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The Clubhouse Network

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Financial Statements

For the Year Ended
December 31, 2018

The Clubhouse Network, Inc.

Financial Statements
For the Year Ended December 31, 2018

Table of Contents

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Independent Auditors' Report

To the Board of Directors of
The Clubhouse Network, Inc.
Roxbury, Massachusetts

We have audited the accompanying financial statements of The Clubhouse Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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 controls. 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 The Clubhouse Network, Inc. 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.

Litman Gerson Associates, LLP

Woburn, Massachusetts
August 6, 2019

The Clubhouse Network, Inc.
Statement of Financial Position
December 31, 2018

Assets	
Current assets:	
Cash and cash equivalents	$ 1,890,343
Grants and contributions receivable, net	1,061,425
Investments	14,125
Prepaid expenses and other current assets	79,132
Total current assets	3,045,025
Property and equipment, net	483,453
Other asset:	
Restricted cash	301,714
Total assets	$ 3,830,192
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	$ 31,991
Grants payable	1,595,050
Accrued expenses	50,854
Deferred rent	2,761
Total current liabilities	1,680,656
Net assets:	
Without donor restrictions	1,354,236
With donor restrictions	795,300
Total net assets	2,149,536
Total liabilities and net assets	$ 3,830,192

The accompanying notes are an integral part of these financial statements.

The Clubhouse Network, Inc.

Statement of Activities

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Grants and contributions	$ 1,484,541	$ 216,297	$ 1,700,838
In-kind contributions	77,915	-	77,915
Net assets released from restriction	232,730	(232,730)	-
Total support	1,795,186	(16,433)	1,778,753
Revenue:			
Program participant fees	42,882	-	42,882
Other income	11,199	-	11,199
Interest income	7,595	-	7,595
Investment income, net	(968)	-	(968)
Total revenue	60,708	-	60,708
Total operating revenue and support	1,855,894	(16,433)	1,839,461
Operating Expenses			
Program services	1,647,809	-	1,647,809
Management and general	207,623	-	207,623
Fundraising			
Development	63,329	-	63,329
25th Anniversary	32,442	-	32,442
Total fundraising	95,771	-	95,771
Total expenses before depreciation	1,951,203	-	1,951,203
Change in net assets from operating activities before depreciation	(95,309)	(16,433)	(111,742)
Depreciation	23,924	-	23,924
Change in net assets from operating activities	(119,233)	(16,433)	(135,666)
Non-Operating Support and Expenses			
Capital grants and contributions	344,830	25,170	370,000
Net assets released from restriction for capital expenditures	138,891	(138,891)	-
Change in net assets from non-operating activities	483,721	(113,721)	370,000
Total change in net assets	364,488	(130,154)	234,334
Net assets at beginning of year	25,086	150,000	175,086
Transfer of net assets resulting from separation from Museum of Science	964,662	775,454	1,740,116
Net assets at end of year	$ 1,354,236	$ 795,300	$ 2,149,536

The accompanying notes are an integral part of these financial statements.

The Clubhouse Network, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Supporting Services		
	Program Events	Network Support	Flagship	Total Program	Management and General	Fundraising	Total Expenses
Salaries and related expenses:							
Salaries and wages	$ 189,284	$ 381,629	$ 111,486	$ 682,399	$ 40,841	$ 60,418	$ 783,658
Employee benefits	24,215	57,255	13,517	94,987	29,663	7,161	131,811
Payroll taxes	16,067	27,488	8,278	51,833	3,451	7,135	62,419
Total salaries and related expenses	229,566	466,372	133,281	829,219	73,955	74,714	977,888
Other expenses:							
Participant support	307,069	10,660	1,007	318,736	145	-	318,881
Event venue	270,349	-	-	270,349	-	-	270,349
Legal and accounting	-	-	-	-	98,188	-	98,188
Meals and entertainment	54,342	-	15	54,357	1,255	4,787	60,399
Occupancy	-	10,614	24,039	34,653	6,827	1,327	42,807
Conferences and travel	9,503	28,624	212	38,339	2,665	349	41,353
Consulting	4,205	1,339	1,303	6,847	7,362	11,608	25,817
Program evaluation	-	25,439	-	25,439	-	-	25,439
Depreciation	-	9,571	11,961	21,532	1,196	1,196	23,924
Supplies and materials	5,106	3,303	6,876	15,285	4,434	512	20,231
Computer rental	17,284	-	20	17,304	2,143	-	19,447
Insurance	-	6,797	8,495	15,292	850	850	16,992
Printing and graphics	8,623	399	324	9,346	2,895	858	13,099
Telephone and internet	-	3,971	4,962	8,933	496	496	9,925
Service fees	-	-	-	-	6,355	-	6,355
Postage	3,528	182	-	3,710	53	270	4,033
Total other expenses	680,009	100,899	59,214	840,122	134,864	22,253	997,239
Total expenses by function	909,575	567,271	192,495	1,669,341	208,819	96,967	1,975,127
Less items separately stated on Statement of Activities:							
Depreciation	-	(9,571)	(11,961)	(21,532)	(1,196)	(1,196)	(23,924)
Total	-	(9,571)	(11,961)	(21,532)	(1,196)	(1,196)	(23,924)
Total expenses included in the functional categories on the Statement of Activities	$ 909,575	$ 557,700	$ 180,534	$ 1,647,809	$ 207,623	$ 95,771	$ 1,951,203

