CENTER FOR MEDIA CHANGE, INC.

dba Hack the Hood

FINANCIAL STATEMENTS

December 31, 2018

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

CENTER FOR MEDIA CHANGE, INC.
dba Hack the Hood

Contents

CROSBY & KANEDA

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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, 2018, 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, 2018, and the changes in its net assets 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby + Kaneda CPAs LLP

Oakland, California
September 13, 2019

CENTER FOR MEDIA CHANGE, INC.
dba Hack the Hood

Statement of Financial Position
December 31, 2018
(With Comparative Totals as of December 31, 2017)

	2018	2017
Assets		
Current Assets		
Cash	$ 1,141,664	$ 592,236
Accounts receivable	230,322	324,784
Grants and contributions receivable	321,017	120,031
Prepaid expenses	3,517	12,607
Total current assets	1,696,520	1,049,658
Deposits	6,000	6,000
Total Assets	$ 1,702,520	$ 1,055,658
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 32,644	$ 6,443
Accrued vacation	29,825	51,799
Total Liabilities	62,469	58,242
Net Assets		
Without donor restrictions	961,220	516,019
With donor restrictions (Note 3)	678,831	481,397
Total Net Assets	1,640,051	997,416
Total Liabilities and Net Assets	$ 1,702,520	$ 1,055,658

CENTER FOR MEDIA CHANGE, INC.
dba Hack the Hood

Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Support and Revenue				
Foundation and corporate	$ 642,470	$ 895,000	$ 1,537,470	$ 652,863
Government	520,926		520,926	560,407
Individual	92,313		92,313	92,579
In-kind support (Note 4)	33,087		33,087	127,621
Support provided by expiring time and purpose restrictions	697,566	(697,566)	-	-
Total Support and Revenue	1,986,362	197,434	2,183,796	1,433,470
Expenses				
Program				
Oakland Local	-		-	3,888
Hack the Hood	1,076,905		1,076,905	1,587,306
Total Program	1,076,905		1,076,905	1,591,194
Management and general	302,282		302,282	241,793
Fundraising	161,974		161,974	123,247
Total Expenses	1,541,161	-	1,541,161	1,956,234
Change in net assets	445,201	197,434	642,635	(522,764)
Net Assets, beginning of year	516,019	481,397	997,416	1,520,180
Net Assets, end of year	$ 961,220	$ 678,831	$ 1,640,051	$ 997,416

CENTER FOR MEDIA CHANGE, INC.
dba Hack the Hood

Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 642,635	$ (522,764)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Accounts receivable	94,462	66,177
Grants and contributions receivable	(200,986)	75,000
Prepaid expenses	9,090	(1,885)
Accounts payable and accrued expenses	26,201	(642)
Accrued vacation	(21,974)	11,934
Net cash provided (used) by operating activities	549,428	(372,180)
Net change in cash	549,428	(372,180)
Cash, beginning of year	592,236	964,416
Cash, end of year	$ 1,141,664	$ 592,236

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, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program	Management and General	Fundraising	Total 2018	Total 2017
Salaries	$ 669,619	$ 80,646	$ 119,392	$ 869,657	$ 1,129,335
Benefits	70,340	23,189	7,509	101,038	60,075
Payroll taxes	57,689	6,626	10,373	74,688	93,412
Total Personnel	797,648	110,461	137,274	1,045,383	1,282,822
Bootcamps partners and food	24,786	-	-	24,786	62,666
Evaluation	46,475	72	-	46,547	52,674
Other fee for service	69,260	85,159	14,354	168,773	109,227
Advertising and promotion	2,232	825	449	3,506	2,984
Supplies and office expenses	15,362	13,563	1,256	30,181	53,227
Information technology	1,568	20,239	6,607	28,414	29,602
Occupancy	19,180	59,170	50	78,400	74,264
Travel	7,461	891	109	8,461	12,358
Meetings and meals	26,826	6,168	1,875	34,869	54,757
Insurance	-	5,734	-	5,734	7,072
Student stipends and support	50,077	-	-	50,077	86,960
In-kind hardware and software	16,030	-	-	16,030	127,621
Total Expenses	$ 1,076,905	$ 302,282	$ 161,974	$ 1,541,161	$ 1,956,234

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 that the Organization has wound down.

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).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants. The Organization considers all accounts receivable to be fully collectible at December 31, 2018. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

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, 2018 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.

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, 2018.

Property and Equipment

All acquisitions of property and equipment in excess of $5,000 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, 2018.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on an activity allocation based on employee job duties and activities.

Occupancy costs are allocated on the amount of space used by program activities and supporting activities occupying the space. The Organization also considers the time period of such use.

Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of overall employee allocations.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in additional contributions in future years.

Changes in Accounting Principles

The Organization implemented Accounting Standards Update 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a classified statement of position and certain additional disclosures about liquidity and availability of resources.

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class:	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 516,019	$ -
Temporarily restricted net assets	481,397	-
Net assets without donor restrictions	-	516,019
Net assets with donor restrictions	-	481,397
Total	$ 997,416	$ 997,416

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, 2017, 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.

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	2018	2017
Ateam	$ 20,715	$ 213,642
Bootcamp	625,585	43,168
Hack the Hood	32,531	19,348
Network support and other	-	195,347
Other	-	9,892
Total	$ 678,831	$ 481,397

NOTE 4: IN-KIND SUPPORT

In kind support consisted of the following during the years ended December 31:

	2018	2017
In-kind services – legal	$ 17,057	$ -
In-kind goods – computer & software	16,030	127,621
Total	$ 33,087	$ 127,621

NOTE 5: COMMITMENTS

Operating Lease

The Organization is party to a lease for office space expiring June 2024 in Oakland, California. Base rent payments under this lease are as follows for the years ended December 31:

2019	$ 71,000
2020	62,100
2021	66,450
2022	70,068
2023	72,870
Thereafter	37,152
Total	$ 379,640

Rent for the years ended December 31, 2018 and 2017 was $72,200 and $69,899, respectively.

Option to Renew

The Organization has a 5 year option to renew through the June 2029 for a predetermined and increasing amount of rent.

NOTE 6: CONTINGENCIES

Grant awards including government funding 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 7: CONCENTRATIONS

Cash Deposits

During the year ended December 31, 2018 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, 2018 approximately 56% of accounts and grants receivable were due from a single funder as part of multi-year grant award.

Support

Approximately 42% of support came from three funders as part of multi-year grant awards. A reduction of support from major donors may have an impact on the Organization's operations.

NOTE 8: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets:	
Cash and cash equivalents	$ 1,141,664
Accounts receivable, net	230,322
Grants receivable	321,017
Total financial assets	1,693,003
Less financial assets not available for general expenditure within one year:	
Purpose-restricted net assets	(678,831)
Amount available for general expenditures within one year	$ 1,104,172

The Organization manages its liquidity with the goal of maintaining sufficient funds to meet its expenditure requirements while limiting its exposure to investment risk.

NOTE 9: RETIREMENT PLAN

The Organization offers a defined contribution retirement plan (the Plan). The Plan covers all employees who meet plan eligibility requirements. The Organization matches up to 4% of employee contributions to the plan and made $17,700 in contributions to the plan during the year ended December 31, 2018.

NOTE 10: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of September 13, 2019 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Operating Lease

As more fully disclosed in Note 5, the Organization entered into a new lease June 2019.