

**MassChallenge, Inc. and Subsidiaries**

*Consolidated Financial Statements  
and Additional Information*

*Years Ended December 31, 2015 and 2014*

**MassChallenge, Inc. and Subsidiaries**  
*Consolidated Financial Statements*  
*Years Ended December 31, 2015 and 2014*  
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**Katz, Nannis + Solomon, PC**  
Certified Public Accountants

## **Independent Auditors' Report**

To the Board of Advisors  
MassChallenge, Inc. and Subsidiaries  
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of MassChallenge, Inc. (a non-profit organization) and Subsidiaries, which are comprised of the consolidated statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and functional expenses for the year ended December 31, 2015 with comparative totals for 2014, and cash flows for the years ended December 31, 2015 and 2014, 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 audits 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 Subsidiaries as of December 31, 2015 and 2014, and the changes in net assets and cash flows for the years ended December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited the MassChallenge, Inc.'s 2014 financial statements, and our report dated January 31, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kat. Nannis + Solomon, P.C.*

Waltham, Massachusetts  
March 15, 2017

|   | <b>2015</b>         | <b>2014</b>         |
|---|---------------------|---------------------|
| <b>Assets</b>                                   |                     |                     |
| <b>Current Assets</b>                           |                     |                     |
| Cash and cash equivalents                       | \$ 349,257          | \$ 761,947          |
| Contributions and grants receivable             | 316,034             | 1,108,000           |
| Unbilled contributions and grants receivable    | 56,332              | -                   |
| Due from related parties                        | 455,822             | -                   |
| Other receivables                               | 1,717               | 5,396               |
| <b>Total Current Assets</b>                     | <b>1,179,162</b>    | <b>1,875,343</b>    |
| <b>Property, Equipment and Improvements</b>     |                     |                     |
| Computers                                       | 11,381              | 11,381              |
| Equipment                                       | 26,239              | 26,239              |
| Furniture                                       | 69,956              | 63,358              |
| Software  | 350,747             | 331,870             |
| Leasehold improvements                          | 231,008             | 83,448              |
| Total   | 689,331             | 516,296             |
| Accumulated depreciation                        | (471,579)           | (319,748)           |
| <b>Net Property, Equipment and Improvements</b> | <b>217,752</b>      | <b>196,548</b>      |
| <b>Total Assets</b>                             | <b>\$ 1,396,914</b> | <b>\$ 2,071,891</b> |

**MassChallenge, Inc. and Subsidiaries**  
*Consolidated Statements of Financial Position*  
*Years Ended December 31,*

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>Liabilities and Net Assets</b>             |                     |                     |
| <b>Current Liabilities</b>                    |                     |                     |
| Accounts payable                              | \$ 113,832          | \$ 202,852          |
| Accrued payroll & vacation                    | 28,305              | -                   |
| Accrued bonus                                 | 65,157              | 60,000              |
| Accrued award expenses and other              | 1,245,874           | 1,274,910           |
| Credit card payable                           | 48,809              | 42,221              |
| Deferred revenue                              | 1,054,049           | 965,000             |
| <b>Total Current Liabilities</b>              | <b>2,556,026</b>    | <b>2,544,983</b>    |
| <b>Commitments and Contingencies (Note E)</b> | <b>-</b>            | <b>-</b>            |
| <b>Net Assets</b>                             |                     |                     |
| Unrestricted                                  | (2,199,526)         | (1,858,092)         |
| Temporarily restricted                        | 1,040,414           | 1,385,000           |
| <b>Total Net Assets</b>                       | <b>(1,159,112)</b>  | <b>(473,092)</b>    |
| <b>Total Liabilities and Net Assets</b>       | <b>\$ 1,396,914</b> | <b>\$ 2,071,891</b> |

