

HACK DIVERSITY INC.
Audited Financial Statements
December 31, 2022



Independent Auditor's Report

To the Board of Directors of
Hack Diversity Inc.

Opinion

We have audited the accompanying financial statements of Hack Diversity Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sax CPAs LLP

New York, NY
June 23, 2023

**HACK DIVERSITY INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022**

Assets

Cash and cash equivalents	\$1,923,028
Contributions receivable, net (Note 3)	1,346,840
Program income receivable	150,000
Prepaid expenses and other assets	<u>5,095</u>
Total assets	<u><u>\$3,424,963</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$115,035
Deferred revenue	<u>394,000</u>
Total liabilities	<u><u>509,035</u></u>
Net assets:	
Without donor restrictions	1,630,928
With donor restrictions (Note 4)	<u>1,285,000</u>
Total net assets	<u><u>2,915,928</u></u>
Total liabilities and net assets	<u><u>\$3,424,963</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**HACK DIVERSITY INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions (Note 4)	Total
Public support and revenue:			
Contributions	\$1,254,394	\$1,435,000	\$2,689,394
Special event income (net of expenses with a direct benefit to donor) (Note 5)	9,077		9,077
Program income	1,317,999		1,317,999
Other income	9,682		9,682
Net assets released from restrictions (Note 4)	150,000	(150,000)	0
Total public support and revenue	<u>2,741,152</u>	<u>1,285,000</u>	<u>4,026,152</u>
Expenses:			
Program services	1,662,161		1,662,161
Management and general	424,245		424,245
Fundraising	170,052		170,052
Total expenses	<u>2,256,458</u>	<u>0</u>	<u>2,256,458</u>
Change in net assets	484,694	1,285,000	1,769,694
Net assets - beginning of year	<u>1,146,234</u>	<u>0</u>	<u>1,146,234</u>
Net assets - end of year	<u><u>\$1,630,928</u></u>	<u><u>\$1,285,000</u></u>	<u><u>\$2,915,928</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**HACK DIVERSITY INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$1,126,072	\$222,167	\$89,646	\$1,437,885
Payroll taxes and employee benefits	224,261	44,245	17,853	286,359
Professional fees	101,037	74,095	52,000	227,132
Grants and direct assistance	4,517			4,517
Insurance	3,998	789	318	5,105
Office expenses	23,579	21,520		45,099
Occupancy	37,236	7,347	2,964	47,547
IT and communications	91,328	18,018	7,271	116,617
Workshops	35,703			35,703
Travel and meetings	12,940	7,332		20,272
Marketing		25,067		25,067
Other expenses	1,490	3,665		5,155
Special event expenses			23,423	23,423
Total expenses	1,662,161	424,245	193,475	2,279,881
Less: special event expenses with a direct benefit to donor			(23,423)	(23,423)
Total expenses for statement of activities	<u>\$1,662,161</u>	<u>\$424,245</u>	<u>\$170,052</u>	<u>\$2,256,458</u>

The attached notes and auditor's report are an integral part of these financial statements.

**HACK DIVERSITY INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities:	
Change in net assets	\$1,769,694
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Contributions receivable	(1,299,744)
Program income receivable	(150,000)
Due from fiscal sponsor	436,202
Prepaid expenses and other assets	7,237
Accounts payable and accrued expenses	(118,791)
Deferred revenue	177,000
Total adjustments	<u>(948,096)</u>
Net cash flows provided by operating activities/ Net increase in cash and cash equivalents	821,598
Cash and cash equivalents - beginning of year	<u>1,101,430</u>
Cash and cash equivalents - end of year	<u><u>\$1,923,028</u></u>
Supplemental information:	
Interest and taxes paid	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

HACK DIVERSITY INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 - Organization

Established in 2016, Hack Diversity Inc.'s (the "Organization") mission is to transform the economy by breaking down barriers for Black and Latine/x professionals in tech. The Organization focuses on empowering remarkable people to succeed by bridging the gap between the culture organizations have and the one organizations want. The Organization partners with employers to tap into the full potential of the talent landscape by bridging Black and Latine/x technologists into the field and helping organizations evolve systems-wide practice to drive retention and promotion of that talent. The Organization is supported primarily by contributions and program income.

The Organization was a fiscally sponsored project of The Boston Foundation (an unrelated not-for-profit organization). During 2021, the Organization was formed as a new corporation to take over the activities and assets of the project. The Organization received tax exempt status in June 2022 with an effective date of exemption retroactive to August 2021.

