# Table of Contents

Independent Auditors’ Report ........................................ 1-2

Consolidated Financial Statements:
- Consolidated Statement of Financial Position ............... 3
- Consolidated Statement of Activities ....................... 4
- Consolidated Statement of Functional Expenses .......... 5
- Consolidated Statement of Cash Flows ..................... 6
- Notes to Consolidated Financial Statements ............... 7-14

Supplementary Information:
- Independent Auditors’ Report on the Supplementary Information .. 15
- Consolidating Schedule of Financial Position ............. 16
- Consolidating Schedule of Activities ..................... 17
- Consolidating Schedule 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 statement of financial position as of December 31, 2020, 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, 2020 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
June 7, 2021
## MassChallenge Inc. and Subsidiary

### Consolidated Statement of Financial Position

December 31, 2020

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities and Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td><strong>Net assets:</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>Without donor restrictions</td>
</tr>
<tr>
<td>$3,536,365</td>
<td>1,096,735</td>
</tr>
<tr>
<td>Sponsorship, grants and contribution</td>
<td>With donor restrictions</td>
</tr>
<tr>
<td>receivables</td>
<td>581,987</td>
</tr>
<tr>
<td>1,679,668</td>
<td>Total net assets</td>
</tr>
<tr>
<td>In-kind contribution receivables</td>
<td>1,678,722</td>
</tr>
<tr>
<td>577,630</td>
<td>Total liabilities and net</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>assets</td>
</tr>
<tr>
<td>402,732</td>
<td>$6,444,622</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td></td>
</tr>
<tr>
<td>181,357</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
</tr>
<tr>
<td>6,377,752</td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td></td>
</tr>
<tr>
<td>66,870</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
</tr>
<tr>
<td>$6,444,622</td>
<td></td>
</tr>
</tbody>
</table>

| Current liabilities:                        |                             |
| Accounts payable                           | $1,086,527                  |
| Accrued compensation                       | 1,039,189                   |
| Accrued awards                             | 240,679                     |
| Deferred revenue                           | 2,399,505                   |
| **Total current liabilities**              | 4,765,900                   |

| Net assets:                                 |                             |
| Without donor restrictions                 | 1,096,735                   |
| With donor restrictions                    | 581,987                     |
| **Total net assets**                       | 1,678,722                   |

| Total liabilities and net assets           | $6,444,622                  |

See accompanying notes to consolidated financial statements.
MassChallenge Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended December 31, 2020

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsorships, grants and contributions</td>
<td>$12,718,632</td>
<td>$-</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>$-</td>
<td>577,630</td>
</tr>
<tr>
<td>CARES Act funding (Note 9)</td>
<td>1,690,400</td>
<td>$-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>761,528</td>
<td>(761,528)</td>
</tr>
<tr>
<td><strong>Total support and revenues</strong></td>
<td>15,170,560</td>
<td>(183,898)</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>10,372,576</td>
<td>$-</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,906,414</td>
<td>$-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>2,033,070</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>14,312,060</td>
<td>$-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>858,500</td>
<td>(183,898)</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>238,235</td>
<td>765,885</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$1,096,735</td>
<td>$581,987</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
## MassChallenge Inc. and Subsidiary

### Consolidated Statement of Functional Expenses

**Year Ended December 31, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related expenses</td>
<td>$6,213,513</td>
<td>$1,208,999</td>
<td>$1,877,354</td>
<td>$9,299,866</td>
</tr>
<tr>
<td>Participant awards</td>
<td>1,805,000</td>
<td>-</td>
<td>-</td>
<td>1,805,000</td>
</tr>
<tr>
<td>Rent</td>
<td>1,218,013</td>
<td>63,787</td>
<td>63,787</td>
<td>1,345,587</td>
</tr>
<tr>
<td>Professional fees</td>
<td>333,901</td>
<td>190,025</td>
<td>48,226</td>
<td>572,152</td>
</tr>
<tr>
<td>Office and technology expenses</td>
<td>382,481</td>
<td>179,969</td>
<td>6,042</td>
<td>568,492</td>
</tr>
<tr>
<td>Event expenses</td>
<td>186,964</td>
<td>3,274</td>
<td>15,276</td>
<td>205,514</td>
</tr>
<tr>
<td>Other</td>
<td>1,550</td>
<td>107,875</td>
<td>-</td>
<td>109,425</td>
</tr>
<tr>
<td>Marketing and advertising</td>
<td>106,033</td>
<td>-</td>
<td>-</td>
<td>106,033</td>
</tr>
<tr>
<td>Training and development</td>
<td>69,328</td>
<td>15,966</td>
<td>-</td>
<td>85,294</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>39,661</td>
<td>19,529</td>
<td>22,385</td>
<td>81,575</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>55,886</td>
<td>-</td>
<td>55,886</td>
</tr>
<tr>
<td>Loss on loan receivable</td>
<td>-</td>
<td>33,252</td>
<td>-</td>
<td>33,252</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>27,852</td>
<td>-</td>
<td>27,852</td>
</tr>
<tr>
<td>Foreign exchange gain/loss</td>
<td>16,132</td>
<td>-</td>
<td>-</td>
<td>16,132</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$10,372,576</strong></td>
<td><strong>$1,906,414</strong></td>
<td><strong>$2,033,070</strong></td>
<td><strong>$14,312,060</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
MassChallenge Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended December 31, 2020

