



MassChallenge Inc. and Subsidiary

Consolidated Financial Statements

Year Ended December 31, 2017



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Independent Auditors' Report

To the Board of Directors of MassChallenge Inc. and Subsidiary:

We have audited the accompanying consolidated financial statements of MassChallenge Inc. (a non-profit organization) and Subsidiary (collectively the "Organization"), which are comprised of the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of MassChallenge Inc. and Subsidiary as of December 31, 2017 and the statement of activities, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Wolf + Company, P.C.

Boston, Massachusetts

November 14, 2018

MassChallenge Inc. and Subsidiary

Consolidated Statement of Financial Position

December 31, 2017

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,446,108
Sponsorship, grants and contributions receivable	2,089,342
Unbilled receivables	195,685
Due from related parties	250,000
Prepaid expenses and other	30,220
Total current assets	<u>4,011,355</u>
Property and equipment, net	187,382
Deposit	7,773
Contributions receivable, noncurrent	<u>400,000</u>
Total assets	<u><u>\$ 4,606,510</u></u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 405,200
Accrued compensation	857,875
Accrued awards	1,158,205
Deferred revenue	2,234,792
Due to related parties	134,203
Total current liabilities	<u>4,790,275</u>
Net assets:	
Unrestricted	(766,970)
Temporarily restricted	583,205
Total net assets	<u>(183,765)</u>
Total liabilities and net assets	<u><u>\$ 4,606,510</u></u>

See notes to consolidated financial statements.

MassChallenge Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended December 31, 2017

Changes in temporarily unrestricted net assets:	
Support and revenues:	
Sponsorships, grants and contributions	\$ 11,409,104
In-kind contributions	1,586,165
Rental income	63,800
Other income	34,627
Temporarily restricted net assets released from restrictions	<u>1,316,393</u>
Total support and revenues	<u>14,410,089</u>
Expenses:	
Program services	9,378,931
General and administrative	1,774,650
Fundraising	<u>2,301,457</u>
Total expenses	<u>13,455,038</u>
Increase in unrestricted net assets	<u>955,051</u>
Changes in temporarily restricted net assets:	
Revenues and other support:	
Contributions	250,000
Net assets released from restrictions	<u>(1,316,393)</u>
Changes in temporarily restricted net assets	<u>(1,066,393)</u>
Decrease in net assets	(111,342)
Net assets, beginning of year (as restated, see Note 3)	<u>(72,423)</u>
Net assets, end of year	<u>\$ (183,765)</u>

See notes to consolidated financial statements.

MassChallenge Inc. and Subsidiary

Consolidated Statement of Functional Expense

Year Ended December 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2017 Total Expenses</u>
Participant awards	\$ 1,660,584	\$ -	\$ -	\$ 1,660,584
Rent	1,377,026	72,028	144,056	1,593,110
Salaries and related expenses	4,550,094	503,807	1,850,718	6,904,619
Marketing and advertising	76,491	1,034	3,838	81,363
Depreciation and amortization	2,108	70,257	500	72,865
Event expenses	578,575	59,188	90,410	728,173
Foreign exchange gain/loss	-	(18,395)	-	(18,395)
Insurance	1,956	55,339	464	57,759
Office and technology expenses	596,409	2,345	-	598,754
Loss on loan receivable	-	630,604	-	630,604
Professional fees	196,040	259,150	69,736	524,926
Training and development	20,693	-	18,002	38,695
Travel and entertainment	299,600	153,958	89,746	543,304
Other	19,355	(14,665)	33,987	38,677
	<u>\$ 9,378,931</u>	<u>\$ 1,774,650</u>	<u>\$ 2,301,457</u>	<u>\$ 13,455,038</u>
Total expenses	<u>\$ 9,378,931</u>	<u>\$ 1,774,650</u>	<u>\$ 2,301,457</u>	<u>\$ 13,455,038</u>

See notes to consolidated financial statements.