*See accompanying notes.*

**MassChallenge, Inc. and Subsidiaries**  
*Consolidated Statements of Activities*  
*Years Ended December 31,*

|  | 2015                  | 2014                |
|--|-----------------------|---------------------|
| <b>Support and Revenues</b>                                  |                       |                     |
| Grants and contributions                                     | \$ 4,064,674          | \$ 2,829,934        |
| In-kind contributions  | 1,356,436             | 1,032,729           |
| Rental income  | -                     | 30,032              |
| Other income   | 20,170                | -                   |
| Temporarily restricted net assets released from restrictions | 2,036,750             | 433,782             |
| <b>Total Support and Revenues</b>                            | <b>7,478,030</b>      | <b>4,326,477</b>    |
| <b>Expenses</b>  |                       |                     |
| Program services   | 5,862,511             | 4,963,340           |
| General and administrative                                   | 953,188               | 592,291             |
| Fundraising  | 1,003,765             | 908,528             |
| <b>Total Expenses</b>  | <b>7,819,464</b>      | <b>6,464,159</b>    |
| <b>(Decrease) in Unrestricted Net Assets</b>                 | <b>(341,434)</b>      | <b>(2,137,682)</b>  |
| <b>Changes in Temporarily Restricted Net Assets:</b>         |                       |                     |
| <b>Revenues and Other Support</b>                            |                       |                     |
| Contributions  | 1,692,164             | 1,635,000           |
| Net assets released from restrictions                        | (2,036,750)           | (433,782)           |
| <b>Changes in Temporarily Restricted Net Assets</b>          | <b>(344,586)</b>      | <b>1,201,218</b>    |
| <b>(Decrease) in Net Assets</b>                              | <b>(686,020)</b>      | <b>(936,464)</b>    |
| Net assets, beginning of year                                | (473,092)             | 463,372             |
| <b>Net Assets, End of Year</b>                               | <b>\$ (1,159,112)</b> | <b>\$ (473,092)</b> |

*See accompanying notes.*

**MassChallenge, Inc. and Subsidiaries**  
**Consolidated Statements of Functional Expenses**  
**Year Ended December 31, 2015**  
**(With Comparative Totals for 2014)**

|                               | 2015                |                               |                     |                     | 2014                |  |
|-------------------------------|---------------------|-------------------------------|---------------------|---------------------|---------------------|--|
|                               | Program Services    | General and<br>Administrative | Fundraising         | Total<br>Expenses   | Total<br>Expenses   |  |
| Participant awards            | \$ 1,616,961        | \$ -                          | \$ -                | \$ 1,616,961        | \$ 1,790,000        |  |
| Rent                          | 1,234,559           | 88,311                        | 129,999             | 1,452,869           | 932,174             |  |
| Salaries and related expenses | 1,639,686           | 412,346                       | 742,419             | 2,794,451           | 1,964,779           |  |
| Advertising                   | 14,661              | 2,318                         | -                   | 16,979              | 53,982              |  |
| Bank charges                  | -                   | 9,678                         | -                   | 9,678               | 7,092               |  |
| Business insurance            | 70                  | 20,892                        | 255                 | 21,217              | 6,197               |  |
| Depreciation and amortization | 26,715              | 125,115                       | -                   | 151,830             | 144,521             |  |
| Event expenses                | 454,261             | -                             | -                   | 454,261             | 278,720             |  |
| Health insurance              | 94,094              | 6,587                         | -                   | 100,681             | 55,379              |  |
| Office expenses               | 131,664             | 123,277                       | 13,318              | 268,259             | 174,861             |  |
| Printing and reproduction     | 29,483              | 1,841                         | -                   | 31,324              | 13,844              |  |
| Professional fees             | 137,531             | 51,556                        | 810                 | 189,897             | 348,550             |  |
| Legal expenses                | -                   | 37,786                        | -                   | 37,786              | -                   |  |
| Staffing                      | -                   | 25,479                        | -                   | 25,479              | 71,137              |  |
| Software subscription         | 42,255              | -                             | 6,441               | 48,696              | 6,649               |  |
| Travel and entertainment      | 440,571             | 48,002                        | 110,523             | 599,096             | 593,765             |  |
| Web hosting and development   | -                   | -                             | -                   | -                   | 22,509              |  |
| <b>Total Expenses</b>         | <b>\$ 5,862,511</b> | <b>\$ 953,188</b>             | <b>\$ 1,003,765</b> | <b>\$ 7,819,464</b> | <b>\$ 6,464,159</b> |  |