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 674,602</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>27,852</td>
</tr>
<tr>
<td>In-kind contribution receivables</td>
<td>137,218</td>
</tr>
<tr>
<td>Increase (decrease) in cash from:</td>
<td></td>
</tr>
<tr>
<td>Sponsorship, grant and contribution receivables</td>
<td>1,496,385</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>(181,275)</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>(42,523)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>261,433</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>41,257</td>
</tr>
<tr>
<td>Accrued awards</td>
<td>1,105</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(306,650)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>2,109,404</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of property and equipment</td>
<td>(5,141)</td>
</tr>
<tr>
<td>Returned deposits</td>
<td>44,250</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td><strong>39,109</strong></td>
</tr>
</tbody>
</table>

| Effect of exchange rate changes on cash and cash equivalents | 69,428 |

| Change in cash and cash equivalents | 2,217,941 |

| Cash and cash equivalents at beginning of year | 1,318,424 |

| Cash and cash equivalents at end of year | $ 3,536,365 |

See accompanying notes to consolidated financial statements.
1. DESCRIPTION OF ORGANIZATION

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.

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. MassChallenge Inc. and its subsidiary, MassChallenge Mexico are collectively referred to as “the Organization”.

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.

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.
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 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

Revenue from exchange transactions is recognized 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 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.
SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (concluded)

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.

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, 2020, 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.
MassChallenge Inc. and Subsidiary

Notes to Consolidated Financial Statements (Continued)

SIGNIFICANT ACCOUNTING POLICIES (concluded)

Advertising costs

The Organization expenses advertising costs as they are incurred. Total advertising costs for the year ended December 31, 2020 was $106,034.

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.

Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic. While any disruptions, including the virtual nature of the Organizations hosted events and awards, are expected to be temporary, there remains considerable uncertainty about its possible duration and potential impact on the Organization.
3. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2020:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment and software</td>
<td>$ 18,291</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>36,869</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>75,538</td>
</tr>
<tr>
<td></td>
<td><strong>130,698</strong></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(63,828)</td>
</tr>
<tr>
<td></td>
<td><strong>66,870</strong></td>
</tr>
</tbody>
</table>

4. **DONATED FACILITIES AND LEASE COMMITMENTS**

The Organization maintains a lease agreement with an unrelated third party in Massachusetts which provides for the right to use the premise and certain related utilities and services at a reduced cost of $22,151 per month plus its share of operating costs and taxes. The estimated fair value of this lease agreement 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. During 2020, this lease supplied the Organization with 17,722 square feet of space. Rent expense under the discounted lease agreement amounted to $1,111,039 for the year ended December 31, 2020 and has been recorded as a component of rent expense.

During 2020, the Organization renewed the Massachusetts lease agreement effective January 1, 2021 through December 31, 2021 for reduced square footage of 13,588 in Boston, Massachusetts. In connection with the renewal, the Organization agreed to pay discounted annual rent of $151,925 plus its share of operating costs and taxes. Upon renewal, the Organization recognized $577,630 of in-kind revenue related to the net present value of the discounted rates provided in the lease.

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 year ended December 31, 2020, contributions made to the plan by the Organization totaled $159,278.
6. RELATED PARTY TRANSACTIONS

MassChallenge Switzerland

MassChallenge Switzerland ("MassChallenge Switzerland"), a not-for-profit entity with common board members, 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 2020, the Organization recognized consulting services revenue of $300,000 from MassChallenge Switzerland. This revenue is recorded as a component of sponsorship, grants and contributions on the Statement of Activities. As of December 31, 2020, amounts due from MassChallenge Switzerland amounted to $300,000.

