



**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

TECH GOES HOME INCORPORATED

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December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
Tech Goes Home Incorporated:

Report on the Financial Statements

We have audited the accompanying financial statements of Tech Goes Home Incorporated (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Tech Goes Home Incorporated as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
March 12, 2020

TECH GOES HOME INCORPORATEDStatements of Financial Position
December 31, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 820,783	\$ 821,701
Certificate of deposit	-	202,324
Accounts receivable	30,000	31,450
Prepaid computers and other	477,002	403,965
Total current assets	1,327,785	1,459,440
Software, net	20,726	29,016
Total assets	<u>\$ 1,348,511</u>	<u>\$ 1,488,456</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 64,138	\$ 77,755
Conditional advances	668,146	1,033,049
Total liabilities	732,284	1,110,804
Net Assets:		
Without donor restrictions:		
Operating	293,312	250,759
Software	20,726	29,016
Total without donor restrictions	314,038	279,775
With donor restrictions	302,189	97,877
Total net assets	616,227	377,652
Total liabilities and net assets	<u>\$ 1,348,511</u>	<u>\$ 1,488,456</u>

TECH GOES HOME INCORPORATEDStatements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions:		
Operating revenue:		
Government grants	\$ 1,384,511	\$ 1,383,563
Grants and contributions	92,457	113,224
Interest and other income	5,870	3,682
In-kind good and services	-	57,292
Net assets released from purpose restrictions	<u>488,853</u>	<u>435,454</u>
Total operating revenue	<u>1,971,691</u>	<u>1,993,215</u>
Operating expenses:		
Program	1,614,177	1,505,344
General and administrative	126,434	108,495
Development	<u>196,817</u>	<u>223,805</u>
Total operating expenses	<u>1,937,428</u>	<u>1,837,644</u>
Changes in net assets without donor restrictions	<u>34,263</u>	<u>155,571</u>
Changes in Net Assets With Donor Restrictions:		
Grants	693,165	368,750
Net assets released from purpose restrictions	<u>(488,853)</u>	<u>(435,454)</u>
Changes in net assets with donor restrictions	<u>204,312</u>	<u>(66,704)</u>
Total changes in net assets	238,575	88,867
Net Assets:		
Beginning of year	<u>377,652</u>	<u>288,785</u>
End of year	<u>\$ 616,227</u>	<u>\$ 377,652</u>

TECH GOES HOME INCORPORATED

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 238,575	\$ 88,867
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Amortization	8,290	8,981
Changes in operating assets and liabilities:		
Accounts receivable	1,450	(31,450)
Prepaid computers and other	(73,037)	44,982
Accounts payable and accrued expenses	(13,617)	18,821
Conditional advances	<u>(364,903)</u>	<u>(363,955)</u>
Net cash used in operating activities	(203,242)	(233,754)
Cash Flows from Investing Activities:		
Maturity (purchase) of certificate of deposit and reinvested interest	<u>202,324</u>	<u>(202,324)</u>
Net Change in Cash and Cash Equivalents	(918)	(436,078)
Cash and Cash Equivalents:		
Beginning of year	<u>821,701</u>	<u>1,257,779</u>
End of year	<u>\$ 820,783</u>	<u>\$ 821,701</u>