*See accompanying notes.*



**MassChallenge, Inc. and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**Years Ended December 31,**

|   | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>Operating Activities</b>   |                   |                   |
| Change in net assets  | \$ (686,020)      | \$ (936,464)      |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                   |                   |
| Depreciation and amortization   | 151,831           | 144,521           |
| Increase (decrease) in cash from:   |                   |                   |
| Other receivable  | 3,679             | (4,196)           |
| Contributions and grants receivables  | 791,966           | (594,722)         |
| Unbilled contributions and grant receivables  | (56,332)          | 150,000           |
| Due to/from related parties   | (455,822)         | -                 |
| Accounts payable  | (89,020)          | 173,490           |
| Accrued payroll and vacations   | 28,305            | -                 |
| Accrued bonus   | 5,157             | -                 |
| Accrued expenses  | (29,036)          | 340,152           |
| Credit card payable   | 6,588             | 42,221            |
| Deferred revenue  | 89,049            | 965,000           |
| <b>Net Cash Operating Activities</b>  | <b>(239,655)</b>  | <b>280,002</b>    |
| <b>Investing Activities</b>   |                   |                   |
| Acquisition of property, equipment and improvement  | (173,035)         | (88,233)          |
| <b>Net Change in Cash and Cash Equivalents</b>  | <b>(412,690)</b>  | <b>191,769</b>    |
| Cash and cash equivalents, beginning of year  | 761,947           | 570,178           |
| <b>Cash and Cash Equivalents, End of Year</b>   | <b>\$ 349,257</b> | <b>\$ 761,947</b> |

*See accompanying notes.*

**MassChallenge, Inc. and Subsidiaries**  
*Notes to Consolidated Financial Statements*  
*December 31, 2015*

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**A. Description of Organization**

MassChallenge, Inc. and Subsidiaries (the "Organization") is an organization formed in June 2009. The Organization's mission is to connect early-stage entrepreneurs with the resources they need to launch and succeed immediately. The primary objectives of the Organization include running an annual global startup competition, documenting and organizing key resources, and organizing training and networking events.

**Basis of Presentation**

MassChallenge, Inc. is organized under section 501(c)(3) of the Internal Revenue Code.

On August 6, 2015, MassChallenge, Inc. formed MassChallenge Mexico as for-profit entity to run the operations of the Organization's international projects. MassChallenge Mexico is owned 85% by MassChallenge, Inc. and 15% owned by the CEO of MassChallenge, Inc.

On September 9, 2015, MassChallenge, Inc. formed MassChallenge (Israel) Ltd. (C.C.) as nonprofit entity to run the operations of the Organizations' international projects. MassChallenge (Israel) Ltd. (C.C.) is owned 40% by Masschallenge, Inc. and the remaining 60% is owned by employees of MassChallenge, Inc.

All intercompany transactions and balances have been eliminated in consolidation. These entities are collectively referred to in the following footnotes as the "Organization."

**B. Summary of Significant Accounting Policies**

1. Basis of presentation - In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
2. Cash and cash equivalents - For purposes 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.
3. Accounting for contributions and grants - Contributions and grants received are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and nature of any restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporary or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**B. Summary of Significant Accounting Policies (continued)**

