

MassChallenge, Inc. and Subsidiaries

*Consolidated Financial Statements
and Additional Information*

Years Ended December 31, 2016 and 2015

MassChallenge, Inc. and Subsidiaries
Consolidated Financial Statements
Years Ended December 31, 2016 and 2015
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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, 2016 and 2015, and the related consolidated statements of activities and functional expenses for the year ended December 31, 2016 with comparative totals for 2015, and cash flows for the years ended December 31, 2016 and 2015, 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 Subsidiaries as of December 31, 2016 and 2015, and the statement of activities and cash flows for the years ended December 31, 2016 and 2015 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. and Subsidiaries 2015 consolidated financial statements for the year ended December 31, 2015, and our report dated March 15, 2017, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Katz, Nannis + Solomon, P.C.

Waltham, Massachusetts
December 5, 2017

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,134,502	\$ 349,257
Contributions and grants receivable	1,782,024	316,034
Unbilled contributions and grants receivable	122,751	56,332
Due from related parties	675,460	455,822
Prepaid expenses	26,382	-
Other receivables	396	1,717
Total Current Assets	4,741,515	1,179,162
Property, Equipment and Improvements		
Computers	64,470	11,381
Equipment	31,165	26,239
Furniture	99,441	69,956
Software	362,612	350,747
Website development	59,993	-
Leasehold improvements	459,559	231,008
Total	1,077,240	689,331
Accumulated depreciation	(598,291)	(471,579)
Net Property, Equipment and Improvements	478,949	217,752
Other Assets		
Deposit	7,398	-
Total Assets	\$ 5,227,862	\$ 1,396,914

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

	2016	2015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 207,167	\$ 113,832
Accrued payroll and vacation	228,395	28,305
Accrued bonus	495,316	65,157
Accrued award expenses and other	1,830,392	1,245,874
Credit card payable	23,775	48,809
Deferred revenue	2,699,927	1,054,049
Deferred rental income	25,000	-
Total Current Liabilities	5,509,972	2,556,026
Commitments and Contingencies (Note E)	-	-
Net Assets		
Unrestricted	(3,441,558)	(2,199,526)
Temporarily restricted	3,159,448	1,040,414
Total Net Assets	(282,110)	(1,159,112)
Total Liabilities and Net Assets	\$ 5,227,862	\$ 1,396,914

See accompanying notes.

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

	2016	2015
Support and Revenues		
Grants and contributions	\$ 7,831,926	\$ 4,064,674
In-kind contributions	1,534,930	1,356,436
Rental income	25,000	-
Other income	32,019	20,170
Temporarily restricted net assets released from restrictions	925,815	2,036,750
Total Support and Revenues	10,349,690	7,478,030
Expenses		
Program services	8,241,468	5,862,511
General and administrative	1,012,824	953,188
Fundraising	2,337,430	1,003,765
Total Expenses	11,591,722	7,819,464
Decrease in Unrestricted Net Assets	(1,242,032)	(341,434)
Changes in Temporarily Restricted Net Assets		
Revenues and Other Support		
Contributions	3,044,849	1,692,164
Net assets released from restrictions	(925,815)	(2,036,750)
Changes in Temporarily Restricted Net Assets	2,119,034	(344,586)
Increase (Decrease) in Net Assets	877,002	(686,020)
Net assets, beginning of year	(1,159,112)	(473,092)
Net Assets, End of Year	\$ (282,110)	\$ (1,159,112)

See accompanying notes.