TECH GOES HOME INCORPORATED

Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	2019			2018				
	Program	General and Administrative	Development	Total	Program	General and Administrative	Development	Total
Operating Expenses:								
Technology equipment, software and installation	\$ 777,703	\$ -	\$ -	\$ 777,703	\$ 729,050	\$ -	\$ -	\$ 729,050
Salaries and related	311,589	42,331	157,847	511,767	279,800	28,509	172,835	481,144
Training	314,535	-	-	314,535	266,108	-	-	266,108
Other	65,701	16,428	-	82,129	15,459	17,918	-	33,377
Outreach and awareness	65,484	-	21,828	87,312	73,135	-	24,378	97,513
Professional fees	-	43,133	-	43,133	-	45,653	-	45,653
Rent expense	27,526	1,422	9,669	38,617	23,952	1,422	9,669	35,043
Outside contracted services - technology	23,253	-	4,103	27,356	30,813	-	1,872	32,685
Publication	1,941	19,588	-	21,529	-	8,119	-	8,119
Event expense	12,053	-	2,127	14,180	12,727	-	2,246	14,973
Amortization	7,047	-	1,243	8,290	7,634	-	1,347	8,981
Travel	7,345	-	-	7,345	18,332	-	-	18,332
Insurance	-	3,532	-	3,532	-	6,874	-	6,874
In-kind goods and services	-	-	-	-	45,834	-	11,458	57,292
Volunteer expense	-	-	-	-	2,500	-	-	2,500
Total operating expenses	\$ 1,614,177	\$ 126,434	\$ 196,817	\$ 1,937,428	\$ 1,505,344	\$ 108,495	\$ 223,805	\$ 1,837,644

The accompanying notes are an integral part of these statements.

TECH GOES HOME INCORPORATED

Notes to Financial Statements
December 31, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS

Tech Goes Home Incorporated (TGH) is a nonprofit organization that empowers communities to overcome barriers and advance lives. To that end, TGH helps bring computers, internet, and training to those without, so students can do homework, adults can find jobs and manage finances, and seniors can connect with loved ones. TGH promotes lifelong success by teaching the skills, and providing hardware and help with access so that our participants will continue to benefit from the wealth of online resources well after our program ends.

TGH is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). TGH is also exempt from state income taxes. Contributions made to TGH are deductible by donors within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

TGH prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standard

During 2019, TGH adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. TGH adopted ASU 2018-08 retrospectively. The adoption of ASU 2018-08 did not have a material impact on TGH's 2019 or 2018 financial statements as substantially all revenue is considered nonreciprocal.

Classification of Net Assets

TGH has grouped its net assets into the following categories:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TGH. These net assets may be used at the discretion of TGH's management and the Board of Directors. TGH has grouped its net assets without donor restrictions into the following categories:

- Operating represents surplus amounts currently available for operations.
- Software represents the net book value of TGH's capitalized software costs.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. These donor restrictions are temporary in nature and the restrictions will be met by actions of TGH or by the passage of time. Net assets with donor restrictions are restricted for program purposes, namely training classes and technology, as of December 31, 2019 and 2018.

TECH GOES HOME INCORPORATED

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding

In accordance with ASC Sub Topic 958-605, *Revenue Recognition - Contributions*, TGH must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that TGH should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

A portion of TGH's revenue is derived from cost-reimbursable contracts and grants, which are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when TGH has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as conditional advances in the statements of financial position. During 2019 and 2018, TGH received cost-reimbursable, conditional grants of \$1,019,608 that have not been fully recognized, because qualifying expenditures have not yet been incurred. The remaining balance of the grants are \$668,146 and \$1,033,049, which are included in the statements of financial position as conditional advances at December 31, 2019 and 2018, respectively.

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally committed. Grants and contributions with donor-imposed stipulations that limit the use of the asset are recorded as net assets with donor restrictions. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. All government grants, which are from the City of Boston, are recorded as services are provided or costs have been incurred. Government grants received in advance of services being provided are recorded as conditional advances. All other income is recognized when earned.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Certificate of Deposit

At December 31, 2018, certificate of deposit (CD) consisted of a thirteen-month CD which matured in June 2019. The CD earned interest at 1.98% per annum.

TECH GOES HOME INCORPORATED

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

An allowance for doubtful accounts receivable is recorded based on management's analysis of specific receivables and their estimate of amounts that may be uncollectible. There was no allowance deemed necessary as of December 31, 2019 and 2018.

Fair Value Measurements

TGH follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that TGH would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

TGH uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of TGH. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Software and Amortization

Software having a value of \$5,000 or more and a useful life of more than one year is capitalized. Software is recorded at cost if purchased or at fair market value at the time of donation. Amortization is computed on a straight-line basis over five years. Amortization expense for the years ended December 31, 2019 and 2018, was \$8,290 and \$8,981, respectively.