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.

During 2020, the Organization extended a $131,000 cash bridge loan to MassChallenge Israel. Repayment of the loan is due in full by March 31, 2021. As of December 31, 2020, amounts due from MassChallenge Israel amounted to $102,732.

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, 2020:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,536,365</td>
</tr>
<tr>
<td>Sponsorship, grants and contributions receivable</td>
<td>$1,679,668</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,216,033</strong></td>
</tr>
</tbody>
</table>

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. **NET ASSETS**

The net assets released from restrictions for the year ended December 31, 2020 related to the following:

<table>
<thead>
<tr>
<th>Time restrictions met and purpose restrictions accomplished:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant awards</td>
<td>$ 46,680</td>
</tr>
<tr>
<td>In-kind rent utilized</td>
<td>714,848</td>
</tr>
<tr>
<td></td>
<td><strong>$ 761,528</strong></td>
</tr>
</tbody>
</table>

Net assets with donor restrictions consist of the following at December 31, 2020:

<table>
<thead>
<tr>
<th>Time and purpose restrictions remaining:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant awards</td>
<td>$ 4,357</td>
</tr>
<tr>
<td>In-kind rent - 2021</td>
<td>577,630</td>
</tr>
<tr>
<td></td>
<td><strong>$ 581,987</strong></td>
</tr>
</tbody>
</table>

9. **CARES ACT FUNDING**

In April 2020, the Organization received a forgivable loan through the Paycheck Protection Program (the “PPP Loan”) in the amount of $1,690,400 pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Loan is guaranteed by the United States Small Business Administration.

The PPP Loan provides for forgiveness of principal subject to various conditions regarding use of funds for allowable expenditures, maintenance of headcount and compensation levels, and the period within which PPP Loan proceeds are spent.

The Organization accounted for the PPP Loan as a non-exchange transaction, noting that the government does not receive commensurate value when the proceeds are forgiven. The non-exchange transaction is conditional, because of the explicit right of return coupled with criteria placed upon expenditures to qualify for forgiveness. Revenue is recognized as qualifying expenses are made and totaled $1,690,400 for the year ended December 31, 2020 and is reported separately on the statement of activities given the significance and unique nature of the revenue. The Organization submitted the PPP loan forgiveness application in November 2020 and received notification of formal forgiveness approval on January 5, 2021.
10. REVOLVING LINE OF CREDIT

The Organization maintains a line of credit for working capital purposes under which advances are limited to $500,000. Advances bear interest at 3% per annum and are collateralized by all assets of the Organization. There were no borrowings outstanding under the line of credit at December 31, 2020. The line of credit expires on November 25, 2021.

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 7, 2021, which is the date the financial statements were available to be issued.

In February 2021, the Organization applied for and received a second draw PPP Loan under the CARES Act in the amount of $1,690,400. In accordance with the provisions of the CARES Act, 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 5 years from the date of the loan.

Other than as described above and in Note 9, there were no other subsequent events that require adjustment to or disclosure in the consolidated financial statements.
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. (a non-profit organization) and Subsidiary (collectively the “Organization”) as of and for the year ended December 31, 2020, 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 audit 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
June 7, 2021
MassChallenge Inc. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2020