The accompanying notes are an integral part of these financial statements.

The Clubhouse Network, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	$ 234,334
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	23,924
Non-cash contribution of investments	(15,078)
Net realized and unrealized loss on investments	3,512
Reinvested dividends and capital gains distributions	(2,559)
Changes in operating assets and liabilities:	
Increase in:	
Grants and contributions receivable	(972,076)
Prepaid expenses and other current assets	(79,132)
Increase in:	
Accounts payable	24,369
Grants payable	1,595,050
Accrued expenses	46,175
Deferred rent	2,761
Net cash provided by operating activities	861,280
Cash flows from investing activities:	
Cash received from transfer of net assets from Museum of Science	1,740,116
Purchases of property and equipment	(499,755)
Net cash provided by investing activities	1,240,361
Net increase in cash, cash equivalents and restricted cash	2,101,641
Cash, cash equivalents and restricted cash at beginning of year	90,416
Cash, cash equivalents and restricted cash at end of year	$ 2,192,057
Supplemental disclosure of non-cash investing activities	
Investments received and recognized as contribution revenue	$ 15,078
Reinvested investment income	$ 2,559
Construction in process placed into service	$ 7,622

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations

The Clubhouse Network, Inc. (the Organization), was incorporated on March 30, 2017 and received tax exempt status on September 7, 2017 under the laws of the Commonwealth of Massachusetts as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was previously a business unit of the Museum of Science located in Boston, Massachusetts (the Museum), before legally separating on February 1, 2018 (see Note 14), the date which the Organization began independent operations.

The Organization provides opportunities for youth in underserved communities to work with mentors to explore their own ideas, develop new skills, and build confidence through the use of technology. The Organization has direct control over the operations of the Flagship Clubhouse (the Flagship) located in Roxbury, Massachusetts. In addition to the Flagship location, the Organization serves as the headquarters for and licenses "The Clubhouse Network" trademark to approximately 100 independently operated Clubhouses (collectively "the Clubhouses") in 18 countries. Licensed Clubhouses are not under the direct control of the Organization and are independent non-profit organizations. The Organization provides these locations with start-up support, development, evaluation and assessment, partnership opportunities, and access to an online community for youth, mentors, and staff. The Organization is funded primarily through corporate and federal grants and contributions.

Approximately 29 of the licensed locations, including the Flagship, are Best Buy Teen Tech Centers (BBTTCs), which are sponsored and funded by Best Buy Foundation (Best Buy). The Organization is an agent for these funds and is responsible for paying out grants to the BBTTCs (see Note 11).

The Organization operates the following programs:

<u>Program Events</u>

Teen Summit

A biennial week-long Youth Leadership event bringing together youth from each Clubhouse. Youth leaders explore issues relevant to them and propose solutions through the creative use of innovative, high-end technologies. The event features a college and career fair, collaborative cross-cultural activities, and other opportunities for educational, career, and personal growth.

Annual Conference

The Organization organizes an annual conference for the Clubhouse community to come together, build skills, share ideas, reflect on experiences, and plan for the future. Clubhouse staff, directors, and partners from academia, research, government, and the corporate sector typically attend.