4. Property, equipment, improvements and depreciation – Property, equipment and improvements are recorded at cost if purchased and fair market value if contributed. The Organization capitalizes property and equipment with a cost of \$2,500 or more and a useful life of more than one year. Depreciation is computed using the double declining balance method over the estimated useful lives of the assets ranging from three to seven years. Depreciation expense for the years ended December 31, 2015 and 2014 was \$43,603 and \$33,898, respectively.
5. Internal use software - The Company capitalizes direct internal and external costs related to the design and installation of the Company's web based platform and are amortized over the estimated useful life of three years on a straight line basis. These costs are accumulated in the property, equipment and improvements section of the consolidated statements of financial position. Amortization expense for the years ended December 31, 2015 and 2014 was \$108,228 and \$110,623, respectively.
6. 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, 2015 and 2014, management has deemed that no allowance for doubtful accounts is necessary. All contributions and grants receivable at December 31, 2015 are expected to be collected within one year.
7. Donated services and support - Donated services and support are recorded as in-kind contributions at their estimated fair market values on the date received.
8. 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.
9. Advertising costs - The Organization expenses advertising costs as they are incurred. Total advertising costs for the years ended December 31, 2015 and 2014 were \$16,979 and \$53,982, respectively.
10. Tax-exempt status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue 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. The Organization 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 the Organization are tax deductible.

**B. Summary of Significant Accounting Policies (continued)**

10. Tax-exempt status(continued) -Management has analyzed the Organization's tax positions taken for all open tax years (2012-2015) 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 its country.

MassChallenge (Israel) Ltd. (C.C.) is a non-profit organization that is excluded from taxes under its country's regulations for charitable organizations.

11. Use of estimates - The process of preparing consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in preparing these consolidated financial statements include those assumed in the valuation of donated goods and services received by the Organization during 2015 and 2014.
12. Prior year information - The consolidated financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized totals were derived.
13. Subsequent events - The Organization has evaluated all subsequent events through March 15, 2017, the date the consolidated financial statements were available to be issued.

**C. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2015 and 2014 of \$1,040,414 and \$1,385,000 respectively, were available to support the subsequent year competition program.

**MassChallenge, Inc. and Subsidiaries**  
*Notes to Consolidated Financial Statements*  
*December 31, 2015*

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**D. 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, 2015 and 2014 were \$1,356,436 and \$1,032,729, respectively, and are reported on the accompanying consolidated statements of activities and the following asset or expenses:

|                               | <u>2015</u>         | <u>2014</u>         |
|-------------------------------|---------------------|---------------------|
| Rent and utilities            | \$ 1,300,000        | \$ 918,799          |
| Legal and accounting services | -                   | 9,845               |
| Marketing services            | 1,800               | 49,379              |
| Office supplies and services  | 305                 | -                   |
| Travel services               | 37,305              | 37,680              |
| Website hosting               | <u>17,026</u>       | <u>17,026</u>       |
|                               | \$ <u>1,356,436</u> | \$ <u>1,032,729</u> |

**E. Commitments and Contingencies**

The Organization entered into a facilities lease agreement with an unrelated party for a term of four years which expired in July 2014. The lease provides for the right to use the premises and certain related utilities and services at no cost to the Organization. In May of 2014, the Organization moved and entered into a five year lease under the same terms. In December 2014, they entered into another lease to rent additional space in the same building beginning in January 2015. Total rent expense under the facility lease was recorded at the estimated fair value of \$1,300,000 and \$918,799 for the years ended December 31, 2015 and 2014, respectively, and is included as a component of program services expense in the accompanying consolidated financial statements.

**F. Related Party**

1. During 2015 and 2014, an entity owned by the two founders and officers of the Organization outsourced work to the Organization for total fees of \$128,000 and \$138,000, respectively, which are in accounts receivable as of December 31, 2015 and 2014.
2. MassChallenge Limited (U.K.) is a related entity that was incorporated in the U.K. in 2015 as a private company limited by guarantee. MassChallenge, Inc. is a guarantor of this entity. This entity was created to work with start-up companies in the U.K. in the same way that MassChallenge, Inc. does in the U.S. In its early stages, MassChallenge, Inc. loaned funds to MassChallenge Limited (U.K.) to help pay for various expenses. The outstanding loan balance at December 31, 2015 was \$455,822.