MassChallenge, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016				2015	
	Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses	
Participant awards	\$ 1,759,877	\$ -	\$ -	\$ 1,759,877	\$ 1,616,961	
Rent	1,394,146	78,393	156,788	1,629,327	1,452,869	
Salaries and related expenses	3,311,232	316,930	1,516,168	5,144,330	2,794,451	
Advertising	57,939	31,974	7,150	97,063	16,979	
Bank charges	1,492	6,475	2,035	10,002	9,678	
Business insurance	23	27,513	-	27,536	21,217	
Depreciation and amortization	61,596	64,915	-	126,511	151,830	
Event expenses	590,631	-	98,815	689,446	454,261	
Foreign exchange gain/loss	18,901	-	-	18,901	-	
Health insurance	95,717	32,834	23,339	151,890	100,681	
Legal expenses	-	17,551	-	17,551	37,786	
Office expenses	108,497	263,448	47,695	419,640	268,259	
Printing and reproduction	18,351	5,727	1,996	26,074	31,324	
Professional fees	324,158	57,260	125,187	506,605	189,897	
Software subscription	32,218	25,338	85,060	142,616	48,696	
Staffing	1,892	21,107	411	23,410	25,479	
Travel and entertainment	451,604	63,359	272,786	787,749	599,096	
VAT expense	13,194	-	-	13,194	-	
Total Expenses	\$ 8,241,468	\$ 1,012,824	\$ 2,337,430	\$ 11,591,722	\$ 7,819,464	

See accompanying notes.

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

	2016	2015
Operating Activities		
Change in net assets	\$ 877,002	\$ (686,020)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	126,511	151,831
Increase (decrease) in cash from:		
Contributions and grants receivable	(1,465,990)	791,966
Unbilled contributions and grant receivable	(66,419)	(56,332)
Due from related parties	(219,638)	(455,822)
Prepaid expenses	(26,382)	-
Other receivables	1,321	3,679
Deposit	(7,398)	-
Accounts payable	93,335	(89,020)
Accrued payroll and vacation	200,090	28,305
Accrued bonus	430,159	5,157
Accrued award expenses and other	584,518	(29,036)
Credit card payable	(25,034)	6,588
Deferred revenue	1,645,878	89,049
Deferred rental income	25,000	-
Net Cash Operating Activities	2,172,953	(239,655)
Investing Activities		
Acquisition of property, equipment and improvement	(387,708)	(173,035)
Net Change in Cash and Cash Equivalents	1,785,245	(412,690)
Cash and cash equivalents, beginning of year	349,257	761,947
Cash and Cash Equivalents, End of Year	\$ 2,134,502	\$ 349,257

See accompanying notes.

MassChallenge, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

A. 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. and its subsidiaries, MassChallenge Mexico and MassChallenge (Israel) Ltd. (C.C.) 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 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 a 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.

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. 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 used in the valuation of donated goods and services received by the Organization during 2016 and 2015.
3. 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.

MassChallenge, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

B. Summary of Significant Accounting Policies (continued)

4. 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.
5. 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, equipment and improvements with a cost of \$2,500 or more and a useful life of more than one year. 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. Depreciation expense for the years ended December 31, 2016 and 2015 was \$77,811 and \$43,603, respectively.
6. Internal use software - The Organization capitalizes direct internal and external costs related to the design and installation of the Organization'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, 2016 and 2015 was \$48,700 and \$108,228, respectively.
7. 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, 2016 and 2015, management has deemed that no allowance for doubtful accounts is necessary. All contributions and grants receivable at December 31, 2016 and 2015 are expected to be collected within one year.
8. Donated services and support - Donated services and support are recorded as in-kind contributions at their estimated fair market values on the date received.
9. 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.
10. Advertising costs - The Organization expenses advertising costs as they are incurred. Total advertising costs for the years ended December 31, 2016 and 2015 were \$97,063 and \$16,979, respectively.

MassChallenge, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

B. Summary of Significant Accounting Policies (continued)

11. 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.

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

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 consolidated financial statements for the year ended December 31, 2015, from which the summarized totals were derived.
13. Foreign currency adjustments - The U.S. dollar is the “functional currency” of the Organization's worldwide continuing operations. All foreign currency asset and liability amounts are remeasured into U.S. dollars at end-of-period exchange rates, except for property, equipment and improvements, which are remeasured at historical rates. Foreign currency income and expenses are remeasured at average exchange rates in effect during the year, except for expenses related to balance sheet amounts remeasured at historical exchange rates. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in income in the period in which they occur.
14. Subsequent events - The Organization has evaluated all subsequent events through December 5, 2017, the date the consolidated financial statements were available to be issued.

C. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 of \$3,159,448 and \$1,040,414 respectively, were available to support the subsequent year competition program.

MassChallenge, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015 were \$1,534,930 and \$1,356,436, respectively, and are reported on the accompanying consolidated statements of activities and the following asset or expenses:

	<u>2016</u>	<u>2015</u>
Rent and utilities	\$ 1,440,559	\$ 1,300,000
Computer software	63,275	-
Furniture	14,070	-
Marketing services	-	1,800
Office supplies and services	-	305
Travel services	-	37,305
Website hosting	<u>17,026</u>	<u>17,026</u>
	\$ <u>1,534,930</u>	\$ <u>1,356,436</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 for both years ended December 31, 2016 and 2015, respectively, and is included as a component of program services expense in the accompanying consolidated financial statements.

In 2016, the Organization entered into a separate lease agreement for an additional office facility under a non-cancelable operating lease that extends through December 31, 2017. The lease provides for the right to use the premises and certain related utilities and services at no cost to the Organization. Total rent expense for this facility was recorded at the estimated fair value of \$140,559 for the year ended December 31, 2016, and is included as a component of program services expense in the accompanying consolidated financial statements.

MassChallenge Israel entered into a lease agreement with an unrelated third party for an operating lease that extends through December 31, 2017. The lease provides for the right to use the premises and certain related utilities and services at no cost to the Organization, the fair market value of this rent was deemed to be immaterial.

MassChallenge Mexico entered into a two year non-cancelable lease agreement with an unrelated party ending on August 1, 2018.

MassChallenge, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

E. Commitments and Contingencies (continued)

Future minimum lease commitments as of December 31, 2016, are as follows:

2017	\$	90,233
2018		<u>54,015</u>
Total	\$	<u>144,248</u>

F. 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, 2016 and 2015, contributions made to the plan by the Organization totaled \$53,589 and \$8,234, respectively.

G. Related Parties

1. During 2016 and 2015 the Organization was engaged by an entity owned by the two founders and officers of the Organization. The Organization performed services for an amount of \$128,000 for both years, which are in accounts receivable as of December 31, 2016 and 2015.
2. MassChallenge Limited (U.K.) is a related entity that was incorporated in the United Kingdom 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 balances at December 31, 2015 and 2016 were \$675,460 and \$455,822, respectively.
3. Foundation MassChallenge Switzerland is a related entity that was incorporated in Switzerland to run the operations of the Organization's Switzerland projects. This entity is owned entirely by unrelated parties. This foundation paid MassChallenge, Inc. a license fee of \$500,000 during 2016. There was no balance due to the Organization as of December 31, 2016.

MassChallenge, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

H. Concentrations

1. Contributions and grants - The Organization received approximately 84% and 96% of its in-kind contributions from one donor during the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, one donor accounted for approximately 13% of total accounts receivable. At December 31, 2015, three donors accounted for approximately 90% of total accounts receivable.
2. Uninsured cash deposits - The Organization maintains cash in bank deposit accounts that, at times may exceed insured limits in the U.S. and other foreign jurisdictions. The organization has not experienced any credit losses in such accounts and does not believe it is exposed to any significant credit risk on these funds.



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, 2016 and 2015, and have issued our report thereon dated December 5, 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, 2016 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
December 5, 2017

MassChallenge, Inc. and Subsidiaries
Consolidating Statements of Financial Position
Years Ended December 31, 2016
(with Comparative Totals for 2015)

