



# MassChallenge Inc. and Subsidiary

## Consolidated Financial Statements

December 31, 2019



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## Independent Auditors' Report

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

### *Report on the Consolidated Financial Statements*

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, 2019, and the related consolidated statements of activities, 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, 2019 and the statements 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  
September 14, 2020

# MassChallenge Inc. and Subsidiary

## Consolidated Statement of Financial Position

December 31, 2019

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,318,424
Sponsorship, grants and contribution receivables	2,879,382
In-kind contribution receivables	714,848
Due from related parties	402,084
Prepaid expenses and other	137,439
Total current assets	<u>5,452,177</u>
Property and equipment, net	91,140
Deposits	<u>44,250</u>
Total assets	<u><u>\$ 5,587,567</u></u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 819,640
Accrued compensation	998,900
Accrued awards	124,951
Deferred revenue	2,526,829
Due to related parties	113,127
Total current liabilities	<u>4,583,447</u>
Net assets:	
Without donor restrictions	238,235
With donor restrictions	765,885
Total net assets	<u>1,004,120</u>
Total liabilities and net assets	<u><u>\$ 5,587,567</u></u>

See notes to consolidated financial statements.

# MassChallenge Inc. and Subsidiary

## Consolidated Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Sponsorships, grants and contributions	\$ 14,822,448	\$ -	\$ 14,822,448
In-kind contributions	1,015,160	-	1,015,160
Rental income	11,926	-	11,926
Net assets released from restrictions	679,941	(679,941)	-
Total support and revenues	<u>16,529,475</u>	<u>(679,941)</u>	<u>15,849,534</u>
Expenses:			
Program services	11,891,647	-	11,891,647
General and administrative	2,227,105	-	2,227,105
Fundraising	2,126,102	-	2,126,102
Total expenses	<u>16,244,854</u>	<u>-</u>	<u>16,244,854</u>
Change in net assets	284,621	(679,941)	(395,320)
Net assets, beginning of year (as restated, see Note 3)	<u>(46,386)</u>	<u>1,445,826</u>	<u>1,399,440</u>
Net assets, end of year	<u>\$ 238,235</u>	<u>\$ 765,885</u>	<u>\$ 1,004,120</u>

See notes to consolidated financial statements.

# MassChallenge Inc. and Subsidiary

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related expenses	\$ 5,824,478	\$ 1,492,983	\$ 1,802,780	\$ 9,120,241
Participant awards	1,748,389	-	-	1,748,389
Rent	1,568,950	-	-	1,568,950
Event expenses	970,539	29,392	115,425	1,115,356
Professional fees	513,736	176,474	32,270	722,480
Office and technology expenses	587,475	71,778	9,803	669,056
Travel and entertainment	334,448	71,751	140,194	546,393
Marketing and advertising	213,697	-	1,502	215,199
Other	95,763	65,685	24,128	185,576
Depreciation and amortization	-	131,491	-	131,491
Insurance	-	90,353	-	90,353
Loss on loan receivable	-	72,661	-	72,661
Training and development	33,884	13,616	-	47,500
Foreign exchange gain/loss	288	10,921	-	11,209
	<u>\$ 11,891,647</u>	<u>\$ 2,227,105</u>	<u>\$ 2,126,102</u>	<u>\$ 16,244,854</u>
Total expenses	<u>\$ 11,891,647</u>	<u>\$ 2,227,105</u>	<u>\$ 2,126,102</u>	<u>\$ 16,244,854</u>

See notes to consolidated financial statements.

# MassChallenge Inc. and Subsidiary

## Consolidated Statement of Cash Flows

Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ (395,320)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	131,491
In-kind contribution receivable	401,295
Increase (decrease) in cash from:	
Sponsorship, grant and contribution receivables	40,359
Due from related parties	8,604
Prepaid expenses and other	56,390
Accounts payable	(328,126)
Accrued compensation	211,252
Accrued awards	(388,214)
Deferred revenue	203,303
Net cash used in operating activities	<u>(58,966)</u>
Cash flows from investing activities:	
Acquisition of property and equipment	(66,089)
Deposits	(22,875)
Net cash used in investing activities	<u>(88,964)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,430</u>
Change in cash and cash equivalents	<u>(142,500)</u>
Cash and cash equivalents at beginning of year	<u>1,460,924</u>
Cash and cash equivalents at end of year	<u>\$ 1,318,424</u>

See notes to consolidated financial statements.

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements

Year Ended December 31, 2019

## 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 its 100% owned subsidiary, MassChallenge Mexico as a for-profit entity to run the operations of the Organizations’ international projects.