MassChallenge Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended December 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ (111,342)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	72,377
Increase (decrease) in cash from:	
Contributions and grants receivable	422,627
Due from related parties	(281,756)
Prepaid expenses	(3,442)
Deposit	(375)
Accounts payable and accrued other	(137,218)
Accrued compensation	191,121
Accrued awards	(276,394)
Deferred revenue	(220,290)
Net cash used in operating activities	<u>(344,692)</u>
Cash flows used in investing activities:	
Acquisition of property and equipment	<u>(55,817)</u>
Net cash used in investing activities	<u>(55,817)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(29,107)</u>
Change in cash and cash equivalents	<u>(429,616)</u>
Cash and cash equivalents at beginning of year	<u>1,875,724</u>
Cash and cash equivalents at end of year	<u>\$ 1,446,108</u>

See notes to consolidated financial statements.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements

Year Ended December 31, 2017

1. DESCRIPTION OF ORGANIZATION AND BASIS OF PRESENTATION

MassChallenge Inc. is organized under section 501(c)(3) of the Internal Revenue Code and was formed in June 2009 with the mission to connect early-stage entrepreneurs with the resources they need to launch and succeed immediately. The primary objectives include running an annual global startup competition, documenting and organizing key resources, and organizing training and networking events. MassChallenge Inc. is headquartered in Boston, Massachusetts with operations throughout the United States and abroad.

MassChallenge Inc. and its subsidiary, MassChallenge Mexico are collectively referred to as “the Organization”. On August 6, 2015, MassChallenge Inc. formed MassChallenge Mexico as a for-profit entity to run the operations of the Organizations’ international projects. MassChallenge Inc. owns eight-five percent (85%) of MassChallenge Mexico with the remaining fifteen percent (15%) owned by the CEO of MassChallenge Inc. All intercompany transactions and balances have been eliminated in consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are presented on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Permanently restricted net assets have donor-imposed restrictions requiring that the net assets be maintained permanently but allows the Organization to spend the income derived from the donated asset. Temporarily restricted net assets have donor imposed restrictions that permit the Organization to use the assets as specified and are satisfied by either that usage or the passage of time. Net assets released from restrictions by the occurrence of events specified by donors are reclassified and expended from unrestricted net assets for financial reporting purposes. Unrestricted net assets are those that are neither permanently nor temporarily restricted by donor-imposed restrictions.

Temporarily restricted net assets totaling \$583,205 consist of grants received by the Organization to fund certain participant awards and will be released to the respective award recipient upon the completion of the grant criteria by the award recipient.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements

SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of consolidated 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 reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of related revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Organization's revenues are derived from four primary sources: (i) contributions and grants (ii) sponsorships (iii) license fees and (iv) donated services and support.

Contributions and grants

Contributions and grants received are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and nature of any restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporary or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Sponsorships and license fees

Sponsorships are generally billed in advance, in accordance with contractual terms, and recognized over the sponsorship period or upon the related event.

From time to time, the Organization enters into licensing arrangements with other accelerator programs (see Note 7). License fees are billed in accordance with the related license agreement and fee income is recognized over the related license term.

Donated services and support

Donated services and support are recorded as in-kind contributions at their estimated fair market values on the date received.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements

SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivable

The Organization carries its contributions and grants receivable at the unconditional amount due less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its contributions and grants receivable and establishes an allowance for doubtful accounts, based on a history of past write offs and collections and current credit conditions. As of December 31, 2017, management has determined that no allowance for doubtful accounts is necessary.

Cash and cash equivalents

For the purpose of consolidated financial statement presentation, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment are recorded at cost if purchased and fair market value if contributed. Depreciation is computed using either the double declining balance method or the straight line method over the estimated useful lives of the assets ranging from three to seven years.

Concentrations of credit risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, include cash and cash equivalents which may exceed deposit insurance limitations; however, they are placed in high quality financial service organizations.

Functional expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs using various allocation methods.

