Ushahidi, Inc.

Financial Statements
Years Ended December 31, 2011 and 2010

CROSS, FERNANDEZ & RILEY, LLP
Accountants & Consultants

Ushahidi, Inc.

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We have audited the accompanying statements of financial position of Ushahidi, Inc. (the "Organization") as of December 31, 2011 and 2010, 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, 2011 and 2010, 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

January 18, 2013

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Ushahidi, Inc.

Statements of Financial Position

December 31,	**2011**	2010
Assets:		
Cash and cash equivalents	**$ 1,239,193**	$ 480,922
Contributions receivable	**400,000**	61,084
Prepaids and other	**37,206**	8,022
Property and equipment, net (Note 3)	**90,927**	74,675
	$ 1,767,326	$ 624,703
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 7,773**	$ 9,881
Accrued payroll	**17,498**	16,480
Total liabilities	**25,271**	26,361
Commitments (Note 5)	**–**	–
Net assets:		
Unrestricted net assets	**686,695**	183,962
Temporarily restricted net assets (Note 4)	**1,055,360**	414,380
Total net assets	**1,742,055**	598,342
	$ 1,767,326	$ 624,703

See accompanying notes to financial statements.

Statements of Activities

Year ended December 31,	2011 Unrestricted	2011 Temporarily Restricted	2011 Total	2010 Unrestricted	2010 Temporarily Restricted	2010 Total
Revenues and support:						
Contributions	**$1,713,345**	**$1,014,110**	**$2,727,455**	$1,073,299	$373,130	$1,446,429
Project revenue	**106,914**	**–**	**106,914**	45,480	–	45,480
Other income (loss)	**(7,669)**	**–**	**(7,669)**	3,578	–	3,578
Net assets released from restrictions (Note 4)	**373,130**	**(373,130)**	**–**	236,719	(236,719)	–
Total revenues and support	**2,185,720**	**640,980**	**2,826,700**	1,359,076	136,411	1,495,487
Expenses:						
Program	**1,181,362**	**–**	**1,181,362**	1,008,374	–	1,008,374
Management and general	**485,746**	**–**	**485,746**	332,395	–	332,395
Fundraising	**15,879**	**–**	**15,879**	7,753	–	7,753
Total expenses	**1,682,987**	**–**	**1,682,987**	1,348,522	–	1,348,522
Change in net assets	**502,733**	**640,980**	**1,143,713**	10,554	136,411	146,965
Net assets, beginning of year	**183,962**	**414,380**	**598,342**	173,408	277,969	451,377
Net assets, end of year	**$ 686,695**	**$1,055,360**	**$1,742,055**	$ 183,962	$414,380	$ 598,342

See accompanying notes to financial statements.

Ushahidi, Inc.

Statements of Cash Flows

Year ended December 31,	**2011**	2010
Cash flows from operating activities:		
Change in net assets	**$ 1,143,713**	$ 146,965
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**24,222**	13,300
Cash provided by (used for):		
Contributions receivable	**(338,916)**	(25,251)
Prepaids and other	**(29,184)**	(8,022)
Accounts payable and accrued expenses	**(1,090)**	(7,829)
Net cash provided by operating activities	**798,745**	119,163
Cash flows from investing activities:		
Purchase of property and equipment	**(40,474)**	(69,583)
Increase in cash and cash equivalents	**758,271**	49,580
Cash and cash equivalents, beginning of year	**480,922**	431,342
Cash and cash equivalents, end of year	**$ 1,239,193**	$ 480,922

See accompanying notes to financial statements.

Statements of Functional Expenses

	2011				2010			
		Supporting Services				*Supporting Services*		
Year ended December 31,	*Program*	*Management and General*	*Fundraising*	*Total*	*Program*	*Management and General*	*Fundraising*	*Total*
Salaries and related expenses	**$ 338,101**	**$ 39,876**	**$ 6,584**	**$ 384,561**	$ 418,567	$ 10,000	$ 2,000	$ 430,567
Contract services	**644,773**	**189,675**	–	**834,448**	471,532	129,811	–	601,343
Travel	**130,124**	**69,935**	**9,295**	**209,354**	91,753	64,026	5,753	161,532
Trade shows and conferences	–	**18,727**	–	**18,727**	–	9,305	–	9,305
Office expenses	**180**	**112,483**	–	**112,663**	1,316	84,016	–	85,332
Information technology	**68,184**	**1,084**	–	**69,268**	24,771	2,221	–	26,992
Advertising	–	**11,038**	–	**11,038**	–	15,266	–	15,266
Insurance	–	**6,209**	–	**6,209**	435	4,450	–	4,885
Depreciation	–	**24,222**	–	**24,222**	–	13,300	–	13,300
Miscellaneous	–	**12,497**	–	**12,497**	–	–	–	–
	$1,181,362	**$485,746**	**$15,879**	**$1,682,987**	$1,008,374	$332,395	$ 7,753	$1,348,522

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 through 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 are recognized as contributions 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 all due in less than one year and are considered fully collectible; therefore, no allowance was recorded.

The Organization received contributions from one grantor representing 37% of total revenues and support during the year end December 31, 2011 and from two grantors representing 40% and 29% of total revenues and support during the year end December 31, 2010.

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 tax years currently subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

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. 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 and cash equivalents, contributions receivable due in less than one year, accounts payable and accrued liabilities. The Organization has no Level 1, 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.

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, 2011 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:

December 31,	*Useful Life*	**2011**	2010
Furniture and fixtures	7 years	**$ 6,230**	$ 5,122
Computer and office equipment	5 years	**74,305**	41,044
Software	3 years	**10,144**	4,040
Leasehold improvements	5 years	**38,763**	38,763
		129,442	88,969
Less accumulated depreciation		**(38,515)**	(14,294)
		$ 90,927	$ 74,675

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

December 31,	**2011**	2010
Liberia operations	**$ 400,000**	$ 283,696
Website design and development	**251,286**	41,250
iHub support	**–**	89,434
Passage of time	**400,000**	–
Other program operations	**4,074**	–
	$ 1,055,360	$ 414,380

Net assets were released from donor restrictions as follows:

December 31,	**2011**	2010
Liberia operations	**$ 283,696**	$ –
Website design and development	**–**	236,719
iHub support	**89,434**	–
	$ 373,130	$ 236,719

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 as of December 31, 2011, are approximated as follows:

Year ending December 31,	*Amount*
2012	**$ 28,000**
2013	**28,000**
2014	**32,000**
2015	**32,000**
Thereafter	**3,000**
	$ 123,000

6. Conditional Contribution

During 2011, the Organization received an unrestricted grant for up to $1,900,000 to be received in various installments from 2011 through 2014. This grant was not recorded as revenue when received since it was conditional upon achieving certain performance metrics. During 2011, the Organization received $300,000 which was recorded as unrestricted contributions in the statement of activities. Accordingly, $1,600,000 of this grant was not recorded in the accompanying financial statements as of December 31, 2011 since the conditions have not been met.

7. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to December 31, 2011 as of January 18, 2013, which is the date the financial statements were available to be issued. Subsequent events occurring after January 18, 2013 have not been evaluated by management. No material events have occurred since December 31, 2011 that require recognition or disclosure in the financial statements.