Alumni Summit

An event bringing together alumni from across the world to participate in professional development and networking opportunities.

1. Nature of Operations…continued

Network Support

General

Support provided by the Organization to Clubhouses and BBTTCs in The Clubhouse Network (the Network). Support is provided largely through liaisons who oversee Clubhouses spread over 8 geographic regions. Liaisons work closely with Clubhouses in the Network to ensure Clubhouses are remaining compliance with requirements in the license agreements and are following best practices to ensure each Clubhouse meets their potential. Liaisons help with outreach to organizations, review and evaluate proposals, take part in site visits and help select new locations. Once selected, liaisons work closely with each organization to ensure they have the have necessary staff, program, and technology in place to run an effective Clubhouse.

C2C (Clubhouse-to-Career) Pathways to Success

Draws on Clubhouse expertise to support the global need for a trained and ready workforce in the Science, Technology, Engineering and Mathematics (STEM) field. This program develops the member's workforce readiness skills and helps them gain real-world work experience through an internship placement.

Catalyst Initiative

A way for The Clubhouse Network to bring "Clubhouse" practices to non-Clubhouse settings such as schools, libraries, and other out-of-school time programs. Projects take a variety of forms including grant-funded projects, consulting arrangement, and workshops facilitated by the Organization.

Flagship

Represents the Clubhouse operated at the Organization's Roxbury, MA headquarters, also known as the BBTTC, and provides a space for underserved youth to explore their ideas and build confidence through the use of technology and mentoring.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) to ensure the statement of financial position, and the related statements of activities, functional expenses, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (ASC).

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Summary of Significant Accounting Policies…continued

Financial Statement Presentation
Financial statement presentation follows FASB ASC Topic No. 958, *Not-for-Profit Entities* (ASC 958). Under ASC 958, the Organization is required to report information regarding its net assets, revenue, gains and losses based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions
Net assets without restrictions include amounts available for use in general operations and not subject to donor-imposed restrictions. The Organization's board may designate net assets without restrictions for specific operational purposes from time to time.

With Donor Restrictions
Net assets with restrictions include amounts resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some stipulations are temporary in nature that expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. If the stipulation is fulfilled in the same time period in which the contribution is received, the contribution is reported as having no restrictions in the year received. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Organization considers all highly liquid financial instruments with original maturities of three months or less, when purchased, to be cash equivalents.

Grants and Contributions Receivable
Grants and contributions receivable are stated at cost, net of an allowance for doubtful accounts, which is the amount management expects to collect from outstanding balances. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution in accordance with donor-imposed stipulations, if any, on the contribution. Contributions receivable outstanding at December 31, 2018 are expected to be collected over the next year. An allowance for doubtful accounts is provided for those grants and contributions receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts and contributions receivable at the end of the year. The Organization considers a receivable past due if payment is not received based on contractual terms. At December 31, 2018, the Organization has determined grants and contributions receivable to be fully collectable. Accordingly, an allowance for doubtful accounts was not required at December 31, 2018.

Investments
The Organization has adopted FASB ASC Topic No. 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations* (ASC 958-320). Under ASC 958-320, investments held in marketable equity securities are reported at fair value based upon quoted market prices. Investment income or loss, which consists of interest and dividend income, realized gains and losses, and unrealized gains and losses on those investments, is included in revenue and support in the statement of activities.

2. Summary of Significant Accounting Policies…continued

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

Description	Useful Life
Leasehold improvements	Life of lease
Furniture and fixtures	5 years
Computer equipment and software	3 – 4 years
Office equipment	5 years

Expenditures for maintenance and repairs are charged to expense as incurred, while expenditures which significantly increase values or extend useful lives are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and the gain or loss thereon is reflected in the statement of activities. The Organization capitalizes all expenditures in excess of $2,500 for property and equipment with a useful life greater than 12 months.

Deferred Rent
Lease agreements may require future increases in the minimum base rent. Rent expense under these arrangements is recognized on the straight-line basis over the term of the related leases. The difference between rent expense recognized on the straight-line basis and cash paid is classified as deferred rent on the accompanying statement of financial position.

