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

FINANCIAL STATEMENTS

December 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

CROSBY & KANEDA

Certified Public Accountants
for 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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP
Oakland, California
June 20, 2019

CENTER FOR MEDIA CHANGE, INC.
dba Hack the Hood

Statement of Financial Position
December 31, 2017
(With Comparative Totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 592,236	\$ 964,416
Accounts receivable	324,815	390,992
Grants receivable	120,000	195,000
Prepaid expenses	12,607	10,722
Total current assets	<u>1,049,658</u>	<u>1,561,130</u>
Deposits	<u>6,000</u>	<u>6,000</u>
Total Assets	<u>\$ 1,055,658</u>	<u>\$ 1,567,130</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 6,443	\$ 7,085
Accrued vacation	51,799	39,865
Total Liabilities	<u>58,242</u>	<u>46,950</u>
Commitments and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	516,019	474,054
Temporarily restricted (Note 6)	481,397	1,046,126
Total Net Assets	<u>997,416</u>	<u>1,520,180</u>
Total Liabilities and Net Assets	<u>\$ 1,055,658</u>	<u>\$ 1,567,130</u>

See Notes to the Financial Statements

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Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Support and Revenue				
Foundation and corporate	\$ 231,363	\$ 421,500	\$ 652,863	\$ 1,307,273
Government	560,407		560,407	335,260
Individual	92,579		92,579	92,945
In-kind support (Note 7)	127,621		127,621	-
Other	-		-	4,171
Net assets released from time and purpose restriction	986,229	(986,229)	-	-
Total Support and Revenue	1,998,199	(564,729)	1,433,470	1,739,649
Expenses				
Program				
Oakland Local	3,888		3,888	3,988
Hack the Hood	1,587,306		1,587,306	1,170,925
Total Program	1,591,194		1,591,194	1,174,913
Management and general	241,793		241,793	229,010
Fundraising	123,247		123,247	147,475
Total Expenses	1,956,234	-	1,956,234	1,551,398
Change in net assets	41,965	(564,729)	(522,764)	188,251
Net Assets, beginning of year	474,054	1,046,126	1,520,180	1,331,929
Net Assets, end of year	<u>\$ 516,019</u>	<u>\$ 481,397</u>	<u>\$ 997,416</u>	<u>\$ 1,520,180</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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (522,764)	\$ 188,251
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Accounts receivable	66,177	(353,979)
Grants receivable	75,000	320,000
Prepaid expenses	(1,885)	(10,722)
Deposits	-	(5,600)
Accounts payable and accrued expenses	(642)	3,957
Accrued vacation	11,934	31,878
Net cash provided (used) by operating activities	<u>(372,180)</u>	<u>173,785</u>
Net change in cash	(372,180)	173,785
Cash, beginning of year	<u>964,416</u>	<u>790,631</u>
Cash, end of year	<u>\$ 592,236</u>	<u>\$ 964,416</u>

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Statement of Functional Expenses
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Program	Management and General	Fundraising	Total	
				2017	2016
Salaries	879,614	\$ 164,989	\$ 84,732	\$ 1,129,335	\$ 852,769
Benefits	46,717	8,825	4,533	60,075	82,836
Payroll taxes	76,953	12,511	3,948	93,412	69,429
Total Personnel	<u>1,003,284</u>	<u>186,325</u>	<u>93,213</u>	<u>1,282,822</u>	<u>1,005,034</u>
Bootcamps partners and food	62,666	-	-	62,666	100,882
Evaluation	52,674	-	-	52,674	58,120
Other fee for service	68,128	25,512	15,587	109,227	136,042
Advertising and promotion	1,450	693	841	2,984	2,299
Supplies and office expenses	51,945	1,009	273	53,227	52,226
Information technology	23,057	4,324	2,221	29,602	57,780
Occupancy	57,912	11,205	5,147	74,264	67,357
Travel	10,246	1,185	927	12,358	11,951
Meetings and meals	45,400	5,252	4,105	54,757	25,148
Insurance	2,922	3,869	281	7,072	292
Student stipends and support	86,960	-	-	86,960	31,990
In-kind expenses	124,550	2,419	652	127,621	2,277
Total Expenses	<u>\$ 1,591,194</u>	<u>\$ 241,793</u>	<u>\$ 123,247</u>	<u>\$ 1,956,234</u>	<u>\$ 1,551,398</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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

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, 2017.

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 they

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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, 2017 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.

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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, 2017.

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, 2017.

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, 2016, 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 June 20, 2019 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, 2017, there was no outstanding balance and the interest rate on the line was 8.75%.

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NOTE 4: COMMITMENTS

Operating Lease

The Organization is party to a lease for office space expiring July 2019 in Oakland, California. Base rent payments under this lease are as follows for the years ended December 31:

2018	\$ 66,000
2019	<u>41,000</u>
Total	<u>\$ 107,000</u>

Rent for the years ended December 31, 2017 and 2016 was \$69,899 and \$53,626, respectively. The Organization 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 as of December 31:

	<u>2017</u>	<u>2016</u>
Ateam	\$ 213,642	\$ 517,721
Bootcamp	43,168	-
Hack the Hood	19,348	225,000
Network Support	195,347	293,313
Other	<u>9,892</u>	<u>10,092</u>
Total	<u>\$ 481,397</u>	<u>\$ 1,046,126</u>

NOTE 7: IN-KIND SUPPORT

The Organization received substantial donations of computer equipment including new laptops and new monitors during the year ended December 31, 2017. No individual item received exceeded the Organization's fixed asset capitalization threshold. The Organization estimated the value of these contributions at \$127,621.

NOTE 8: CONCENTRATIONS

Cash Deposits

During the year ended December 31, 2017 the Organization maintained deposits in excess of federally insured limits. The Organization managed the risk of this concentration by

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monitoring the financial strength of the financial institutions where such deposits were held.

Accounts Receivable

As of December 31, 2017 approximately 25% of accounts and grants receivable were due from a single funder as part of multi-year grant award.

Support

Approximately 30% of support came from one funder as part of a multi-year grant award. A reduction of support from major donors may have an impact on the Organization's operations.

NOTE 9: RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14).

ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires amended presentation and disclosures. These include qualitative and quantitative requirements in the following areas:

- (1) net asset classes;
- (2) investment return;
- (3) expenses;
- (4) liquidity and availability of resources; and
- (5) presentation of operating cash flows.

ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization is in the process of evaluating the potential impact of this guidance on its financial statements and Management expects to be in a position to accommodate the changes required, including the required inclusion of a statement of functional expenses, a classified statement of position and other disclosures related to liquidity and availability of resources and additional disclosures regarding the allocation of shared costs not directly attributable to a specific functional area.