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**CENTER FOR MEDIA  
CHANGE, INC.  
dba Hack the Hood**

**FINANCIAL STATEMENTS**

**December 31, 2016**

**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)**

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

**CENTER FOR MEDIA CHANGE, INC.**  
**dba Hack the Hood**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Center for Media Change, Inc.  
dba Hack the Hood  
Oakland, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Center for Media Change, Inc. dba Hack the Hood, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Center for Media Change, Inc. dba Hack the Hood as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Center for Media Change, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2016. 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 financial statements from which it has been derived.

A handwritten signature in black ink that reads "Crosby & Kamada CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California

October 10, 2017

**CENTER FOR MEDIA CHANGE, INC.**  
**dba Hack the Hood**

**Statement of Financial Position**  
**December 31, 2016**  
**(With Comparative Totals as of December 31, 2015)**

	2016	2015
<b>Assets</b>		
Current Assets		
Cash	\$ 964,416	\$ 790,631
Accounts receivable	390,992	37,013
Grants receivable	195,000	320,000
Prepaid expenses	10,722	-
Total current assets	1,561,130	1,147,644
Deposits	6,000	400
Grants receivable, long term	-	195,000
Total Assets	\$ 1,567,130	\$ 1,343,044
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 7,085	\$ 3,128
Accrued vacation	39,865	7,987
Total Liabilities	46,950	11,115
Commitments and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	474,054	98,934
Temporarily restricted (Note 6)	1,046,126	1,232,995
Total Net Assets	1,520,180	1,331,929
Total Liabilities and Net Assets	\$ 1,567,130	\$ 1,343,044

See Notes to the Financial Statements

**CENTER FOR MEDIA CHANGE, INC.**  
**dba Hack the Hood**

**Statement of Activities**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
<b>Support and Revenue</b>				
Support				
Foundation and corporate	\$ 427,273	\$ 880,000	\$ 1,307,273	\$ 1,582,567
Government	335,260		335,260	192,938
Individual	92,945		92,945	80,051
Events, net	4,020		4,020	4,721
In-kind support			-	35,238
Total support	<u>859,498</u>	<u>880,000</u>	<u>1,739,498</u>	<u>1,895,515</u>
Revenue				
Other	151		151	2,400
Total revenue	<u>151</u>	<u>-</u>	<u>151</u>	<u>2,400</u>
Net assets released from donor restriction (Note 6)	1,066,869	(1,066,869)	-	-
Total Support and Revenue	<u>1,926,518</u>	<u>(186,869)</u>	<u>1,739,649</u>	<u>1,897,915</u>
<b>Expenses</b>				
Program				
Oakland Local	3,988		3,988	18,929
Hack the Hood	1,170,925		1,170,925	884,539
Total Program	<u>1,174,913</u>		<u>1,174,913</u>	<u>903,468</u>
Management and general	229,010		229,010	170,976
Fundraising	147,475		147,475	109,012
Total Expenses	<u>1,551,398</u>	<u>-</u>	<u>1,551,398</u>	<u>1,183,456</u>
Change in net assets	375,120	(186,869)	188,251	714,459
Net Assets, beginning of year	<u>98,934</u>	<u>1,232,995</u>	<u>1,331,929</u>	<u>617,470</u>
Net Assets, end of year	<u>\$ 474,054</u>	<u>\$ 1,046,126</u>	<u>\$ 1,520,180</u>	<u>\$ 1,331,929</u>

See Notes to the Financial Statements

**CENTER FOR MEDIA CHANGE, INC.**  
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**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

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	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 188,251	\$ 714,459
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Accounts receivable	(353,979)	22,835
Grants receivable	320,000	(265,000)
Prepaid expenses	(10,722)	-
Deposits	(5,600)	(400)
Accounts payable and accrued expenses	3,957	(32,215)
Accrued vacation	31,878	4,980
Deferred revenue	-	(5,307)
Net cash provided (used) by operating activities	<u>173,785</u>	<u>439,352</u>
Net change in cash	173,785	439,352
Cash, beginning of year	<u>790,631</u>	<u>351,279</u>
Cash, end of year	<u>\$ 964,416</u>	<u>\$ 790,631</u>