**G. Concentrations**

1. Contributions and grants - For the years ended December 31, 2015 and 2014; the Organization received approximately 25% of its grants and contributions from six donors and 24% of its grants and contributions from three donors, respectively. The Organization received approximately 96% and 89% of its in-kind contributions from one donor during the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, three donors accounted for approximately 90% and 52%, respectively, of total accounts receivables.
2. Uninsured cash deposits - The Company maintains cash in bank deposit accounts that, at times, exceed federally insured limits. The Federal Deposit Insurance Corporation (“FDIC”) provides a \$250,000 guarantee per depositor for accounts held at insured banks. At December 31, 2015, the Organization had no uninsured cash or cash equivalents held in a commercial bank. Management believes that the Organization is not exposed to significant credit risk in these accounts.

**H. Subsequent Events**

In 2016 MassChallenge, Inc, created “Foundation MassChallenge Switzerland”, an additional subsidiary to run the operations of the Organizations’ Switzerland projects. This entity is owned entirely by unrelated parties.



**Katz, Nannis + Solomon, PC**

Certified Public Accountants

### **Independent Auditors' Report on Additional Information**

To the Board of Advisors  
MassChallenge, Inc. and Subsidiaries  
Boston, Massachusetts

We have audited the consolidated financial statements of MassChallenge, Inc. and Subsidiaries as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated March 15, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2015 and the consolidating statement of activities 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.

*Katz, Nannis + Solomon, P.C.*

Waltham, Massachusetts  
March 15, 2017

**MassChallenge, Inc. and Subsidiaries**  
*Consolidating Statements of Financial Position*  
*Years Ended December 31, 2015*  
*(with Comparative Totals for 2014)*

|  | MassChallenge, Inc. | MassChallenge Mexico | MassChallenge (Israel)<br>Ltd. (C.C.) | Eliminations        | Total<br>2015       | Total<br>2014       |
|--|---------------------|----------------------|---------------------------------------|---------------------|---------------------|---------------------|
| <b>Assets</b>                                |                     |                      |                                       |                     |                     |                     |
| <b>Current Assets</b>                        |                     |                      |                                       |                     |                     |                     |
| Cash and cash equivalents                    | \$ 188,959          | \$ 156,875           | \$ 3,423                              | \$ -                | \$ 349,257          | \$ 761,947          |
| Contributions and grants receivable          | 236,000             | 152,902              | 77,132                                | (150,000)           | 316,034             | 1,108,000           |
| Unbilled contributions and grants receivable | 56,332              | -                    | -                                     | -                   | 56,332              | -                   |
| Due from related parties                     | 644,023             | -                    | -                                     | (188,201)           | 455,822             | -                   |
| Other receivables                            | 396                 | -                    | 1,321                                 | -                   | 1,717               | 5,396               |
| <b>Total Current Assets</b>                  | <b>1,125,710</b>    | <b>309,777</b>       | <b>81,876</b>                         | <b>(338,201)</b>    | <b>1,179,162</b>    | <b>1,875,343</b>    |
| <b>Property and Equipment</b>                |                     |                      |                                       |                     |                     |                     |
| Computers                                    | 11,381              | -                    | -                                     | -                   | 11,381              | 11,381              |
| Equipment                                    | 26,239              | -                    | -                                     | -                   | 26,239              | 26,239              |
| Furniture                                    | 69,956              | -                    | -                                     | -                   | 69,956              | 63,358              |
| Software                                     | 350,747             | -                    | -                                     | -                   | 350,747             | 331,870             |
| Leasehold improvements                       | 231,008             | -                    | -                                     | -                   | 231,008             | 83,448              |
| Total  | 689,331             | -                    | -                                     | -                   | 689,331             | 516,296             |
| Accumulated depreciation                     | (471,579)           | -                    | -                                     | -                   | (471,579)           | (319,748)           |
| <b>Net Property and Equipment</b>            | <b>217,752</b>      | <b>-</b>             | <b>-</b>                              | <b>-</b>            | <b>217,752</b>      | <b>196,548</b>      |
| <b>Other Assets</b>                          |                     |                      |                                       |                     |                     |                     |
| Investment in Subsidiary                     | 2,900               | -                    | -                                     | (2,900)             | -                   | -                   |
| <b>Total Assets</b>                          | <b>\$ 1,346,362</b> | <b>\$ 309,777</b>    | <b>\$ 81,876</b>                      | <b>\$ (341,101)</b> | <b>\$ 1,396,914</b> | <b>\$ 2,071,891</b> |

