all highly liquid investments with an initial maturity of 3 months or less to be cash equivalents.

**Contributions:**

The Foundation records contributions received as unrestricted or restricted support depending on the existence and/or nature of any donor imposed restrictions.

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2019

**Note A**  
**Summary of Significant Accounting Policies (Continued)**

Functional Expenses:

The Foundation allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses common to several functions are allocated according to estimates developed by management.

Program services are the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the Foundation exists. General and administrative activities are activities that are not identifiable with a single program or fundraising activity but that are indispensable to the conduct of those activities and to the Foundation's existence. Fundraising activities are activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time.

**Note B**  
**Credit Risk**

The Foundation maintains cash deposits in commercial banks that at times may exceed federally insured limits. The Foundation believes that there is no significant credit risk with respect to these deposits.

**Note C**  
**Investments**

As of June 30, 2019, investments consist of the following:

Bond and mutual funds	\$ 1,215,612
Equities	196,425
REITs	90,496
Treasury bills	156,482
Corporate bonds	<u>706,737</u>
	<u>\$ 2,365,752</u>

For the year ended June 30, 2019, investment return consists of the following:

Interest and dividends	\$ 83,694
Realized gain on sale of investments	14,972
Investment management fees	<u>(9,452)</u>
	<u>\$ 89,214</u>

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2019

**Note D**

**National Endowment Fund**

The National Endowment Fund (hereinafter “the Endowment” or “the Endowment Fund”) was established by the Foundation on June 2, 2001, to receive gifts that will provide a permanent source of endowment funds for the Foundation. The principal of the Endowment shall be preserved in perpetuity to maintain a permanent reserve for the Foundation. A portion of the total return of the Endowment Fund each year may be used to assist the Foundation in meeting its annual operating expenses and may be used to provide financial support for special projects. A portion of the total return each year shall also provide for the growth of the Endowment Fund.

**Interpretation of Relevant Law:**

The state of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in January 2009. The Endowment Fund Committee has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent the explicit donor stipulations to the contrary. Accordingly, the classification of net assets with donor restrictions includes the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment. The remaining portion of the endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

**Investment Return Objectives and Risk Parameters and Strategies:**

The Endowment Fund Committee of the Foundation has adopted investment policies which shall preserve the fund in perpetuity building a permanent reserve for the Foundation to supplement its annual operating expenses. The assets are liquid and available for working funds for present and future operations and should be invested in a high-quality portfolio which: preserves principal; meets liquidity needs; provides income and avoids imprudent investments and concentrations. Investment risk is measured in terms of the total Endowment Fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The portfolio is constructed based on the forecasted needs of the operations of the Foundation. Endowment assets include equity and debt securities, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution. All monies or assets contributed to the Endowment Fund are segregated from all other Foundation assets based on a three year annualized Total Return from the fund.

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2019

**Note D**  
**National Endowment Fund (Continued)**

Spending Policy:

Annually, the Endowment Fund Committee shall distribute an amount equal to 60% of the average annual total return for the Endowment Fund during the three immediately preceding fiscal years ("Total Annual Distribution Amount"). The Endowment Fund Committee may reduce the distribution in any given year, if the Committee reasonably determines that such distribution would contravene the Prudent Investor Standard under UPMIFA or impair the growth of the Endowment Fund. The National Board may request a supplemental distribution of Endowment Fund assets by petitioning the Endowment Fund Committee, in writing, stating the proposed uses and expected outcomes to be achieved by the Endowment Fund resources. The Endowment Fund Committee, subject to UPMIFA, shall determine whether funding of the proposed uses of the Endowment assets comports with the Endowment Fund's mandate and whether distribution, in whole or in part, shall be funded.

The composition of and changes in the endowment are as follows for the year ended June 30, 2019:

Endowment net assets, July 1, 2018	\$ 2,106,310
Contributions	71,551
Investment income	93,357
Investment fees	(9,373)
Appropriation for expenditure	<u>(45,872)</u>
Endowment net assets, June 30, 2019	<u>\$ 2,215,973</u>

**Note E**  
**Net Asset Restrictions**

Net assets with donor restrictions as of June 30, 2019, consist of the following:

	<u>Nature of Restriction</u>		<u>Total</u>
	<u>Purpose</u>	<u>Perpetuity</u>	
Endowment Fund	\$ 359,673	\$ 1,856,300	\$ 2,215,973
Cash to be deposited into Endowment Fund	-	6,857	6,857
New Chapter Development	<u>27,201</u>	<u>-</u>	<u>27,201</u>
Total	<u>\$ 386,874</u>	<u>\$ 1,863,157</u>	<u>\$ 2,250,031</u>

Net assets designated by the Board of Directors as of June 30, 2019, consist of the following:

Operating	\$ 50,000
Website	<u>50,000</u>
Total	<u>\$ 100,000</u>

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2019

**Note F**  
**Effects of Current Economic Conditions on Contributions**

The Foundation depends heavily on contributions and grants for its public support. The ability of certain contributors and grantors of the Foundation to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Foundation's board of directors believes the Foundation has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent upon the above factors.

**Note G**  
**Management Fee**

The Foundation entered into a management contract with Association Services Group, LLC, an unrelated third party, to provide management services including office and administrative support, program support, and financial services. Association Services Group LLC receives a management fee of \$9,500 per month, plus reimbursements for other costs incurred. During the year ended June 30, 2019, management fees expensed totaled \$138,669.

**Note H**  
**Liquidity and Availability of Resources**

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets available for general expenditure within one year:

Cash and cash equivalents	\$ 86,901
Investments	<u>2,365,752</u>
Total financial assets	2,452,653
Less: Board-designated Funds	(100,000)
Less: Donor-imposed purpose restrictions	(2,250,031)
Plus: Appropriation from endowment for next fiscal year	<u>65,553</u>
Total	<u>\$ 168,175</u>

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. In addition to the \$168,175 of financial assets available for general expenditure within one year, the Foundation operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient contributions, meeting revenues, and by appropriating the investment return on its donor-restricted endowment, as needed.

Amounts not considered available for general expenditure include a board-designated fund not considered in the annual operating budget. These funds have been designated for emergency use by the Foundation as further described in Note E.

ACHIEVEMENT REWARDS FOR COLLEGE SCIENTISTS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2019

**Note I**  
**Subsequent Events**

Management considered all events through November 4, 2019, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. Management is not aware of any significant events that occurred subsequent to the balance sheet date, but prior to the filing of this report, that would have a material impact on the audited financial statements.