See Notes to the Financial Statements

**CENTER FOR MEDIA CHANGE, INC.**  
**dba Hack the Hood**

**Statement of Functional Expenses**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	Program	Management and General	Fundraising	Total	
				2016	2015
Salaries	\$ 660,615	\$ 133,455	\$ 89,304	\$ 883,374	\$ 545,103
Benefits	41,522	7,127	3,582	52,231	23,155
Payroll taxes	49,311	11,722	8,396	69,429	46,262
Total Personnel	<u>751,448</u>	<u>152,304</u>	<u>101,282</u>	<u>1,005,034</u>	<u>614,520</u>
Grants	100,882	-	-	100,882	58,500
Legal	251	3,710	-	3,961	4,554
Accounting	-	11,850	-	11,850	17,041
Evaluation	58,120	-	-	58,120	68,964
Professional services	90,659	26,575	2,997	120,231	201,017
Advertising and promotion	1,348	467	484	2,299	1,118
Supplies and office expenses	38,682	7,249	3,328	49,259	76,252
Information technology	25,878	5,178	26,724	57,780	26,862
Occupancy	51,168	9,237	6,952	67,357	33,929
Travel and meals	5,042	2,969	3,940	11,951	5,606
Conferences and meetings	19,445	4,115	1,588	25,148	21,110
Insurance	-	3,259	-	3,259	2,326
Student stipends	31,990	-	-	31,990	50,175
Miscellaneous	-	2,097	180	2,277	1,482
Total Expenses	<u>\$ 1,174,913</u>	<u>\$ 229,010</u>	<u>\$ 147,475</u>	<u>\$ 1,551,398</u>	<u>\$ 1,183,456</u>

See Notes to the Financial Statements

**CENTER FOR MEDIA CHANGE, INC.**  
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**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

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**NOTE 1: NATURE OF ACTIVITIES**

Center for Media Change, Inc. dba Hack the Hood (the Organization) is a California nonprofit public benefit corporation founded in 2006.

The Organization's programs include:

Hack the Hood, which introduces low-income youth of color to careers in tech by hiring and training them to build websites for small businesses in their own communities, and other kinds of hands-on learning. Hack the Hood offers boot-camps, workshops, mentoring, career coaching, and events.

Oakland Local, a civic engagement project and news outlet with several websites that provide diverse perspectives on local issues such as education, food and food justice, local businesses, community development, local government, environmental issues, health, crime technology, and police accountability.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Basis of Presentation**

The Organization presents 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. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

*Temporarily restricted net assets* – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Permanently restricted net assets* – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of December 31, 2016.

**Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until

**CENTER FOR MEDIA CHANGE, INC.**  
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**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

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they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2016 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

**Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements**

The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

**CENTER FOR MEDIA CHANGE, INC.**  
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**For the Year Ended December 31, 2016**  
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Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on December 31, 2016.

**Property and Equipment**

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Organization had no property and equipment that met this capitalization policy at December 31, 2016.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Prior Year Summarized Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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, 2015, from which the summarized information was derived.

**Reclassifications**

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Subsequent Events**

The Organization has evaluated subsequent events and has concluded that as of October 10, 2017 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

**NOTE 3: LINE OF CREDIT**

The Organization has a \$100,000 line of credit with Beneficial State Bank bearing interest at the US Prime Rate plus 5%. As of December 31, 2016, there was no outstanding balance and the interest rate on the line was 8.75%.

**CENTER FOR MEDIA CHANGE, INC.**  
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**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

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**NOTE 4: COMMITMENTS**

**Operating Lease**

The Organization is party to a lease for office space in Oakland, California which expires in February 2018. The following is a schedule of future minimum payments required under the lease as of December 31:

2017	\$ 66,000
2018	<u>11,000</u>
Total	<u>\$ 77,000</u>

Rent for the years ended December 31, 2016 and 2015 was \$53,626 and \$33,929, respectively.

**Additional Terms**

The Organization has an option to extend the lease by one year at a set price. The Organization also has an early termination option subject to a notice period and fee.

**NOTE 5: CONTINGENCIES**

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

**NOTE 6: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available as follows for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Hack the Hood	\$ 225,000	\$ 846,578
Oakland Local	200	200
Kevin's Fellows	9,892	9,892
Network Support	293,313	85,000
Ateam	<u>517,721</u>	<u>291,325</u>
Total	<u>\$ 1,046,126</u>	<u>\$ 1,232,995</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses for the training program as specified by donors during the year ended December 31:

	<u>2016</u>	<u>2015</u>
Hack the Hood	\$ 621,578	\$ 569,918
Train the Trainer	-	110,631
Oakland Local	-	24,800

**CENTER FOR MEDIA CHANGE, INC.**  
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**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

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Network Support	271,687	15,000
Ateam	173,604	43,675
Other	<u>-</u>	<u>689</u>
Total	<u>\$ 1,066,869</u>	<u>\$ 764,713</u>

**NOTE 7: CONCENTRATIONS**

**Cash Deposits**

During the year ended December 31, 2016 the Organization maintained deposits in excess of federally insured limits. The Organization managed the risk of this concentration by monitoring the financial strength of the financial institutions where such deposits were held.

**Accounts Receivable**

As of December 31, 2016 approximately 76% of accounts and grants receivable were due from two funders as part of multi-year grant awards.

**Support**

Approximately 54% of support came from one funder as part of a multi-year grant award.