

Ushahidi, Inc.

Financial Statements Years Ended December 31, 2010 and 2009

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Independent Auditors' Report

Board of Directors
Ushahidi, Inc.

We have audited the accompanying statements of financial position of Ushahidi, Inc. (the "Organization") as of December 31, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ushahidi, Inc. at December 31, 2010 and 2009, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

November 9, 2011

Ushahidi, Inc.

Statements of Financial Position

<i>December 31,</i>	2010	2009
Assets:		
Cash and cash equivalents	\$ 480,922	\$ 431,342
Contributions receivable	61,084	35,833
Prepays and other	8,022	—
Property and equipment, net (Note 3)	74,675	18,392
	\$ 624,703	\$ 485,567
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,881	\$ 22,996
Accrued payroll	16,480	11,194
Total liabilities	26,361	34,190
Commitments (Note 5)	—	—
Net assets:		
Unrestricted net assets	183,962	173,408
Temporarily restricted net assets (Note 4)	414,380	277,969
Total net assets	598,342	451,377
	\$ 624,703	\$ 485,567

See accompanying notes to financial statements.

Ushahidi, Inc.

Statements of Activities

Year ended December 31,	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support:						
Contributions	\$1,073,299	\$373,130	\$1,446,429	\$ 590,070	\$ 277,969	\$ 868,039
Project revenue	45,480	–	45,480	37,485	–	37,485
Other income	3,578	–	3,578	–	–	–
Released from restriction (Note 4)	236,719	(236,719)	–	19,463	(19,463)	–
Total revenues and support	1,359,076	136,411	1,495,487	647,018	258,506	905,524
Expenses:						
Program	1,008,374	–	1,008,374	328,036	–	328,036
Management and general	332,395	–	332,395	138,235	–	138,235
Fundraising	7,753	–	7,753	7,766	–	7,766
Total expenses	1,348,522	–	1,348,522	474,037	–	474,037
Change in net assets	10,554	136,411	146,965	172,981	258,506	431,487
Net assets, beginning of year	173,408	277,969	451,377	427	19,463	19,890
Net assets, end of year	\$ 183,962	\$414,380	\$ 598,342	\$ 173,408	\$ 277,969	\$ 451,377

See accompanying notes to financial statements.

Ushahidi, Inc.

Statements of Cash Flows

<i>Year ended December 31,</i>	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 146,965	\$ 431,487
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,300	994
Cash provided by (used for):		
Contributions receivable	(25,251)	(35,833)
Prepays and other	(8,022)	–
Due from service provider	–	19,463
Accounts payable and accrued expenses	(7,829)	27,084
Net cash provided by operating activities	119,163	443,195
Cash flows from investing activities:		
Purchase of property and equipment	(69,583)	(19,386)
Increase in cash and cash equivalents	49,580	423,809
Cash and cash equivalents, beginning of year	431,342	7,533
Cash and cash equivalents, end of year	\$ 480,922	\$ 431,342

See accompanying notes to financial statements.

Ushahidi, Inc.

Statements of Functional Expenses

<i>Year ended December 31,</i>	2010				2009			
	<i>Program</i>	<i>Supporting Services</i>			<i>Program</i>	<i>Supporting Services</i>		
		<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>		<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and related expenses	\$ 418,567	\$ 10,000	\$ 2,000	\$ 430,567	\$ 182,477	\$ 91,422	\$ 4,774	\$ 278,673
Contract services	471,532	129,811	–	601,343	71,184	8,600	–	79,784
Travel	91,753	64,026	5,753	161,532	48,878	15,436	2,992	67,306
Trade shows and conferences	–	9,305	–	9,305	17,913	–	–	17,913
Office expenses	1,316	84,016	–	85,332	–	16,804	–	16,804
Information technology	24,771	2,221	–	26,992	7,584	–	–	7,584
Advertising	–	15,266	–	15,266	–	3,037	–	3,037
Insurance	435	4,450	–	4,885	–	1,942	–	1,942
Depreciation	–	13,300	–	13,300	–	994	–	994
	\$1,008,374	\$332,395	\$ 7,753	\$1,348,522	\$ 328,036	\$ 138,235	\$ 7,766	\$ 474,037

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Nature of Organization

Ushahidi, Inc. (the “Organization”) is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization was founded in 2008 to administer the Ushahidi Engine, which is a platform that allows anyone to gather distributed data via SMS, email or web and visualize it on a map or timeline. The goal of the Organization is to create the simplest way of aggregating information from the public for use in crisis response.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash.