The Organization has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

During the year ended December 31, 2022, The Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, also known as Accounting Standards Codification ("ASC") Topic 842. The ASU requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right of use asset" on the statement of financial position. The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less, which applied to all of the Organization's leases at December 31, 2022.

During the year ended December 31, 2022, the Organization also adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures. Adoption of this standard did not have a material impact on the Organization's financial statements.

b. Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the asset’s restriction, either due to a program nature or by the passage of time.

c. Revenue Recognition

The Organization follows the requirements of FASB ASC 958-605 for recording contributions, which are recognized when contributions become unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. 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. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The Organization evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Organization to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

The Organization follows the requirements of FASB ASC 606 for recognizing revenue from contracts with customers. The Organization receives program income from companies who want to partner and participate in the Racial Equity, Diversity, and Inclusion (REDI) workshop and mentorship program, which falls under FASB ASC 606 and is included in the statement of activities. Revenue is recognized over the period of time that the company receives a benefit from the program and the performance obligations are complete. Fees that have not been collected at year end are reflected as program income receivable. Amounts collected in advance are treated as deferred revenue.

Receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of December 31, 2022. All receivables at December 31, 2022 are expected to be received within one year.

d. Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an initial maturity of less than three months to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of cash and savings accounts which are placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the Organization has not experienced any losses due to bank failure.

f. Fixed Assets

Fixed assets that exceed pre-determined amounts of \$5,000 and that have a useful life of greater than one year are recorded at cost or at fair value on the date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. There are no fixed assets at December 31, 2022.

g. In-Kind Contributions

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value. No in-kind contributions were received during the year ended December 31, 2022.

Board members and individuals volunteer their time and perform a variety of services for the Organization. These services do not meet the criteria for recognition and have not been recognized in the financial statements.

h. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Salaries expense is allocated based on time and effort. The following costs are allocated based on the salary allocation as the basis:

- Payroll taxes and employee benefits
- Insurance
- Occupancy
- IT and communications

All other expenses have been charged directly to the applicable program or supporting services.

j. Advertising Costs

Advertising costs are expensed as incurred.

k. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2021 (the Organization's initial return) and later are subject to examination by applicable taxing authorities.

Note 3 - Contributions Receivable

Contributions receivable at December 31, 2022 are expected in the following periods:

Year ending:	December 31, 2023	\$1,098,840
	December 31, 2024	210,000
	December 31, 2025	<u>50,000</u>
		1,358,840
Less present value discount (4%)		<u>(12,000)</u>
Net contributions receivable		<u>\$1,346,840</u>

Note 4 - Net Assets With Donor Restrictions

Activity in the class of net assets with donor restrictions can be summarized as follows:

	<u>December 31, 2022</u>			
	<u>Balance</u> <u>1/1/22</u>	<u>Increases</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/22</u>
Program restricted:				
REDI Director and programming	\$0	\$300,000	(\$150,000)	\$150,000
Time restricted	<u>0</u>	<u>1,135,000</u>	<u>0</u>	<u>1,135,000</u>
Total	<u>\$0</u>	<u>\$1,435,000</u>	<u>(\$150,000)</u>	<u>\$1,285,000</u>

Note 5 - Special Event

Fundraising event proceeds during the year ended December 31, 2022 are summarized as follows:

Gross revenue	\$32,500
Less: expenses with a direct benefit to donors	<u>(23,423)</u>
Net fundraising event income	<u>\$9,077</u>

Note 6 - Retirement Plan

The Organization maintains a tax deferred 401(k) retirement plan on behalf of participating employees. All employees are eligible after completing one month of service. Eligible employees may participate by designating a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis.

The Organization provides a match of 3% of each employee's salary, which totaled \$24,000 during the year ended December 31, 2022. Employer contributions to the plan are vested according to the following years of service:

Less than 2 years	0%
2 to 3 years	20%
3 to 4 years	40%
4 to 5 years	60%
5 to 6 years	80%
6 years or more	100%

Note 7 - Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on contributions and program income to fund its operations and program activities.

The following reflects the Organization's financial assets at December 31, 2022 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:	
Cash and cash equivalents	\$1,923,028
Contributions receivable due within one year	1,098,840
Program income receivable	<u>150,000</u>
Total financial assets	\$3,171,868
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(150,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$3,021,868</u>

Note 8 - Subsequent Events

Subsequent events have been evaluated through June 23, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.