*See accompanying notes.*



**MassChallenge, Inc. and Subsidiaries**  
*Consolidating Statements of Financial Position*  
*Year Ended December 31, 2015*  
*(with Comparative Totals for 2014)*

|   | MassChallenge, Inc. | MassChallenge Mexico | MassChallenge (Israel)<br>Ltd. (C.C.) | Eliminations        | Total<br>2015       | Total<br>2014       |
|---|---------------------|----------------------|---------------------------------------|---------------------|---------------------|---------------------|
| <b>Liabilities and Net Assets</b>             |                     |                      |                                       |                     |                     |                     |
| <b>Current Liabilities</b>                    |                     |                      |                                       |                     |                     |                     |
| Accounts payable                              | \$ 113,832          | \$ -                 | \$ -                                  | \$ -                | \$ 113,832          | \$ 202,852          |
| Accrued payroll & vacation                    | -                   | -                    | 28,305                                | -                   | 28,305              | -                   |
| Accrued bonus                                 | 60,534              | -                    | 4,623                                 | -                   | 65,157              | 60,000              |
| Accrued award expenses and other              | 1,222,000           | 23,874               | -                                     | -                   | 1,245,874           | 1,274,910           |
| Credit card payable                           | 48,809              | -                    | -                                     | -                   | 48,809              | 42,221              |
| Deferred revenue                              | 930,414             | 273,635              | -                                     | (150,000)           | 1,054,049           | 965,000             |
| Due to related parties                        | -                   | 149,421              | 38,780                                | (188,201)           | -                   | -                   |
| <b>Total Current Liabilities</b>              | <b>2,375,589</b>    | <b>446,930</b>       | <b>71,708</b>                         | <b>(338,201)</b>    | <b>2,556,026</b>    | <b>2,544,983</b>    |
| <b>Commitments and Contingencies (Note E)</b> | <b>-</b>            | <b>-</b>             | <b>-</b>                              | <b>-</b>            | <b>-</b>            | <b>-</b>            |
| <b>Capital</b>                                | <b>-</b>            | <b>2,900</b>         | <b>-</b>                              | <b>(2,900)</b>      | <b>-</b>            | <b>-</b>            |
| <b>Net Assets</b>                             |                     |                      |                                       |                     |                     |                     |
| Unrestricted                                  | (2,069,641)         | (140,053)            | 10,168                                | -                   | (2,199,526)         | (1,858,092)         |
| Temporarily restricted                        | 1,040,414           | -                    | -                                     | -                   | 1,040,414           | 1,385,000           |
| <b>Total Net Assets</b>                       | <b>(1,029,227)</b>  | <b>(137,153)</b>     | <b>10,168</b>                         | <b>(2,900)</b>      | <b>(1,159,112)</b>  | <b>(473,092)</b>    |
| <b>Total Liabilities and Net Assets</b>       | <b>\$ 1,346,362</b> | <b>\$ 309,777</b>    | <b>\$ 81,876</b>                      | <b>\$ (341,101)</b> | <b>\$ 1,396,914</b> | <b>\$ 2,071,891</b> |