Fair Value Measurements
The Organization discloses the fair value of investments (see Note 6) in accordance with FASB ASC Topic No. 820, *Fair Value Measurements* (ASC 820). The framework under ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 -Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

2. Summary of Significant Accounting Policies…continued

Valuation Techniques
Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

Equity Securities
Equity securities are valued based on quoted prices from an active market. These investments are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

Money Market Funds
Money market funds are valued based upon quoted prices from an active market, which include investments in the highest quality financial instruments, such as Treasury bills, U.S. government agency issues, commercial paper and certificates of deposit that offer a high degree of protection of principal and are expected to provide preservation of capital, liquidity and current income. These investments are categorized as Level 1 as they are actively traded and no valuation adjustments have been applied.

Revenue Recognition
Network Support, Grants and Contributions
Network support, grants and contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged. Conditional promises to give are not recognized until they become unconditional, that is, at the time the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of property and equipment and other long-lived assets are also reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

The Organization has conditional grants for a total of up to approximately $924,000 (subject to periodic adjustment and renewals), payable over a project period ranging from February 2018 to September 2020. The grants are conditional due to the payments being contingent upon the Organization expending funds for specified program related purposes as defined in the grant agreements. The Organization recognized $281,568 in revenues related to these grants during the year ended December 31, 2018.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions depending upon the condition(s) stipulated by the donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as without donor restrictions in the year received.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition…continued

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the estimated fair value of contributed services if such services meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require specialized skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not contributed.

During the year ended December 31, 2018, the Organization received donated legal services with an estimated fair value of $61,645, which have been recognized as in-kind contributions and expenses on the accompanying statement of activities.

Additionally, during the year ended December 31, 2018, the Organization received donated facilities with an estimated fair value of $16,270, which has been recognized as in-kind contributions and expenses on the accompanying statement of activities ($10,770 to program and $5,500 to supporting services). The Organization occupied program and office space at the Museum under a use and occupancy agreement dated February 1, 2018 for a period of approximately five months during construction of the current facility in Roxbury, Massachusetts (see Note 12).

Many individuals volunteered their time and performed a variety of tasks to assist the Organization in carrying out its mission during the year ended December 31, 2018. These services do not meet the recognition criteria for contributed services. Accordingly, a value for these services has not been reflected in the accompanying financial statements.

Program Participant Fees and Other Income

Program participant fees and other income are recognized as revenue in the period the services are rendered. Amounts received prior to the period services are rendered or are intended for future periods are reported as deferred revenue.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification, while other expenses are allocated based on management's systematic and rational policy as follows:

Expense	Method of Allocation
Employee benefits	Time and effort
Depreciation	Square footage
Occupancy	Square footage
Insurance	Square footage
Telephone and internet	Square footage/usage

2. Summary of Significant Accounting Policies…continued

Income Taxes
The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and is a public charity according to Section 509(a)(1) of the IRC. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization accounts for the uncertainty in income taxes in accordance with the provisions of FASB ASC Topic No. 740, *Income Taxes*, which prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements.

When necessary, the Organization accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. The Organization does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next 12 months.

Recently Adopted Accounting Policies
During the year ended December 31, 2018, the Organization implemented Accounting Standards Update (ASU) No. 2016-14, *Financial Statements of Not-for-Profit Entities*. The ASU retroactively changes how the Organization reports net asset classes, expenses and liquidity in the financial statements. Specifically, the changes are as follows:

- Donor restricted net assets are presented as two classes (without donor restrictions and with donor restrictions) rather than three (unrestricted, temporarily restricted and permanently restricted). In addition, the ASU requires donor restricted net assets for the acquisition of property and equipment to be released when acquired rather than over the estimated useful life of the property and equipment.
- Expenses are presented by their functional and natural classifications in one location in the financial statements, which was not required for all not-for-profit entities previously. Further, the Organization discloses how expenses are being allocated in detail rather than in general.
- Investment return is presented net of external and direct internal expenses. In addition, the ASU requires any underwater portion of the Organization’s endowment funds to be reported with net assets with donor restrictions rather than with net assets without donor restrictions.
- The statement of cash flows retains the option to present operating cash flows using either the direct or the indirect method; however, if the direct method is used, there is no requirement to present the reconciliation of change in net assets to net cash from operations.
- Disclosure of the quantitative and qualitative information about the Organization’s management of liquid resources and availability of financial assets to meet cash needs within one year of the statement of financial position date.

3. Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure at December 31, 2018 consisted of the following:

Cash and cash equivalents	$ 1,770,655
Grants and contributions receivable	398,484
Investments	14,125
	$ 2,183,264

The Organization is substantially supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, the Organization ensures that fundraising is directed towards its programs and that its programs are centralized around the funding received. The financial assets listed above are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Donor restricted assets of $795,300 at December 31, 2018 have been excluded from the balances above. The Organization does have a letter of credit account, which is unavailable and consists of funds in a separate bank account, to be held in the case of default on the facility lease. Therefore, the letter of credit has been excluded from the above presentation.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's 2019 operating budget, including restricted activity, consists of $1,950,000 in expenditures.

4. Restricted Cash

In accordance with its facility lease agreement (see Note 12), the Organization is required to maintain an irrevocable standby letter of credit with a bank in the amount of $300,000, which was reported as restricted cash on the accompanying statement of financial position. The letter of credit will automatically extend without amendment upon each anniversary date beginning on June 30, 2018, unless otherwise noted by the bank.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the totals of the respective amounts in the statement of cash flows.

Cash and cash equivalents	$ 1,890,343
Restricted cash	301,714
Total cash, cash equivalents and restricted cash presented in the statement of cash flows	$ 2,192,057

5. Investments

The comparison of the actual costs and fair values of investments at December 31, 2018 was as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Equity Securities:			
Common stock – domestic	$ 17,290	$ 14,118	$ (3,172)
Money market funds	7	7	-
Total investments	$ 17,297	$ 14,125	$ (3,172)

The following schedule summarizes investment income, including realized and unrealized gains and losses, for the year ended December 31, 2018:

Dividends and capital gains distributions	$ 2,559
Net realized and unrealized loss on investments	(3,527)
Investment income, net	$ (968)

6. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Equity Securities:				
Common stock – domestic	$ 14,118	$ -	$ -	$ 14,118
Money market funds	7	-	-	7
	$ 14,125	$ -	$ -	$ 14,125

7. Property and Equipment

Property and equipment at December 31, 2018 consisted of the following:

Leasehold improvements	$ 364,953
Furniture and fixtures	60,976
Computers and software	53,702
Equipment	27,746
	507,377
Less: accumulated depreciation	23,924
	$ 483,453

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 have been restricted by donors to be spent as follows:

Program services	$ 759,021
Property and equipment	36,279
	$ 795,300

For the year ended December 31, 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Donor restriction satisfied:	
Program services	$ 232,730
Property and equipment	138,891
	$ 371,621

9. Retirement Plan

The Organization has established a retirement plan under Section 403(b) of the Internal Revenue Code covering substantially all employees. Employees may elect to contribute to the plan on a salary reduction basis and the Organization may elect to provide a contribution to the plan. The Organization contributed $32,088 to the plan for the year ended December 31, 2018.

10. Self-Funded Unemployment Insurance

The Organization has elected to opt out of participation in state unemployment programs and instead self-funds its own unemployment insurance. The future estimated liability was $5,000 at December 31, 2018, which was included with accrued expenses on the accompanying statement of financial position. This amount was based on an average rate of 1% of salaries and wages and is adjusted for the value of any claims processed during the year. For the year ended December 31, 2018, the Organization paid claims of approximately $2,700 and accrued an additional $5,000 for claims expected to be incurred; these amounts are included on the accompanying statement of activities. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional loss that is at least reasonably possible.

11. Agency Transaction – Best Buy Agreement

The Organization has an arrangement with Best Buy under which it receives grants to fund start-up expenses and provide ongoing support for BBTTCs. The Organization acts as an agent for the funds passed-through from the Organization to the BBTTCs. The Organization does not retain variance power related to these assets. The Best Buy funding is treated as an agency transaction rather than contributions and are reflected as a liability of the Organization on the accompanying statement of financial position.

11. Agency Transaction – Best Buy Agreement…continued

In addition to the pass-through funding, the agreement includes funding that the Organization retains and recognizes as support in the statement of activities for its role in oversight and administration of the project since Best Buy relies on the Organization's knowledge and experience surrounding the implementation of the BBTTC curriculum and technology. This aspect of the arrangement is referred to as network support and is one of the Organization's primary programs (see Note 1). Further, the arrangement included funding for the Organization's Flagship program, which is also a BBTTC.

