



MassChallenge Inc. and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017



Table of Contents

Independent Auditors' Report	1-2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-14
Supplementary Information:	
Independent Auditors' Report on the Supplementary Information	15
Consolidating Statement of Financial Position	16
Consolidating Statement of Activities	17
Consolidating Statement of Functional Expenses	18



Independent Auditors' Report

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 statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2018 and 2017 and the statements of activities, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wolf + Company, P.C.

Boston, Massachusetts

January 26, 2020

MassChallenge Inc. and Subsidiary

Consolidated Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,460,924	\$1,446,108
Sponsorship, grants and contribution receivables	2,915,127	2,285,027
Due from related parties	375,000	250,000
Prepaid expenses and other	193,023	30,220
Total current assets	<u>4,944,074</u>	<u>4,011,355</u>
Property and equipment, net	155,344	187,382
Deposit	21,375	7,773
Contributions receivable, noncurrent	-	400,000
	<u> </u>	<u> </u>
Total assets	<u>\$ 5,120,793</u>	<u>\$4,606,510</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,142,719	\$ 405,200
Accrued compensation	787,262	857,875
Accrued awards	509,516	1,158,205
Deferred revenue	2,320,560	2,234,792
Due to related parties	77,439	134,203
Total current liabilities	<u>4,837,496</u>	<u>4,790,275</u>
Net assets:		
Without donor restrictions	(46,386)	(766,970)
With donor restrictions	329,683	583,205
Total net assets	<u>283,297</u>	<u>(183,765)</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 5,120,793</u>	<u>\$4,606,510</u>

See notes to consolidated financial statements.

MassChallenge Inc. and Subsidiary

Consolidated Statements of Activities

Years Ended December 31, 2018 and 2017

	2018		2018 Total	2017 Total
	Without Donor Restrictions	With Donor Restrictions		
Support and revenues:				
Sponsorships, grants and contributions	\$ 13,776,015	\$ -	\$ 13,776,015	\$ 11,659,104
In-kind contributions	1,673,323	-	1,673,323	1,586,165
Rental income	55,751	-	55,751	63,800
Other income	6,915	-	6,915	34,627
Net assets released from restrictions	253,522	(253,522)	-	-
Total support and revenues	<u>15,765,526</u>	<u>(253,522)</u>	<u>15,512,004</u>	<u>13,343,696</u>
Expenses:				
Program services	10,786,264	-	10,786,264	9,378,931
General and administrative	2,247,187	-	2,247,187	1,774,650
Fundraising	2,017,595	-	2,017,595	2,301,457
Total expenses	<u>15,051,046</u>	<u>-</u>	<u>15,051,046</u>	<u>13,455,038</u>
Change in net assets from operations	714,480	(253,522)	460,958	(111,342)
Foreign currency adjustments	<u>3,104</u>	<u>-</u>	<u>3,104</u>	<u>-</u>
Change in net assets	717,584	(253,522)	464,062	(111,342)
Net assets, beginning of year	<u>(799,970)</u>	<u>583,205</u>	<u>(216,765)</u>	<u>(72,423)</u>
Net assets, end of year	<u>\$ (82,386)</u>	<u>\$ 329,683</u>	<u>\$ 247,297</u>	<u>\$ (183,765)</u>

See notes to consolidated financial statements.

MassChallenge Inc. and Subsidiary

Consolidated Statements of Functional Expenses

Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Participant awards	\$ 2,550,536	\$ -	\$ -	\$ 2,550,536	\$ 1,660,584	\$ -	\$ -	\$ 1,660,584
Rent	1,644,918	95,682	173,040	1,913,640	1,377,026	72,028	144,056	1,593,110
Salaries and related expenses	4,584,872	1,567,768	1,648,785	7,801,425	4,550,094	503,807	1,850,718	6,904,619
Marketing and advertising	30,407	2,327	4,166	36,900	76,491	1,034	3,838	81,363
Depreciation and amortization	-	72,284	-	72,284	2,108	70,257	500	72,865
Event expenses	798,446	13,163	63,906	875,515	578,575	59,188	90,410	728,173
Foreign exchange gain/loss	-	6,131	-	6,131	-	(18,395)	-	(18,395)
Insurance	-	72,164	-	72,164	1,956	55,339	464	57,759
Office and technology expenses	357,357	91,535	9,487	458,379	596,409	2,345	-	598,754
Loss on loan receivable	-	-	-	-	-	630,604	-	630,604
Professional fees	612,765	178,971	7,081	798,817	196,040	259,150	69,736	524,926
Training and development	13,316	1,932	823	16,071	20,693	-	18,002	38,695
Travel and entertainment	144,395	68,829	95,269	308,493	299,600	153,958	89,746	543,304
Other	46,252	76,401	15,038	137,691	19,355	(14,665)	33,987	38,677
Total expenses	\$ 10,783,264	\$ 2,247,187	\$ 2,017,595	\$ 15,048,046	\$ 9,378,931	\$ 1,774,650	\$ 2,301,457	\$ 13,455,038

See notes to the financial statements.