*See accompanying notes.*

**MassChallenge, Inc. and Subsidiaries**  
*Consolidating Statements of Activities*  
*Years Ended December 31, 2015*  
*(with Comparative Totals for 2014)*

|   | MassChallenge, Inc.   | MassChallenge Mexico | MassChallenge (Israel)<br>Ltd. (C.C.) | Eliminations     | Total<br>2015         | Total<br>2014       |
|---|-----------------------|----------------------|---------------------------------------|------------------|-----------------------|---------------------|
| <b>Support and Revenues</b>                                     |                       |                      |                                       |                  |                       |                     |
| Grants and contributions  | \$ 3,900,517          | \$ -                 | \$ 312,599                            | \$ (148,442)     | \$ 4,064,674          | \$ 2,829,934        |
| In-kind contributions   | 1,356,436             | -                    | -                                     | -                | 1,356,436             | 1,032,729           |
| Rental income   | -                     | -                    | -                                     | -                | -                     | 30,032              |
| Other income  | -                     | 8,389                | 11,781                                | -                | 20,170                | -                   |
| Temporarily restricted net assets<br>released from restrictions | 2,036,750             | -                    | -                                     | -                | 2,036,750             | 433,782             |
| <b>Total Support and Revenues</b>                               | <b>7,293,703</b>      | <b>8,389</b>         | <b>324,380</b>                        | <b>(148,442)</b> | <b>7,478,030</b>      | <b>4,326,477</b>    |
| <b>Expenses</b>   |                       |                      |                                       |                  |                       |                     |
| Program services  | 5,862,511             | -                    | -                                     | -                | 5,862,511             | 4,963,340           |
| General and administrative                                      | 638,976               | 148,442              | 314,212                               | (148,442)        | 953,188               | 592,291             |
| Fundraising   | 1,003,765             | -                    | -                                     | -                | 1,003,765             | 908,528             |
| <b>Total Expenses</b>   | <b>7,505,252</b>      | <b>148,442</b>       | <b>314,212</b>                        | <b>(148,442)</b> | <b>7,819,464</b>      | <b>6,464,159</b>    |
| <b>Decrease in Unrestricted Net Assets</b>                      | <b>(211,549)</b>      | <b>(140,053)</b>     | <b>10,168</b>                         | <b>-</b>         | <b>(341,434)</b>      | <b>(2,137,682)</b>  |
| <b>Changes in Temporarily Restricted Net Assets:</b>            |                       |                      |                                       |                  |                       |                     |
| <b>Revenues and Other Support</b>                               |                       |                      |                                       |                  |                       |                     |
| Contributions   | 1,692,164             | -                    | -                                     | -                | 1,692,164             | 1,635,000           |
| Net assets released from restrictions                           | (2,036,750)           | -                    | -                                     | -                | (2,036,750)           | (433,782)           |
| <b>Changes in Temporarily Restricted<br/>Net Assets</b>         | <b>(344,586)</b>      | <b>-</b>             | <b>-</b>                              | <b>-</b>         | <b>(344,586)</b>      | <b>1,201,218</b>    |
| <b>Decrease in Net Assets</b>                                   | <b>(556,135)</b>      | <b>(140,053)</b>     | <b>10,168</b>                         | <b>-</b>         | <b>(686,020)</b>      | <b>(936,464)</b>    |
| Net assets, beginning of year                                   | (473,092)             | -                    | -                                     | -                | (473,092)             | 463,372             |
| <b>Net Assets, End of Year</b>                                  | <b>\$ (1,029,227)</b> | <b>\$ (140,053)</b>  | <b>\$ 10,168</b>                      | <b>\$ -</b>      | <b>\$ (1,159,112)</b> | <b>\$ (473,092)</b> |