Advertising costs

The Organization expenses advertising costs as they are incurred. Total advertising costs for the year ended December 31, 2017 were \$71,921.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements

SIGNIFICANT ACCOUNTING POLICIES (concluded)

Tax-exempt status

MassChallenge, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“the Code”) and is not classified as a private foundation. Section 501(c)(3) of the Code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literacy or educational purposes, and whose net earnings do not inure to the benefit of any private shareholder or individual. MassChallenge, Inc. is also exempt from state and local income taxes under Massachusetts General Law Section 180. Accordingly, no provision for federal or state income taxes has been provided for in the accompanying consolidated financial statements. Contributions to MassChallenge, Inc. are tax deductible.

Management has analyzed the Organization's tax positions taken for all open tax years and has concluded that no provision for uncertain tax positions is required in the Organization's consolidated financial statements.

MassChallenge Mexico is a for-profit entity and is taxed in accordance with the rules and regulations of Mexico.

Foreign currency adjustments

The U.S. dollar is the functional currency of the Organization’s worldwide continuing operations. All foreign currency asset and liability amounts are remeasured into U.S. dollars at end-of-period exchange rates, except for property, equipment and improvements, which are remeasured at historical rates. Foreign currency income and expenses are remeasured at average exchange rates in effect during the year, except for expenses related to balance sheet amounts remeasured at historical exchange rates. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in income in the period in which they occur.

3. RESTATEMENT

The Organization is restating its December 31, 2016 net assets to correct errors related to accounting for revenue and to record an allowance against a loan to a related party. The correction related to revenue amounted to \$1,202,879 and was made to record unconditional promises to give in the year received and to properly recognize sponsorship revenue over the agreed upon sponsorship term. The Organization recognized an allowance related to amounts loaned to MassChallenge Limited (U.K.) (“MassChallenge UK”) in the amount of \$675,460 in order to recognize the expense in the year when MassChallenge UK’s operations declined and collection of the balance became uncertain (see Note 7).

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

RESTATEMENT (concluded)

In addition, consolidated net assets as of December 31, 2016 included the net assets of MassChallenge (Israel) Ltd. (C.C.) (“MassChallenge Israel”) which totaled \$725,951. During 2017, the Organization determined that consolidation of MassChallenge Israel was not required as the Organization does not have an economic interest in MassChallenge Israel (see Note 7).

Consolidated net assets as previously reported, December 31, 2016	\$ (282,110)
Deconsolidate MassChallenge Israel's net assets	(265,928)
Recognize unconditional contribution	1,000,000
Recognize reserve on loan due from MassChallenge UK	(675,460)
Adjust revenue recognized from sponsorships	151,075
Total adjustments	<u>209,687</u>
Consolidated net assets as restated, December 31, 2016	<u><u>\$ (72,423)</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017:

Computer equipment and software	\$ 454,519
Furniture and fixtures	73,066
Leasehold improvements	240,608
Office equipment	64,224
	<u>832,417</u>
Accumulated depreciation	<u>(645,035)</u>
	<u><u>\$ 187,382</u></u>

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

5. DONATED SERVICES AND SUPPORT

The Organization receives donations of goods and professional services. The estimated fair value of the donated goods and services for the year ended December 31, 2017 was \$1,586,165 and is reported as follows:

Rent	\$ 1,440,559
Office and technology	117,466
Property and equipment	<u>28,140</u>
	<u>\$ 1,586,165</u>

The Organization maintains lease agreements with unrelated third parties in the Boston area which provide for the right to use each premise and certain related utilities and services at no cost. The estimated fair value of each lease for the year ended December 31, 2017 was \$1,187,000 and \$254,000, respectively, and has been recorded as a component of rent expense. These leases supply the Organization with over 26,000 square feet and 8,880 square feet, respectively, and are set to expire in May 2019 and December 2018.

6. EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) plan as a retirement plan covering substantially all employees. Eligible employees can contribute any amount of pre-taxed or non pre-taxed salary to the 403(b) plan each pay period. Employees choose the investment funds they would like to invest in and can designate beneficiaries for their plan assets. Employee contributions cannot exceed annual IRS maximums and/or 100% of their compensation for the year. At the election of the Board of Directors, the Organization may make a discretionary contribution each pay period for each participating employee. For the year ended December 31, 2017, contributions made to the plan by the Organization totaled \$79,436.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

7. RELATED PARTY TRANSACTIONS

MassChallenge U.K.