MassChallenge Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 467,062	\$ (111,342)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	72,112	72,377
Increase (decrease) in cash from:		
Sponsorship, grant and contribution receivables	(230,100)	422,627
Due from related parties	(181,764)	(281,756)
Prepaid expenses and other	(162,803)	(3,817)
Accounts payable	737,519	(137,218)
Accrued compensation	(70,613)	191,121
Accrued awards	(645,585)	(276,394)
Deferred revenue	85,768	(220,290)
Net cash provided by (used in) operating activities	<u>71,596</u>	<u>(344,692)</u>
Cash flows from investing activities:		
Acquisition of property and equipment and security deposits	<u>(53,676)</u>	<u>(55,817)</u>
Net cash used in investing activities	<u>(53,676)</u>	<u>(55,817)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,104)</u>	<u>(29,107)</u>
Change in cash and cash equivalents	<u>14,816</u>	<u>(429,616)</u>
Cash and cash equivalents at beginning of year	<u>1,446,108</u>	<u>1,875,724</u>
Cash and cash equivalents at end of year	<u>\$ 1,460,924</u>	<u>\$ 1,446,108</u>

See notes to consolidated financial statements.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2018 and 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 a Board Member and former CEO of MassChallenge Inc. All intercompany transactions and balances have been eliminated in consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying 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.

Effective January 1, 2018, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for not-for-profit organizations and enhances required disclosures. Changes to the Organization’s financials statements as a result of adoption include:

- Net assets presentation into two categories – net assets without donor restrictions and net assets with donor restrictions;
- Quantitative and qualitative information regarding liquidity and availability of resources;

As a result of adoption, the Organization reports information regarding its assets and net assets and changes in net assets according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions totaling \$329,683 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. Information regarding liquidity and availability of resources is discussed within Note 7.

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.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 6). 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.

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, 2018 and 2017, 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.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 years ended December 31, 2018 and 2017 were \$36,900 and \$81,363, respectively.

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

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

SIGNIFICANT ACCOUNTING POLICIES (concluded)

Tax-exempt status (concluded)

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.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Computer equipment and software	\$ 455,274	\$ 454,519
Furniture and fixtures	91,324	73,066
Leasehold improvements	261,804	240,608
Office equipment	63,820	64,224
	<u>872,222</u>	<u>832,417</u>
Accumulated depreciation	<u>(716,878)</u>	<u>(645,035)</u>
	<u>\$ 155,344</u>	<u>\$ 187,382</u>

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

4. 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 years ended December 31, 2018 and 2017 was \$1,673,323 and \$1,586,165, respectively, and is reported as follows:

	<u>2018</u>	<u>2017</u>
Rent	\$ 1,578,050	\$1,440,559
Office and technology	95,273	117,466
Property and equipment	<u>-</u>	<u>28,140</u>
	<u>\$ 1,673,323</u>	<u>\$1,586,165</u>

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. Generally, leases requiring the payment of rent have a duration of twelve months or less. The estimated fair value of donated leases for the year ended December 31, 2018 was \$1,097,000, \$373,000 and \$109,000 and has been recorded as a component of rent expense. 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, 8,880 square feet, and 500 square feet of space, respectively, and begin to expire in December 2019.

5. 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 years ended December 31, 2018 and 2017, contributions made to the plan by the Organization totaled \$143,251 and \$79,436, respectively.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

6. 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. Throughout its history the Organization has lent funds to MassChallenge U.K. and as of December 31, 2018 and 2017, the Organization had a balance due from MassChallenge U.K. totaling \$1,306,064. In March 2017 MassChallenge U.K. ceased regular operations. 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 years ended December 31, 2018 and 2017 amounted to \$0 and \$630,604, respectively, and has been recorded as a component of general and administrative expenses.

On February 14, 2019, the Board voted to approve the forgiveness of \$1,306,064 in balance due from MassChallenge U.K. to allow the UK Trustees to dissolve MassChallenge U.K.

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 2018 and 2017, the Organization recognized license fee revenue of \$500,000 from MassChallenge Switzerland. As of December 31, 2018 and 2017, amounts due from MassChallenge Switzerland amounted to \$375,000 and \$250,000, respectively.

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, 2018 and 2017, the Organization had a balance due to MassChallenge Israel in the amount of \$77,439 and \$134,203, respectively.

MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Concluded)

7. 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,460,924	\$ 1,446,108
Sponsorship, grants and contributions receivable	2,915,127	2,089,342
Unbilled receivables	<u>800,000</u>	<u>195,685</u>
	<u>\$ 5,176,051</u>	<u>\$ 3,731,135</u>

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.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2020, which is the date the consolidated financial statements were available to be issued. Other than the forgiveness of the balance due from MassChallenge UK as discussed in Note 6 and as discussed below, there were no subsequent events that require adjustment to or disclosure in the consolidated financial statements.

Operating leases

The Organization renewed an operating lease effective January 1, 2020 for space in Boston, Massachusetts. In connection with the renewal, the Organization agreed to pay annual rent of \$265,815 plus its share of operating costs and taxes for 17,721 square feet of space. The Organization has the option to renew the lease in 2021 for an annual base rent of \$443,025.