Cash Equivalents

The Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contributions and Contributions Receivable

Unconditional promises to give, including grants and contributions, are recognized in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met (see Note 6). Contributions receivable are considered fully collectible; therefore, no allowance was recorded.

The Organization received contributions from two grantors representing 40% and 29% of total revenues and support during the year end December 31, 2010 and from three grantors representing 33%, 22% and 12% of total revenues and support during the year end December 31, 2009.

Property and Equipment, Net

Property and equipment consists of computers, office equipment and furniture and are stated at cost, if purchased, and at estimated fair value on the date received, if donated. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Donor-Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Project Revenues

Certain contracts with funding agencies are exchange transactions in which each party receives and sacrifices commensurate value. Funds from exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as project revenue when such funds have been expended towards the designated purpose.

Software Development Costs

The Organization develops open source software which is available free of charge to users. In addition, due to the open source nature of the development, there is generally no passage of time between achievement of technological feasibility and the availability for general release. Therefore, the Organization expenses the cost of software development as incurred.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's open tax years

currently subject to examination by the Internal Revenue Service include the years ended December 31, 2008 through 2010.

Fair Value of Financial Instruments

Fair value measurements of financial instruments are determined using a three-level hierarchy based on the transparency of valuation inputs as of their measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets.
- Level 2 - Inputs are observable quoted prices for similar assets in active markets.
- Level 3 - Inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2010.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2010. The respective carrying value of certain on-balance-sheet financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include cash, contributions receivable and accrued liabilities. The Organization's Level 1 financial assets consist of cash equivalents of \$390,918 and \$150,108 as of December 31, 2010 and 2009, respectively. The Organization has no Level 2 or Level 3 financial assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

2. Concentrations of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. All non-interest bearing cash balances were fully insured at December 31, 2010 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits.

3. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

<i>December 31,</i>	<i>Useful Life</i>	2010	2009
Furniture and fixtures	7 years	\$ 5,122	\$ 3,564
Computer and office equipment	5 years	41,044	15,822
Software	3 years	4,040	–
Leasehold improvements	5 years	38,763	–
		88,969	19,386
Less accumulated depreciation		(14,294)	(994)
		\$ 74,675	\$ 18,392

4. Net Assets

At December 31, 2010 and 2009, temporarily restricted net assets of \$414,380 and \$277,969 are restricted for future program-related services. Temporarily restricted net assets released from restriction during 2010 and 2009 represent expenses incurred of \$263,719 and \$19,463, respectively, for program-related services.

Notes to Financial Statements

5. Commitments

The Organization leases a facility under an operating lease, which expires in January 2016. Future minimum lease payments under this noncancelable operating lease (with remaining lease in excess of one year) as of December 31, 2010, are approximated as follows:

<i>Year ending December 31,</i>	<i>Amount</i>
2011	\$ 24,000
2012	28,000
2013	28,000
2014	32,000
2015	32,000
Thereafter	3,000
	\$ 147,000

6. Conditional Contribution

During 2009, the Organization received an unrestricted grant for up to \$1,400,000 to be received in various installments from 2009 through 2012. During 2010 and 2009, the Organization received \$600,000 and \$300,000, respectively, which was recorded as unrestricted contributions in the statements of activities. As of December 31, 2010, the remaining \$500,000 has not been reflected in the accompanying financial statements as the receipt of these contributions is conditional upon achieving certain performance metrics.

7. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to December 31, 2010 as of November 9, 2011, which is the date the financial statements were available to be issued. Subsequent events occurring after November 9, 2011 have not been evaluated by management. No material events have occurred since December 31, 2010 that require recognition or disclosure in the financial statements.