TECH GOES HOME INCORPORATED

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated to programs or functions based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related, which are allocated on the basis of estimates of time and effort; rent is allocated on a square footage basis, and amortization, contracted technology services, and outreach and awareness, which are allocated based on annual usage studies.

Subsequent Events

Subsequent events have been evaluated through March 12, 2020, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Income Taxes

TGH accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. TGH has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2019 and 2018. TGH's information returns are subject to examination by the Federal and state jurisdictions.

3. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is a co-founder of the company that performs TGH's outsourced bookkeeping and accounting services. TGH paid \$24,715 and \$23,446 for these services for the years ended December 31, 2019 and 2018, respectively, which are included in professional fees in the accompanying statements of functional expenses. At December 31, 2019 and 2018, no amounts were due to the company.

A member of the Board of Directors provides training services for TGH's programs. During 2019 and 2018, this individual received stipends of \$3,340 and \$4,400, respectively.

4. IN-KIND DONATIONS

TGH is the beneficiary of various donated services and space. These items are reflected in the accompanying financial statements based upon the estimated values assigned by management or the donor and are included in in-kind goods and services. In 2018, in-kind goods and services included consulting services and goods of \$46,400 and \$10,892, respectively.

5. CONCENTRATIONS

Credit Risk

TGH maintains its cash balances in a bank in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. TGH has not experienced any losses in such accounts. TGH believes it is not exposed to any significant credit risk on its cash and cash equivalents.

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Notes to Financial Statements
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6. CONCENTRATIONS (Continued)

Funding

Government grants from the City of Boston comprise 70% and 69% of operating revenue without donor restrictions for the years ended December 31, 2019 and 2018, respectively. These grants have been expended in accordance with the respective terms contained in the agreements and are subject to possible final audit. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of TGH as of December 31, 2019 and 2018, or on their changes in net assets for the years then ended. Conditional advances at December 31, 2019 and 2018, are comprised entirely of funds received from the City of Boston.

Two grantors accounted for 100% of accounts receivable at December 31, 2019 and 2018.

Concentrations of grant funding with donor restrictions for the years ended December 31, 2019 and 2018, were comprised of the following:

<u>Donor</u>	<u>2019</u>	<u>2018</u>
A	19%	30%
B	14%	- %
C	14%	- %
D	14%	20%
E	4%	11%

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

TGH's financial assets available within one year from the statements of financial position date for general operating expenses are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 820,783	\$ 821,701
Certificate of deposit	-	202,324
Accounts receivable	30,000	31,450
Less - amounts with donor-imposed restrictions	<u>(297,918)</u>	<u>(97,877)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 552,865</u>	<u>\$ 957,598</u>

TGH's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately \$483,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. TGH has structured its financial assets to be available and liquid as its obligations become due. At December 31, 2019, TGH has financial assets equal to approximately three months of operating expenses.

7. PENSION PLAN

TGH sponsors a defined contribution pension plan in accordance with IRC Section 401(k) (the Plan) covering all eligible employees. Employees 21 years and older are eligible to participate. TGH may make discretionary contributions to the participants' accounts annually as defined in the plan agreement and determined by the Board of Directors. Employees are immediately vested in employer contributions. TGH did not make a discretionary contribution to the Plan during 2019 and 2018.

TECH GOES HOME INCORPORATED

Notes to Financial Statements
December 31, 2019 and 2018

8. LEASE COMMITMENT

TGH leases office space under an operating lease that expires in October 2020. The lease requires monthly base lease payments of \$3,103, plus TGH's share of operating expenses. Rent expense under this lease totaled \$38,617 and \$35,043 for the years ended December 31, 2019 and 2018, respectively. Future minimum lease payments under this agreement for 2020 are \$31,025.

9. RECLASSIFICATION

Certain amounts in the 2018 financial statements have been reclassified to conform with the 2019 financial statement presentation.