MassChallenge Limited (U.K.) (“MassChallenge U.K.”) was incorporated in the United Kingdom in 2015 as a private company limited by guarantee. This entity was created to work with early-stage entrepreneurs and start-up companies in the U.K. and the Organization is a guarantor of this entity. In March 2017 MassChallenge U.K. paused operations with the intent to resume operations during 2019. Throughout its history the Organization has lent funds to MassChallenge U.K. and as of December 31, 2017, the Organization has a balance due from MassChallenge U.K. totaling \$1,306,064. Given the suspension of operations and the uncertainty of repayment these amounts have been fully reserved against as of December 31, 2017. Bad debt expense for the year ended December 31, 2017 amounted to \$630,604 and has been recorded as a component of general and administrative expenses.

MassChallenge Switzerland

Foundation MassChallenge Switzerland (“MassChallenge Switzerland”) was incorporated to work with early-stage entrepreneurs and start-up companies in Switzerland. The Organization maintains a license agreement with MassChallenge Switzerland for certain consulting services. During 2017, the Organization recognized license fee revenue of \$500,000 from MassChallenge Switzerland. As of December 31, 2017, amounts due from MassChallenge Switzerland amounted to \$250,000.

MassChallenge Israel

MassChallenge Israel, a nonprofit entity, was formed to work with early-stage entrepreneurs and start-up companies in Israel. MassChallenge Israel is a related party through ownership and board participation. From time to time, the companies will obtain contributions or pay expenses on each other’s behalf. As of December 31, 2017, the Organization had a balance due to MassChallenge Israel in the amount of \$134,203.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2018, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the consolidated financial statements.



Independent Accountants' Report on the Supplementary Information

To the Board of Directors of MassChallenge Inc. and Subsidiary:

We have audited the consolidated financial statements of MassChallenge Inc. and Subsidiary as of and for the year ended December 31, 2017, and have issued our report thereon dated November 14, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2017 and the consolidating statement of activities and functional expenses for the year then ended are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wolf + Company, P.C.

Boston, Massachusetts
November 14, 2018

MassChallenge Inc. and Subsidiary

Consolidating Statement of Financial Position

Year Ended December 31, 2017

	<u>MassChallenge Inc.</u>	<u>MassChallenge Mexico</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,168,563	\$ 277,545	\$ -	\$ 1,446,108
Sponsorships, grants and contributions receivable	2,343,551	145,791	-	2,489,342
Unbilled receivables	195,685	-	-	195,685
Due from related parties	250,000	-	-	250,000
Intercompany receivables	198,956	-	(198,956)	-
Prepaid expenses and other	23,066	7,154	-	30,220
Total current assets	<u>4,179,821</u>	<u>430,490</u>	<u>(198,956)</u>	<u>4,411,355</u>
Property and equipment, net	177,199	10,183	-	187,382
Deposit	-	7,773	-	7,773
Investment in subsidiary	225,304	-	(225,304)	-
Total assets	<u>\$ 4,582,324</u>	<u>\$ 448,446</u>	<u>\$ (424,260)</u>	<u>\$ 4,606,510</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 373,092	\$ 227,960	\$ (195,852)	\$ 405,200
Accrued compensation	857,875	-	-	857,875
Accrued award expenses	1,158,205	-	-	1,158,205
Deferred revenue	2,162,686	72,106	-	2,234,792
Due to related parties	134,203	-	-	134,203
Total current liabilities	<u>4,686,061</u>	<u>300,066</u>	<u>(195,852)</u>	<u>4,790,275</u>
Net assets and capital				
Unrestricted net assets	(686,942)	(80,028)	-	(766,970)
Temporarily restricted net assets	583,205	-	-	583,205
Capital	-	228,408	(228,408)	-
Total net assets and capital	<u>(103,737)</u>	<u>148,380</u>	<u>(228,408)</u>	<u>(183,765)</u>
Total liabilities and net assets	<u>\$ 4,582,324</u>	<u>\$ 448,446</u>	<u>\$ (424,260)</u>	<u>\$ 4,606,510</u>

See independent accountants' report.