All intercompany transactions and balances have been eliminated in consolidation.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### *Basis of presentation*

The accompanying consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified as follows:

### Net assets without donor restrictions

Represent net assets that are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

## **SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***Basis of presentation (concluded)***

#### Net assets with donor restrictions

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

### ***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***

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, Not-for-Profit (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarified how an entity should evaluate whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The Organization adopted this ASU on January 1, 2019. There was no impact to the Organization’s consolidated financial statements upon adoption.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Topic 606 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. The Organization adopted Topic 606 under the modified retrospective method effective January 1, 2019. In accordance with Topic 606, revenue from exchange transactions is recognized upon transfer of control of promised services to customers in an amount that reflects the consideration the Organization expects to receive in exchange for those services. As permitted by Topic 606 transition guidance, the Organization applied the new standard only to contracts that were not completed at the date of initial application, and therefore, the Organization only evaluated those contracts that were in process and not completed before January 1, 2019. Under Topic 606 there were no changes to the overall pattern and timing of revenue recognition and therefore no adjustments were made upon adoption.

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

## **SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***Revenue recognition (concluded)***

The Organization recognizes revenue from exchange transactions using the five step approach outlined in Topic 606 as follows: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the Organization satisfies the performance obligations.

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

### Contributions and grants

Contributions are recognized as revenue in the period the contribution or the unconditional promises to give is received. Promises to give that are scheduled to be received after the statement of financial position date, or which are restricted by the donor to a specific purpose which has not been met as of the statement of financial position date, are shown as increases in net assets with donor restrictions. This revenue is reclassified to net assets without donor restrictions when the time or purpose restrictions are met. Revenue with donor-imposed restrictions is recognized in net assets without donor restrictions if the restriction is met in the year the revenue is recognized.

### Sponsorships and consulting services

The various promises made under the Organization's sponsorship agreements represent one bundled performance obligation to its customer. Sponsorships are generally billed in advance, in accordance with contractual terms, and recognized evenly over the sponsorship period or upon the related event.

The Organization maintains a consulting arrangement with another accelerator program (see Note 6). Fees are billed in accordance with the related consulting agreement and fee income is recognized as services are delivered.

### Donated services and support

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

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

## **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, 2019, management has determined that no allowance for doubtful accounts is necessary. Individual accounts receivable are written off when deemed uncollectible with any future recoveries recorded as income when received.

### ***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, 2019 was \$215,201.

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

## **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 capital and net asset accounts, which are measured 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.

# MassChallenge Inc. and Subsidiary

## Notes to Consolidated Financial Statements (Continued)

### 3. RESTATEMENT

The Organization is restating its December 31, 2018 net assets to correct cumulative omissions related to accounting for in-kind revenue and expense. The Organization entered into a lease agreement in 2014 which entitled the Organization to five years of free rent from a third party. The Organization then renewed this lease in 2018 for additional free and discounted rents through 2019 (see Note 5).

Historically, the Organization recognized the fair value of the free rent in the year the space was provided as an in-kind contribution and as rent expense. The financial statements have been restated to record the fair value of the five year lease agreement and the renewal in 2018 in the year of contract execution as an in-kind contribution receivable which is then amortized to rent expense over the contractual term. The impact of the restatement is shown in the table below.

	Balance as previously reported at December 31, 2018	Adjustment to record in-kind contribution	Balance as restated at December 31, 2018
In-kind contribution receivable	\$ -	\$ 1,116,143	\$ 1,116,143
Net assets with donor restrictions	329,683	1,116,143	1,445,826

### 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019:

Computer equipment and software	\$ 14,708
Furniture and fixtures	24,856
Leasehold improvements	75,538
Office equipment	12,013
	<u>127,115</u>
Accumulated depreciation	<u>(35,975)</u>
	<u>\$ 91,140</u>

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

## 5. DONATED FACILITIES AND LEASE COMMITMENTS

The Organization maintains lease agreements with unrelated third parties in Massachusetts and Texas which provide for the right to use each premise and certain related utilities and services at no or reduced cost. The estimated fair value of these lease agreements is recorded as an in-kind contribution receivable in the year the contract is executed and then amortized to rent expense over the contractual term of the respective lease. These leases supply the Organization with over 17,722 and 4,675 square feet of space, respectively. Rent expense under all free and discounted lease agreements amounted to \$1,416,455 for the year ended December 31, 2019 and has been recorded as a component of rent expense.