*See accompanying notes.*

**MassChallenge, Inc. and Subsidiaries**  
*Consolidating Statements of Functional Expenses*  
*Year Ended December 31, 2015*  
*(With Comparative Totals for 2014)*

|                               | MassChallenge, Inc. |                            |                     | MassChallenge Mexico |                            |             | Masschallenge (Israel) Ltd. (C.C.) |                            |             | Intercompany Eliminations | 2015                | 2014                |
|-------------------------------|---------------------|----------------------------|---------------------|----------------------|----------------------------|-------------|------------------------------------|----------------------------|-------------|---------------------------|---------------------|---------------------|
|                               | Program Services    | General and Administrative | Fundraising         | Program Services     | General and Administrative | Fundraising | Program Services                   | General and Administrative | Fundraising |                           | Total Expenses      | Total Expenses      |
| Participant awards            | \$ 1,616,961        | \$ -                       | \$ -                | \$ -                 | \$ -                       | \$ -        | \$ -                               | \$ -                       | \$ -        | \$ -                      | \$ 1,616,961        | \$ 1,790,000        |
| Rent                          | 1,234,559           | 87,862                     | 129,999             | -                    | -                          | -           | -                                  | 449                        | -           | -                         | 1,452,869           | 932,174             |
| Salaries and related expenses | 1,639,686           | 157,418                    | 742,419             | -                    | -                          | -           | -                                  | 254,928                    | -           | -                         | 2,794,451           | 1,964,779           |
| Advertising                   | 14,661              | -                          | -                   | -                    | -                          | -           | -                                  | 2,318                      | -           | -                         | 16,979              | 53,982              |
| Bank charges                  | -                   | 9,405                      | -                   | -                    | -                          | -           | -                                  | 273                        | -           | -                         | 9,678               | 7,092               |
| Business insurance            | 70                  | 20,892                     | 255                 | -                    | -                          | -           | -                                  | -                          | -           | -                         | 21,217              | 6,197               |
| Depreciation and amortization | 26,715              | 125,115                    | -                   | -                    | -                          | -           | -                                  | -                          | -           | -                         | 151,830             | 144,521             |
| Event expenses                | 454,261             | -                          | -                   | -                    | -                          | -           | -                                  | -                          | -           | -                         | 454,261             | 278,720             |
| Health insurance              | 94,094              | 6,587                      | -                   | -                    | -                          | -           | -                                  | -                          | -           | -                         | 100,681             | 55,379              |
| Legal expenses                | -                   | 18,830                     | -                   | -                    | -                          | -           | -                                  | 18,956                     | -           | -                         | 37,786              | -                   |
| Office expenses               | 131,664             | 123,277                    | 13,318              | -                    | -                          | -           | -                                  | -                          | -           | -                         | 268,259             | 174,861             |
| Printing and reproduction     | 29,483              | 1,841                      | -                   | -                    | -                          | -           | -                                  | -                          | -           | -                         | 31,324              | 13,844              |
| Professional fees             | 137,531             | 29,809                     | 810                 | -                    | 148,442                    | -           | -                                  | 21,747                     | -           | (148,442)                 | 189,897             | 348,550             |
| Software subscription         | 42,255              | -                          | 6,441               | -                    | -                          | -           | -                                  | -                          | -           | -                         | 48,696              | 6,649               |
| Staffing                      | -                   | 25,479                     | -                   | -                    | -                          | -           | -                                  | -                          | -           | -                         | 25,479              | 71,137              |
| Travel and entertainment      | 440,571             | 32,461                     | 110,523             | -                    | -                          | -           | -                                  | 15,541                     | -           | -                         | 599,096             | 593,765             |
| Web hosting and development   | -                   | -                          | -                   | -                    | -                          | -           | -                                  | -                          | -           | -                         | -                   | 22,509              |
| <b>Total Expenses</b>         | <b>\$ 5,862,511</b> | <b>\$ 638,976</b>          | <b>\$ 1,003,765</b> | <b>\$ -</b>          | <b>\$ 148,442</b>          | <b>\$ -</b> | <b>\$ -</b>                        | <b>\$ 314,212</b>          | <b>\$ -</b> | <b>(148,442)</b>          | <b>\$ 7,819,464</b> | <b>\$ 6,464,159</b> |

*See accompanying notes.*