MassChallenge Inc. and Subsidiary

Consolidating Statement of Activities

Year Ended December 31, 2017

	<u>MassChallenge Inc.</u>	<u>MassChallenge Mexico</u>	<u>Eliminations</u>	<u>Total</u>
Changes in temporarily unrestricted net assets:				
Support and revenue:				
Sponsorships, grants and contributions	\$ 10,869,553	\$ 789,551	\$ (250,000)	\$ 11,409,104
In-kind contributions	1,586,165	-	-	1,586,165
Rental income	63,800	-	-	63,800
Other income	34,627	-	-	34,627
Temporarily restricted net assets released from restrictions	1,316,393	-	-	1,316,393
Total support and revenues	<u>13,870,538</u>	<u>789,551</u>	<u>(250,000)</u>	<u>14,410,089</u>
Expenses:				
Program services	8,915,187	685,753	(250,000)	9,350,940
General and administrative	1,680,498	103,859	-	1,784,357
Fundraising	2,157,661	162,080	-	2,319,741
Total expenses	<u>12,753,346</u>	<u>951,692</u>	<u>(250,000)</u>	<u>13,455,038</u>
Increase (decrease) in unrestricted net assets	<u>1,117,192</u>	<u>(162,141)</u>	<u>-</u>	<u>955,051</u>
Changes in temporarily restricted net assets:				
Revenue and other support				
Contributions	250,000	-	-	250,000
Net assets released from restrictions	(1,316,393)	-	-	(1,316,393)
Changes in temporarily restricted net assets	<u>(1,066,393)</u>	<u>-</u>	<u>-</u>	<u>(1,066,393)</u>
Increase (decrease) in net assets	50,799	(162,141)	-	(111,342)
Net assets, beginning of year	<u>(154,536)</u>	<u>82,113</u>	<u>-</u>	<u>(72,423)</u>
Net assets, end of year	<u>\$ (103,737)</u>	<u>\$ (80,028)</u>	<u>\$ -</u>	<u>\$ (183,765)</u>

See independent accountants' report.

MassChallenge Inc. and Subsidiary

Consolidating Statement of Functional Expenses

Year Ended December 31, 2017

	MassChallenge, Inc.			MassChallenge Mexico			Intercompany Eliminations	2017 Total Expenses
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising		
Participant awards	\$ 1,553,451	\$ -	\$ -	\$ 107,133	\$ -	\$ -	\$ -	\$ 1,660,584
Rent	1,377,026	72,028	144,056	-	-	-	-	1,593,110
Salaries and related expenses	4,284,971	463,535	1,787,871	265,123	40,272	62,847	-	6,904,619
Marketing and advertising	69,681	-	2,224	6,810	1,034	1,614	-	81,363
Depreciation and amortization	-	69,937	-	2,108	320	500	-	72,865
Event expenses	508,091	48,482	73,702	70,484	10,706	16,708	-	728,173
Foreign exchange gain/loss	-	(18,395)	-	-	-	-	-	(18,395)
Insurance	-	55,042	-	1,956	297	464	-	57,759
Office and technology expenses	596,409	2,345	-	-	-	-	-	598,754
Loss on loan receivable	-	630,604	-	-	-	-	-	630,604
Professional fees	199,982	240,761	41,040	121,058	18,389	28,696	(125,000)	524,926
Training and development	20,693	-	18,002	-	-	-	-	38,695
Travel and entertainment	285,765	151,856	86,466	13,835	2,102	3,280	-	543,304
Other	19,118	(35,697)	4,300	125,237	21,032	29,687	(125,000)	38,677
Total expenses	\$ 8,915,187	\$ 1,680,498	\$ 2,157,661	\$ 713,744	\$ 94,152	\$ 143,796	\$ (250,000)	\$ 13,455,038

See independent accountant's report.