During 2019, the Organization renewed the Massachusetts lease agreement effective January 1, 2020 through December 31, 2020 for space in Boston, Massachusetts. In connection with the renewal, the Organization agreed to pay discounted annual rent of \$199,361 plus its share of operating costs and taxes. Upon renewal, the Organization recognized \$714,848 of in-kind revenue related to the net present value of the discounted rates provided in the lease. The Organization has the option to renew the lease in 2021 for an annual base rent of \$443,025.

## 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, 2019, contributions made to the plan by the Organization totaled \$160,763.

## 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.

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

## **RELATED PARTY TRANSACTIONS (concluded)**

### *MassChallenge U.K. (concluded)*

Throughout its history the Organization has lent funds to MassChallenge U.K. In March 2017 MassChallenge U.K. ceased regular operations. The Organization had a balance due from MassChallenge U.K. totaling \$1,306,064 which was as fully reserved for as of December 31, 2018. On February 14, 2019, the Board voted to approve the forgiveness of the balance due from MassChallenge U.K. to allow the UK Trustees to dissolve MassChallenge U.K. The entity was formally dissolved on July 23, 2019.

### *MassChallenge Switzerland*

MassChallenge Switzerland (“MassChallenge Switzerland”) was incorporated to work with early-stage entrepreneurs and start-up companies in Switzerland. The Organization maintains a consulting services agreement with MassChallenge Switzerland. During 2019, the Organization recognized consulting services revenue of \$402,084 from MassChallenge Switzerland. This revenue is recorded as a component of sponsorship, grants and contributions on the Statement of Activities. As of December 31, 2019, amounts due from MassChallenge Switzerland amounted to \$402,084.

### *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, 2019, the Organization had a balance due to MassChallenge Israel in the amount of \$113,127.

## **8. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization’s financial assets available for general expenditures within one year of the statement of financial position are as follows at December 31, 2019:

Cash and cash equivalents	\$ 1,318,424
Sponsorship, grants and contributions receivable	<u>2,879,382</u>
	<u>\$ 4,197,806</u>

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

## LIQUIDITY AND AVAILABILITY OF RESOURCES (concluded)

The Organization's operations are primarily supported by corporate sponsorships and donations from individuals, private foundations and corporations. Donor restrictions may require these resources to be used in a particular manner or in future periods, therefore the Organization maintains sufficient resources to meet those responsibilities to its donors. Thus, a portion of financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it structures its financial assets to be available as its general operations, liabilities, and other obligations require.

### 9. NET ASSETS

The net assets released from restrictions for the year ended December 31, 2019 related to the following:

Time restrictions met and purpose restrictions accomplished:	
Participant awards	\$ 278,646
In-kind rent utilized	401,295
	<u>\$ 679,941</u>

Net assets with donor restrictions consist of the following at December 31, 2019:

Time and purpose restrictions remaining:	
Participant awards	\$ 51,038
Operating lease	714,847
	<u>\$ 765,885</u>

### 10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 14, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty about its possible duration. The Organization is currently evaluating the effects of the outbreak of COVID-19 on business operations. At this time, the impact this may have, if any, is uncertain.

# MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Concluded)

## **SUBSEQUENT EVENTS (concluded)**

In April 2020, the Organization applied for and received a loan under the Coronavirus Aid, Relief, and Economic Security Act. The loan is from the Paycheck Protection Program (the "PPP") and in the amount of \$1,690,400. In accordance with the provisions of the PPP the loan accrues interest at a rate of 1% and all or a portion of the loan may be forgiven if it is used to pay qualifying costs such as payroll, rent and utilities. Amounts that are not forgiven will be repaid 2 years from the date of the loan.

Other than as described above, there were no other subsequent events that require adjustment to or disclosure in the consolidated financial statements.



## Independent Auditors' Report on the Supplementary Information

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

We have audited the consolidated financial statements of MassChallenge Inc. (a non-profit organization) and Subsidiary (collectively the "Organization") as of and for the year ended December 31, 2019, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See page 2.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Wolf + Company, P.C.*