Independent Auditors' 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, 2018, and have issued our report thereon dated January 26, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position as of December 31, 2018 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
January 26, 2020

MassChallenge Inc. and Subsidiary

Consolidating Statement of Financial Position

December 31, 2018

	<u>MassChallenge Inc.</u>	<u>MassChallenge Mexico</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 919,335	\$ 541,589	\$ -	\$ 1,460,924
Sponsorships, grants and contribution receivables	2,776,929	138,198	-	2,915,127
Due from related parties	375,000	-	-	375,000
Intercompany receivables	175,082	-	(175,082)	-
Prepaid expenses and other	172,099	20,924	-	193,023
Total current assets	<u>4,418,445</u>	<u>700,711</u>	<u>(175,082)</u>	<u>4,944,074</u>
Property and equipment, net	125,863	29,481	-	155,344
Deposit	21,375	-	-	21,375
Investment in subsidiary	225,304	-	(225,304)	-
Total assets	<u>\$ 4,790,987</u>	<u>\$ 730,192</u>	<u>\$ (400,386)</u>	<u>\$ 5,120,793</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 935,838	\$ 381,963	\$ (175,082)	\$ 1,142,719
Accrued compensation	787,262	-	-	787,262
Accrued awards	404,683	104,833	-	509,516
Deferred revenue	2,176,625	143,935	-	2,320,560
Due to related parties	77,439	-	-	77,439
Total current liabilities	<u>4,381,847</u>	<u>630,731</u>	<u>(175,082)</u>	<u>4,837,496</u>
Net assets and capital				
Net assets without donor restrictions	79,457	(128,947)	3,104	(46,386)
Net assets with donor restrictions	329,683	-	-	329,683
Capital	-	228,408	(228,408)	-
Total net assets and capital	<u>409,140</u>	<u>99,461</u>	<u>(225,304)</u>	<u>283,297</u>
Total liabilities and net assets	<u>\$ 4,790,987</u>	<u>\$ 730,192</u>	<u>\$ (400,386)</u>	<u>\$ 5,120,793</u>

See independent auditors' report on the supplementary information.

MassChallenge Inc. and Subsidiary

Consolidating Statement of Activities

Year Ended December 31, 2018

	MassChallenge Inc.	MassChallenge Mexico	Eliminations	Total
Support and revenue:				
Sponsorships, grants and contributions	\$ 12,704,042	\$ 1,071,973	\$ -	\$ 13,776,015
In-kind contributions	1,673,323	-	-	1,673,323
Rental income	55,751	-	-	55,751
Other income	256,915	-	(250,000)	6,915
Total support and revenues	<u>14,690,031</u>	<u>1,071,973</u>	<u>(250,000)</u>	<u>15,512,004</u>
Expenses:				
Program services	10,208,945	824,319	(250,000)	10,783,264
General and administrative	2,065,997	181,190	-	2,247,187
Fundraising	1,903,486	114,109	-	2,017,595
Total expenses	<u>14,178,428</u>	<u>1,119,618</u>	<u>(250,000)</u>	<u>15,048,046</u>
Change in net assets from operations	511,603	(47,645)	-	463,958
Foreign currency adjustments	<u>-</u>	<u>3,104</u>	<u>-</u>	<u>3,104</u>
Change in net assets	<u>\$ 511,603</u>	<u>\$ (44,541)</u>	<u>\$ -</u>	<u>\$ 467,062</u>

See independent auditors' report on the supplementary information.

MassChallenge Inc. and Subsidiary

Consolidating Statement of Functional Expenses

Year Ended December 31, 2018

	MassChallenge, Inc.			MassChallenge Mexico			Intercompany Eliminations	2018 Total Expenses
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising		
Participant awards	\$ 2,357,000	\$ -	\$ -	\$ 193,536	\$ -	\$ -	\$ -	\$ 2,550,536
Rent	1,534,663	95,682	173,040	110,254	-	-	-	1,913,639
Salaries and related expenses	4,382,933	1,463,580	1,547,025	201,939	104,187	101,762	-	7,801,426
Marketing and advertising	22,507	2,327	-	7,900	-	4,166	-	36,900
Depreciation and amortization	-	69,593	-	-	2,691	-	-	72,284
Event expenses	761,420	13,164	61,644	37,026	-	2,261	-	875,515
Foreign exchange gain/loss	-	1,443	-	-	4,688	-	-	6,131
Insurance	-	72,164	-	-	-	-	-	72,164
Office and technology expenses	348,109	78,433	9,386	9,248	13,102	101	-	458,379
Professional fees	611,170	163,316	7,081	1,596	15,655	-	-	798,818
Training and development	12,845	-	-	471	1,932	823	-	16,071
Travel and entertainment	132,046	53,556	90,272	12,349	15,273	4,996	-	308,492
Other	46,252	52,739	15,038	250,000	23,662	-	(250,000)	137,691
Total expenses	\$ 10,208,945	\$ 2,065,997	\$ 1,903,486	\$ 824,319	\$ 181,190	\$ 114,109	\$ (250,000)	\$ 15,048,046

See independent auditors' report on the supplementary information.