	MassChallenge, Inc.	MassChallenge Mexico	MassChallenge (Israel) Ltd. (C.C.)	Eliminations	Total 2016	Total 2015
Assets						
Current Assets						
Cash and cash equivalents	\$ 1,739,790	\$ 135,934	\$ 258,778	\$ -	\$ 2,134,502	\$ 349,257
Contributions and grants receivable	1,634,679	147,345	-	-	1,782,024	316,034
Unbilled contributions and grants receivable	122,751	-	-	-	122,751	56,332
Due from related parties	675,460	26,207	192,166	(218,373)	675,460	455,822
Prepaid expenses	26,200	182	-	-	26,382	-
Other receivables	396	-	-	-	396	1,717
Total Current Assets	4,199,276	309,668	450,944	(218,373)	4,741,515	1,179,162
Property, equipment and improvements						
Computers	11,381	4,756	48,333	-	64,470	11,381
Equipment	26,239	-	4,926	-	31,165	26,239
Furniture	73,066	7,418	18,957	-	99,441	69,956
Software	362,612	-	-	-	362,612	350,747
Website development	59,993	-	-	-	59,993	-
Leasehold improvements	231,008	-	228,551	-	459,559	231,008
Total	764,299	12,174	300,767	-	1,077,240	689,331
Accumulated depreciation	(571,536)	(995)	(25,760)	-	(598,291)	(471,579)
Net Property, Equipment and improvements	192,763	11,179	275,007	-	478,949	217,752
Other Assets						
Deposit	-	7,398	-	-	7,398	-
Investment in Subsidiary	228,204	-	-	(228,204)	-	-
Total Assets	\$ 4,620,243	\$ 328,245	\$ 725,951	\$ (446,577)	\$ 5,227,862	\$ 1,396,914

See accompanying notes.

MassChallenge, Inc. and Subsidiaries
Consolidating Statement of Financial Position
Year Ended December 31, 2016
(with Comparative Totals for 2015)

	MassChallenge, Inc.	MassChallenge Mexico	MassChallenge (Israel) Ltd. (C.C.)	Eliminations	Total 2016	Total 2015
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 187,771	\$ 16,795	\$ 2,601	\$ -	\$ 207,167	\$ 113,832
Accrued payroll & vacation	171,438	-	56,957	-	228,395	28,305
Accrued bonus	495,316	-	-	-	495,316	65,157
Accrued award expenses and other	1,575,683	1,133	253,576	-	1,830,392	1,245,874
Credit card payable	23,775	-	-	-	23,775	48,809
Deferred revenue	2,553,038	-	146,889	-	2,699,927	1,054,049
Deferred rental income	25,000	-	-	-	25,000	-
Due to related parties	218,373	-	-	(218,373)	-	-
Total Current Liabilities	5,250,394	17,928	460,023	(218,373)	5,509,972	2,556,026
Commitments and Contingencies (Note E)	-	-	-	-	-	-
Capital	-	228,204	-	(228,204)	-	-
Net Assets						
Unrestricted	(3,789,599)	82,113	265,928	-	(3,441,558)	(2,199,526)
Temporarily restricted	3,159,448	-	-	-	3,159,448	1,040,414
Total Net Assets	(630,151)	82,113	265,928	-	(282,110)	(1,159,112)
Total Liabilities, Capital and Net Assets	\$ 4,620,243	\$ 328,245	\$ 725,951	\$ (446,577)	\$ 5,227,862	\$ 1,396,914

See accompanying notes.

MassChallenge, Inc. and Subsidiaries
Consolidating Statement of Activities
Year Ended December 31, 2016
(with Comparative Totals for 2015)