<table>
<thead>
<tr>
<th>MassChallenge Inc.</th>
<th>MassChallenge Mexico</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,395,707</td>
<td>$140,658</td>
<td>$-</td>
</tr>
<tr>
<td>Sponsorships, grants and contribution receivables</td>
<td>$1,579,684</td>
<td>$99,984</td>
<td>$-</td>
</tr>
<tr>
<td>In-kind contributions receivable</td>
<td>$577,630</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>$402,732</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Due from subsidiary</td>
<td>$67,500</td>
<td>$-</td>
<td>(67,500)</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>$131,422</td>
<td>$49,935</td>
<td>$-</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$6,154,675</td>
<td>$290,577</td>
<td>(67,500)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$39,583</td>
<td>$27,287</td>
<td>$-</td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>$225,304</td>
<td>$-</td>
<td>(225,304)</td>
</tr>
<tr>
<td>Total assets</td>
<td>$6,419,562</td>
<td>$317,864</td>
<td>(292,804)</td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$947,469</td>
<td>$139,058</td>
<td>$-</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>$1,020,647</td>
<td>$18,542</td>
<td>$-</td>
</tr>
<tr>
<td>Accrued awards</td>
<td>$200,673</td>
<td>$40,006</td>
<td>$-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$2,399,505</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Due to parent</td>
<td>$-</td>
<td>$67,500</td>
<td>(67,500)</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$4,568,294</td>
<td>$265,106</td>
<td>(67,500)</td>
</tr>
<tr>
<td>Net assets and capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets without donor restrictions</td>
<td>$1,269,281</td>
<td>$172,546</td>
<td>$-</td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>$581,987</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Capital</td>
<td>$-</td>
<td>$225,304</td>
<td>(225,304)</td>
</tr>
<tr>
<td>Total net assets and capital</td>
<td>$1,851,268</td>
<td>$52,758</td>
<td>(225,304)</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$6,419,562</td>
<td>$317,864</td>
<td>(292,804)</td>
</tr>
</tbody>
</table>

See independent auditors' report on the supplementary information.
MassChallenge Inc. and Subsidiary

Consolidating Schedule of Activities

Year Ended December 31, 2020

<table>
<thead>
<tr>
<th>MassChallenge Inc.</th>
<th>MassChallenge Mexico</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support and revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsorships, grants and contributions</td>
<td>$12,401,404</td>
<td>$317,228</td>
<td>$12,718,632</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>577,630</td>
<td>-</td>
<td>577,630</td>
</tr>
<tr>
<td>CARES Act funding (Note 9)</td>
<td>1,690,400</td>
<td>-</td>
<td>1,690,400</td>
</tr>
<tr>
<td>Total support and revenues</td>
<td>14,669,434</td>
<td>317,228</td>
<td>14,986,662</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>9,957,702</td>
<td>414,874</td>
<td>10,372,576</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,897,649</td>
<td>8,765</td>
<td>1,906,414</td>
</tr>
<tr>
<td>Fundraising</td>
<td>2,021,341</td>
<td>11,729</td>
<td>2,033,070</td>
</tr>
<tr>
<td>Total expenses</td>
<td>13,876,692</td>
<td>435,368</td>
<td>14,312,060</td>
</tr>
<tr>
<td>Change in net assets from operations</td>
<td>$792,742</td>
<td>$(118,140)</td>
<td>$674,602</td>
</tr>
</tbody>
</table>

See independent auditors' report on the supplementary information.
# MassChallenge Inc. and Subsidiary

**Consolidating Schedule of Functional Expenses**

**Year Ended December 31, 2020**

<table>
<thead>
<tr>
<th>MassChallenge Inc.</th>
<th>MassChallenge Mexico</th>
<th>Intercompany Eliminations</th>
<th>2020 Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Services</strong></td>
<td><strong>General and Administrative</strong></td>
<td><strong>Fundraising</strong></td>
<td><strong>Program Services</strong></td>
</tr>
<tr>
<td>Salaries and related expenses</td>
<td>$ 5,932,351</td>
<td>$ 1,208,999</td>
<td>$ 1,866,080</td>
</tr>
<tr>
<td>Participant awards</td>
<td>1,805,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rent</td>
<td>1,148,158</td>
<td>63,787</td>
<td>63,787</td>
</tr>
<tr>
<td>Professional fees</td>
<td>312,885</td>
<td>186,821</td>
<td>48,226</td>
</tr>
<tr>
<td>Office and technology expenses</td>
<td>363,953</td>
<td>179,969</td>
<td>6,042</td>
</tr>
<tr>
<td>Event expenses</td>
<td>185,842</td>
<td>3,274</td>
<td>15,276</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>104,307</td>
<td>-</td>
</tr>
<tr>
<td>Marketing and advertising</td>
<td>103,546</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Training and development</td>
<td>69,328</td>
<td>15,966</td>
<td>-</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>36,639</td>
<td>19,529</td>
<td>21,930</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>55,886</td>
<td>-</td>
</tr>
<tr>
<td>Loss on loan receivable</td>
<td>-</td>
<td>33,252</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>25,859</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange gain/loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$ 9,957,702</td>
<td>$ 1,897,649</td>
<td>$ 2,021,341</td>
</tr>
</tbody>
</table>

See independent auditors’ report on the supplementary information.