As part of the funding agreement, the Organization only disburses funds to BBTTC when "milestones" are met. These milestones include signing the licensing agreement, designing and constructing the site, opening the center and operating the center for a certain amount of time. The funds received are recorded as a liability, which is reduced as funds are disbursed when meeting these milestones.

The term of the agreement in effect at December 31, 2018 was for the twelve month term February 2018 through January 2019. The agreement was renewed effective February 1, 2019 (see Note 15).

Following is a summary of the pass-through funding received under this arrangement, and its composition on the statement of financial position at December 31, 2018:

Pass-through funding	$ 3,956,000
Expended funds	(2,360,950)
Grants payable	$ 1,595,050
Cash and cash equivalents	$ 1,196,109
Grants receivable	398,941
Unexpended funds – grants payable	$ 1,595,050

Following is a summary of the support recognized in the statement of activities under this arrangement during the year ended December 31, 2018:

Network support	$ 879,410
Flagship BBTTC	160,000
	$ 1,039,410

12. Commitments

Facility Lease
Between February 2018 and July 2018, the Organization operated out of a facility located at the Museum while the current facility was under construction. During this period, the Museum allowed the Organization to remain at their facility at no cost. Management estimated that the fair value of the rent was $16,250 which was reported as occupancy expense and in-kind contributions (see Note 2) for the year ended December 31, 2018.

12. Commitments…continued

Facility Lease…continued
Effective September 2018, the Organization entered into a noncancellable operating lease for a facility with a ten-year term expiring in September 2028. The lease contains a five-year renewal option. In lieu of a security deposit for the facility lease, the Organization was required to provide the landlord with a standby letter of credit issued by a bank in the amount of $300,000 (see Note 4). The lease provides for periodically escalating minimum monthly rental payments between $6,282 and $8,198.

Rent expense is recognized on a straight-line basis over the life of the leases with the differences between the cash paid and the straight-line expense being recorded as deferred rent. Deferred rent was $2,761 at December 31, 2018.

Rent expense under this lease totaled $21,608 for the year ended December 31, 2018.

Future minimum lease payments for the noncancellable operating lease are as follows for the years ending December 31st:

2019	$ 75,955
2020	78,238
2021	80,585
2022	83,003
2023	85,493
Thereafter	442,180
	$ 845,454

Software License
In December 2018, the Organization entered into a four-year license agreement for an online community management platform. The platform requires a one-time implementation service fee as well as annual subscription fees which include software licenses, ongoing maintenance and upgrades, support, and hosting. Additional fees are billed as incurred for any services not included in the license agreement.

Future minimum payments for the subscription fees for the years ending December 31st are as follows:

2019	$ 15,000
2020	15,000
2021	15,000
	$ 45,000

13. Concentrations of Credit Risk

Financial instruments that potentially expose the Organization to concentrations of risk consist principally of cash and cash equivalents, and grants and contributions receivables.

The Organization maintains their cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

13. Concentrations of Credit Risk…continued

Grants and contributions receivable consisted of balances due from three funding sources representing 92% of the total balance outstanding at December 31, 2018.

Grants and contributions from two funding sources represented 66% of total support and revenue for the year ended December 31, 2018.

14. Separation Agreement

The Organization was a business unit of the Museum of Science in Boston, Massachusetts, through January 2018. The Museum acted as a fiscal sponsor for the Organization, essentially receiving all grants and funding on behalf of the Organization before the Organization was granted its own 501(c)(3) tax-exempt status. Effective February 1, 2018, the Organization signed a separation agreement with the Museum. The Organization subsequently moved to Roxbury, Massachusetts. The separation agreement required the Museum to transfer certain financial assets to Organization, including various unexpended grants and contributions restricted to programs and a quasi-endowment fund of the Museum designated for programs. The total amount of assets transferred was $1,740,116. Under the terms of the agreement, the Museum continues to act as fiscal agent on certain federal awards and conditional grants (see Note 2) until these specific awards and grants expire.

15. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through August 6, 2019, the date the financial statements were available to be issued.

The Organization's grant agreement with Best Buy was renewed effective February 1, 2019, and provides for a total of $5,672,568 in pass-through, network support, and Flagship funding (see Note 11).