	MassChallenge, Inc.	MassChallenge Mexico	MassChallenge (Israel) Ltd. (C.C.)	Eliminations	Total 2016	Total 2015
Support and Revenues						
Grants and contributions	\$ 5,420,632	\$ 819,052	\$ 1,742,242	\$ (150,000)	\$ 7,831,926	\$ 4,064,674
In-kind contributions	1,534,930	-	-	-	1,534,930	1,356,436
Rental income	25,000	-	-	-	25,000	-
Other income	-	7,981	24,038	-	32,019	20,170
Temporarily restricted net assets released from restrictions	925,815	-	-	-	925,815	2,036,750
Total Support and Revenues	7,906,377	827,033	1,766,280	(150,000)	10,349,690	7,478,030
Expenses						
Program services	7,009,232	222,323	1,009,913	-	8,241,468	5,862,511
General and administrative	842,360	160,221	160,243	(150,000)	1,012,824	953,188
Fundraising	1,774,743	222,323	340,364	-	2,337,430	1,003,765
Total Expenses	9,626,335	604,867	1,510,520	(150,000)	11,591,722	7,819,464
Increase (Decrease) in Unrestricted Net Assets	(1,719,958)	222,166	255,760	-	(1,242,032)	(341,434)
Changes in Temporarily Restricted Net Assets:						
Revenues and Other Support						
Contributions	3,044,849	-	-	-	3,044,849	1,692,164
Net assets released from restrictions	(925,815)	-	-	-	(925,815)	(2,036,750)
Changes in Temporarily Restricted Net Assets	2,119,034	-	-	-	2,119,034	(344,586)
Increase/(Decrease) in Net Assets	399,076	222,166	255,760	-	877,002	(686,020)
Net assets, beginning of year	(1,029,227)	(140,053)	10,168	-	(1,159,112)	(473,092)
Net Assets, End of Year	\$ (630,151)	\$ 82,113	\$ 265,928	\$ -	\$ (282,110)	\$ (1,159,112)

See accompanying notes.

MassChallenge, Inc. and Subsidiaries
Consolidating Statement of Functional Expenses
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	MassChallenge, Inc.			MassChallenge Mexico			Masschallenge (Israel) Ltd. (C.C.)			Intercompany Eliminations	2016 Total Expenses	2015 Total Expenses
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising			
Participant awards	\$ 1,495,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,877	\$ -	\$ -	\$ -	\$ 1,759,877	\$ 1,616,961
Rent	1,332,703	78,393	156,788	-	-	-	61,443	-	-	-	1,629,327	1,452,869
Salaries and related expenses	2,775,375	165,718	1,058,122	146,803	73,401	146,803	389,054	77,811	311,243	-	5,144,330	2,794,451
Advertising	42,191	20,098	7,150	-	-	-	15,748	11,876	-	-	97,063	16,979
Bank charges	1,492	5,280	2,035	-	1,195	-	-	-	-	-	10,002	9,678
Business insurance	23	27,513	-	-	-	-	-	-	-	-	27,536	21,217
Depreciation and amortization	38,594	61,364	-	-	995	-	23,002	2,556	-	-	126,511	151,830
Event expenses	434,700	-	98,815	-	-	-	155,931	-	-	-	689,446	454,261
Foreign exchange gain/loss	18,901	-	-	-	-	-	-	-	-	-	18,901	-
Health insurance	95,717	32,834	23,339	-	-	-	-	-	-	-	151,890	100,681
Legal expenses	-	17,551	-	-	-	-	-	-	-	-	17,551	37,786
Office expenses	100,287	173,345	47,695	-	84,630	-	8,210	5,473	-	-	419,640	268,259
Printing and reproduction	18,351	5,727	1,996	-	-	-	-	-	-	-	26,074	31,324
Professional fees	193,391	152,013	49,667	75,520	-	75,520	55,247	55,247	-	(150,000)	506,605	189,897
Software subscription	32,218	25,338	85,060	-	-	-	-	-	-	-	142,616	48,696
Staffing	1,892	21,107	411	-	-	-	-	-	-	-	23,410	25,479
Travel and entertainment	415,203	56,079	243,665	-	-	-	36,401	7,280	29,121	-	787,749	599,096
VAT expense	13,194	-	-	-	-	-	-	-	-	-	13,194	-
Total Expenses	\$ 7,009,232	\$ 842,360	\$ 1,774,743	\$ 222,323	\$ 160,221	\$ 222,323	\$ 1,009,913	\$ 160,243	\$ 340,364	\$ (150,000)	\$ 11,591,722	\$ 7,819,464

See accompanying notes.