Boston, Massachusetts  
September 14, 2020

# MassChallenge Inc. and Subsidiary

## Consolidating Schedule of Financial Position

December 31, 2019

	<u>MassChallenge Inc.</u>	<u>MassChallenge Mexico</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,151,117	\$ 167,307	\$ -	\$ 1,318,424
Sponsorships, grants and contribution receivables	2,791,706	87,676	-	2,879,382
In-kind contributions receivable	714,848	-	-	714,848
Due from related parties	402,084	-	-	402,084
Prepaid expenses and other	118,819	18,620	-	137,439
Total current assets	<u>5,178,574</u>	<u>273,603</u>	<u>-</u>	<u>5,452,177</u>
Property and equipment, net	61,860	29,280	-	91,140
Deposit	44,250	-	-	44,250
Investment in subsidiary	225,304	-	(225,304)	-
Total assets	<u>\$ 5,509,988</u>	<u>\$ 302,883</u>	<u>\$ (225,304)</u>	<u>\$ 5,587,567</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 780,712	\$ 38,928	\$ -	\$ 819,640
Accrued compensation	979,758	19,142	-	998,900
Accrued awards	51,037	73,914	-	124,951
Deferred revenue	2,526,829	-	-	2,526,829
Due to related parties	113,127	-	-	113,127
Total current liabilities	<u>4,451,463</u>	<u>131,984</u>	<u>-</u>	<u>4,583,447</u>
Net assets and capital				
Net assets without donor restrictions	292,640	(54,405)	-	238,235
Net assets with donor restrictions	765,885	-	-	765,885
Capital	-	225,304	(225,304)	-
Total net assets and capital	<u>1,058,525</u>	<u>170,899</u>	<u>(225,304)</u>	<u>1,004,120</u>
Total liabilities and net assets	<u>\$ 5,509,988</u>	<u>\$ 302,883</u>	<u>\$ (225,304)</u>	<u>\$ 5,587,567</u>

See independent auditors' report on the supplementary information.

# MassChallenge Inc. and Subsidiary

## Consolidating Schedule of Activities

Year Ended December 31, 2019

	<u>MassChallenge Inc.</u>	<u>MassChallenge Mexico</u>	<u>Eliminations</u>	<u>Total</u>
Support and revenue:				
Sponsorships, grants and contributions	\$ 14,275,737	\$ 546,711	\$ -	\$ 14,822,448
In-kind contributions	1,015,160	-	-	1,015,160
Rental income	11,926	-	-	11,926
Total support and revenues	<u>15,302,823</u>	<u>546,711</u>	<u>-</u>	<u>15,849,534</u>
Expenses:				
Program services	11,160,238	731,409	-	11,891,647
General and administrative	2,516,566	70,119	(359,580)	2,227,105
Fundraising	2,092,777	33,325	-	2,126,102
Total expenses	<u>15,769,581</u>	<u>834,853</u>	<u>(359,580)</u>	<u>16,244,854</u>
Change in net assets from operations	\$ (466,758)	\$ (288,142)	\$ 359,580	\$ (395,320)
Other income	<u>-</u>	<u>359,580</u>	<u>(359,580)</u>	<u>-</u>
Change in net assets	<u>\$ (466,758)</u>	<u>\$ 71,438</u>	<u>\$ -</u>	<u>\$ (395,320)</u>

See independent auditors' report on the supplementary information.

## MassChallenge Inc. and Subsidiary

### Consolidating Schedule of Functional Expenses

Year Ended December 31, 2019

	MassChallenge, Inc.			MassChallenge Mexico			Intercompany Eliminations	2019 Total Expenses
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising		
Salaries and related expenses	\$ 5,532,662	\$ 1,453,241	\$ 1,775,772	\$ 291,816	\$ 39,742	\$ 27,008	\$ -	\$ 9,120,241
Participant awards	1,645,000	-	-	103,389	-	-	-	1,748,389
Rent	1,471,495	-	-	97,455	-	-	-	1,568,950
Event expenses	906,682	29,392	114,252	63,857	-	1,173	-	1,115,356
Professional fees	498,374	168,915	31,189	15,362	7,559	1,081	-	722,480
Office and technology expenses	552,520	70,585	9,803	34,955	1,193	-	-	669,056
Travel and entertainment	325,283	65,170	137,633	9,165	6,581	2,561	-	546,393
Marketing and advertising	98,941	-	-	114,756	-	1,502	-	215,199
Other	95,763	55,023	24,128	-	10,662	-	-	185,576
Depreciation and amortization	-	127,109	-	-	4,382	-	-	131,491
Insurance	-	90,353	-	-	-	-	-	90,353
Loss on loan receivable	-	432,241	-	-	-	-	(359,580)	72,661
Training and development	33,518	13,616	-	366	-	-	-	47,500
Foreign exchange gain/loss	-	10,921	-	288	-	-	-	11,209
<b>Total expenses</b>	<b><u>\$ 11,160,238</u></b>	<b><u>\$ 2,516,566</u></b>	<b><u>\$ 2,092,777</u></b>	<b><u>\$ 731,409</u></b>	<b><u>\$ 70,119</u></b>	<b><u>\$ 33,325</u></b>	<b><u>\$ (359,580)</u></b>	<b><u>\$ 16,244,854</u></b>

See independent auditors' report on the supplementary information.