# Ushahidi, Inc.

## Financial Statements
### Year Ended December 31, 2013 and 2012

CROSS, FERNANDEZ & RILEY, LLP
Accountants & Consultants

# Ushahidi, Inc.

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## Independent Auditor's Report

Board of Directors
Ushahidi, Inc.

We have audited the accompanying financial statements of Ushahidi, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, 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 audit 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 Ushahidi, Inc. as of December 31, 2013 and 2012, 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.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

March 27, 2015

# Ushahidi, Inc.

## Statements of Financial Position

| *December 31,* | **2013** | 2012 |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | **$ 1,009,709** | $ 228,289 |
| Contributions and grants receivable | **546,117** | 750,000 |
| Prepaids and other | **7,157** | 21,825 |
| Property and equipment, net (Note 2) | **101,517** | 125,906 |
| | **$ 1,664,500** | $ 1,126,020 |
| **Liabilities and Net Assets** | | |
| **Liabilities:** | | |
| Accounts payable and accrued expenses | **$ 70,335** | $ 13,290 |
| Accrued payroll | **25,132** | 22,565 |
| **Total liabilities** | **95,467** | 35,855 |
| **Commitments** (Note 4 and 6) | **–** | – |
| **Net assets (deficit):** | | |
| Unrestricted | **469,033** | (12,393) |
| Temporarily restricted (Note 3) | **1,100,000** | 1,102,558 |
| **Total net assets** | **1,569,033** | 1,090,165 |
| | **$ 1,664,500** | $ 1,126,020 |

*See accompanying notes to financial statements.*

## Statements of Activities

| *Year ended December 31,* | **2013** *Unrestricted* | *Temporarily Restricted* | *Total* | 2012 *Unrestricted* | *Temporarily Restricted* | *Total* |
|---|---|---|---|---|---|---|
| **Revenues and support:** | | | | | | |
| Contributions | **$1,116,387** | **$ 1,100,000** | **$2,216,387** | $ 307,917 | $ 953,655 | $1,261,572 |
| Project revenue | **399,624** | **–** | **399,624** | 316,328 | – | 316,328 |
| Other income (loss) | **2,297** | **–** | **2,297** | (3,656) | – | (3,656) |
| Net assets released from restrictions (Note 3) | **1,102,558** | **(1,102,558)** | **–** | 906,457 | (906,457) | – |
| **Total revenues and support** | **2,620,866** | **(2,558)** | **2,618,308** | 1,527,046 | 47,198 | 1,574,244 |
| **Expenses:** | | | | | | |
| Program | **1,640,226** | **–** | **1,640,226** | 1,727,228 | – | 1,727,228 |
| Management and general | **476,715** | **–** | **476,715** | 480,243 | – | 480,243 |
| Fundraising | **22,499** | **–** | **22,499** | 18,663 | – | 18,663 |
| **Total expenses** | **2,139,440** | **–** | **2,139,440** | 2,226,134 | – | 2,226,134 |
| **Change in net assets** | **481,426** | **(2,558)** | **478,868** | (699,088) | 47,198 | (651,890) |
| **Net assets (deficit),** beginning of year | **(12,393)** | **1,102,558** | **1,090,165** | 686,695 | 1,055,360 | 1,742,055 |
| **Net assets (deficit),** end of year | **$ 469,033** | **$ 1,100,000** | **$1,569,033** | $ (12,393) | $1,102,558 | $1,090,165 |

*See accompanying notes to financial statements.*

# Ushahidi, Inc.

## Statements of Cash Flows

| *Year ended December 31,* | **2013** | 2012 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | **$ 478,868** | $ (651,890) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: | | |
| Depreciation | **39,947** | 33,798 |
| Cash provided by (used for): | | |
| Contributions and grants receivable | **203,883** | (350,000) |
| Prepaids and other | **14,668** | 15,381 |
| Accounts payable and accrued expenses | **59,612** | 10,584 |
| Net cash provided by (used for) operating activities | **796,978** | (942,127) |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | **(15,558)** | (68,777) |
| **Increase (decrease) in cash and cash equivalents** | **781,420** | (1,010,904) |
| **Cash and cash equivalents,** beginning of year | **228,289** | 1,239,193 |
| **Cash and cash equivalents,** end of year | **$ 1,009,709** | $ 228,289 |

*See accompanying notes to financial statements.*

## Statements of Functional Expenses

| | **2013** | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | | *Supporting Services* | | | | *Supporting Services* | | |
| *Year ended December 31,* | *Program* | *Management and General* | *Fundraising* | *Total* | *Program* | *Management and General* | *Fundraising* | *Total* |
| Salaries and related expenses | **$ 601,254** | **$ 18,987** | **$12,658** | **$ 632,899** | $ 461,754 | $ 14,582 | $ 9,721 | $ 486,057 |
| Contract services | **616,977** | **176,665** | – | **793,642** | 917,231 | 181,348 | – | 1,098,579 |
| Travel | **137,777** | **75,614** | **9,841** | **223,232** | 125,192 | 81,367 | 8,942 | 215,501 |
| Trade shows and conferences | – | **14,901** | – | **14,901** | – | 13,374 | – | 13,374 |
| Office expenses | **88,656** | **123,506** | – | **212,162** | 62,688 | 120,167 | – | 182,855 |
| Information technology | **195,562** | **420** | – | **195,982** | 160,363 | 210 | – | 160,573 |
| Advertising | – | **7,031** | – | **7,031** | – | 14,361 | – | 14,361 |
| Insurance | – | **15,108** | – | **15,108** | – | 19,518 | – | 19,518 |
| Depreciation | – | **39,947** | – | **39,947** | – | 33,798 | – | 33,798 |
| Miscellaneous | – | **4,536** | – | **4,536** | – | 1,518 | – | 1,518 |
| | **$1,640,226** | **$476,715** | **$22,499** | **$2,139,440** | $1,727,228 | $480,243 | $18,663 | $2,226,134 |

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

**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 5). Contributions receivable at December 31, 2013 and 2012 are all due in less than one year and considered fully collectible; therefore, no allowance was recorded.

The Organization received contributions from two grantors representing 45% and 15% of total revenues and support during the year end December 31, 2013 and from two grantors representing 54% and 13% of total revenues and support during the year end December 31, 2012.

**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 approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, contributions and grants receivable, accounts payable and accrued expenses. The Organization has no Level 1, 2 or Level 3 financial instruments.

**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. Property and Equipment

Property and equipment is comprised of the following:

| *December 31,* | *Useful Life* | **2013** | 2012 |
|---|---|---|---|
| Furniture and fixtures | 7 years | **$ 19,999** | $ 19,999 |
| Computer and office equipment | 5 years | **143,917** | 129,314 |
| Software | 3 years | **11,099** | 10,144 |
| Leasehold improvements | 5 years | **38,763** | 38,763 |
| | | **213,778** | 198,220 |
| Less accumulated depreciation | | **(112,261)** | (72,314) |
| | | **$ 101,517** | $ 125,906 |

### 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| *December 31,* | **2013** | 2012 |
|---|---|---|
| Liberia operations | **$ –** | $ 94,903 |
| Website design and development | **–** | 89,000 |
| Data technology platform | **1,100,000** | – |
| Passage of time | **–** | 750,000 |
| Other program operations | **–** | 168,655 |
| | **$ 1,100,000** | $ 1,102,558 |

Net assets were released from donor restrictions as follows:

| *Year ended December 31,* | **2013** | 2012 |
|---|---|---|
| Liberia operations | **$ 94,903** | $ 305,097 |
| Website design and development | **89,000** | 197,286 |
| Passage of time | **750,000** | 400,000 |
| Other program operations | **168,655** | 4,074 |
| | **$ 1,102,558** | $ 906,457 |

**4. 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, 2013, are approximated as follows:

| *Year ending December 31,* | *Amount* |
|---|---|
| 2014 | **$ 31,000** |
| 2015 | **32,000** |
| 2016 | **3,000** |
| | **$ 66,000** |

**5. 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 a contribution when received since it was conditional upon achieving certain performance metrics. During 2013, 2012 and 2011, the Organization received $400,000, $200,000, and $300,000 respectively, which was recorded as unrestricted contributions in the statement of activities. Accordingly, the remaining $1,000,000 of this grant was not recorded in the accompanying financial statements as of December 31, 2013 since the conditions have not been met.

During 2013, the Organization received an unrestricted grant from a different donor for $1,000,000, of which $250,000 was paid in 2013 and recorded as a contribution upon execution of the agreement. The remaining $750,000 was not recorded as a contribution during 2013 since it is conditional upon future performance and achieving certain milestones which were not met as of December 31, 2013. During 2014, certain milestones were met and the Organization received $500,000. The remaining $250,000 will be received when the remaining conditions under the grant are met.

## 6. BRCK, Inc.

On October 15, 2013, Ushahidi's Board of Directors purchased a 20% equity interest in BRCK, Inc. ("BRCK") for $200, which is accounted for under the equity method and was reduced to zero due to the net loss incurred by BRCK. BRCK is a for-profit entity incorporated on October 14, 2013 and provides a rugged, cloud managed, full-featured router with built in failover and programmable GPIO expansion. Ushahidi has one seat on the BRCK Board of Directors. Prior to BRCK being formally incorporated on October 14, 2013, it was a program within Ushahidi. Prior to their equity investment in BRCK, Ushahidi raised approximately $155,000 for BRCK operations which is included in contributions and incurred approximately $171,000 in BRCK related expenses, which is included in expenses on the accompanying statement of activities for the year ended December 31, 2013.

In connection with the investment with BRCK, Ushahidi entered into a Technology License Agreement which has no stated expiration date ("the Agreement"). Ushahidi will receive an annual license fee starting in year two through year five starting November 2014 and a revenue share of 5% of sales from BRCK's product. There is also an option to purchase certain intellectual property held by Ushahidi included in the Agreement that BRCK may exercise based on a downward sliding scale starting in year one ($5,000,000) through year five ($1,000,000). At the end of year five, the purchase option is $100.

Condensed financial information (unaudited) of BRCK is as follows:

| *As of and for the period from inception (October 14, 2013) through December 31,* | | *2013* |
|---|---|---|
| Assets | **$** | **84,516** |
| Liabilities | | **–** |
| Stockholders' equity | | **84,516** |
| Net loss | | **(1,184)** |

**7. Subsequent Events**

The Organization has evaluated events and transactions occurring subsequent to December 31, 2013 as of March 27, 2015, which is the date the financial statements were available to be issued. Subsequent events occurring after March 27, 2015 have not been evaluated by management. No material events have occurred since December 31, 2013 that require recognition or disclosure in the financial statements.