

FINANCIAL STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2015

USHAHIDI, INC.

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ushahidi, Inc.
Orlando, Florida

We have audited the accompanying financial statements of Ushahidi, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 the Organization as of December 31, 2015, and the change 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.

August 31, 2016

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

USHAHIDI, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 484,223
Grants receivable	321,853
Other receivables	18,980
Due from BRCK, Inc.	177,000
Prepaid expenses	<u>18,847</u>
Total current assets	<u>1,020,903</u>

FIXED ASSETS

Furniture	46,239
Computer equipment	209,928
Leasehold improvements	67,124
Software	<u>11,099</u>
	334,390
Less: Accumulated depreciation and amortization	<u>(218,189)</u>
Net fixed assets	<u>116,201</u>

OTHER ASSETS

Deposits	<u>10,856</u>
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TOTAL ASSETS \$ 1,147,960

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$ 703
Accounts payable and accrued liabilities	4,839
Accrued salaries and related benefits	18,306
Due to Gearbox, Inc.	<u>430,542</u>
Total current liabilities	<u>454,390</u>

NET ASSETS

Unrestricted	382,190
Temporarily restricted	<u>311,380</u>
Total net assets	<u>693,570</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,147,960

USHAHIDI, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Grants and contributions	\$ 1,096,853	\$ 1,333,545	\$ 2,430,398
Management services fees	107,528	-	107,528
Project revenue	831,548	-	831,548
Other income	527,000	-	527,000
Interest income and other	5,712	-	5,712
Net assets released from donor restrictions	<u>1,171,129</u>	<u>(1,171,129)</u>	<u>-</u>
Total revenue	<u>3,739,770</u>	<u>162,416</u>	<u>3,902,186</u>
EXPENSES			
Program Services	<u>2,390,764</u>	<u>-</u>	<u>2,390,764</u>
Supporting Services:			
Management and General	1,583,104	-	1,583,104
Fundraising	<u>72,106</u>	<u>-</u>	<u>72,106</u>
Total supporting services	<u>1,655,210</u>	<u>-</u>	<u>1,655,210</u>
Total expenses	<u>4,045,974</u>	<u>-</u>	<u>4,045,974</u>
Change in net assets before other items	(306,204)	162,416	(143,788)
OTHER ITEMS			
Gearbox, Inc. funds	585,074	-	585,074
Gearbox, Inc. disbursements	<u>(585,074)</u>	<u>-</u>	<u>(585,074)</u>
Change in net assets	(306,204)	162,416	(143,788)
Net assets at beginning of year, as restated	<u>688,394</u>	<u>148,964</u>	<u>837,358</u>
NET ASSETS AT END OF YEAR	<u>\$ 382,190</u>	<u>\$ 311,380</u>	<u>\$ 693,570</u>

USHAHIDI, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and related expenses	\$ 1,588,394	\$ 884,438	\$ 66,410	\$ 950,848	\$ 2,539,242
Contract services	274,246	152,856	-	152,856	427,102
Travel	210,859	220,760	5,696	226,456	437,315
Trade shows and conferences	167,396	23,029	-	23,029	190,425
Office expenses	50,021	69,244	-	69,244	119,265
Information technology	90,428	99,486	-	99,486	189,914
Advertising	-	3,592	-	3,592	3,592
Insurance	8,047	14,310	-	14,310	22,357
Depreciation	-	59,608	-	59,608	59,608
Bank charges	1,373	37,754	-	37,754	39,127
Miscellaneous	-	18,027	-	18,027	18,027
TOTAL	\$ 2,390,764	\$ 1,583,104	\$ 72,106	\$ 1,655,210	\$ 4,045,974

USHAHIDI, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (143,788)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	59,608
(Increase) decrease in:	
Grants receivable	(40,737)
Other receivables	(18,980)
Employee advances	804
Due from BRCK, Inc.	(177,000)
Prepaid expenses	(17,798)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(8,588)
Accrued salaries and related benefits	18,306
Due to Gearbox, Inc.	<u>202,709</u>
Net cash used by operating activities	<u>(125,464)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(68,780)</u>
Net cash used by investing activities	<u>(68,780)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds on line of credit	<u>703</u>
Net cash provided by financing activities	<u>703</u>
Net decrease in cash and cash equivalents	(193,541)
Cash and cash equivalents at beginning of year	<u>677,764</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 484,223</u>

USHAHIDI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. At December 31, 2015, the Organization had \$62,692 of cash held at financial institutions in foreign countries to support operations in those countries.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Receivables -

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as deferred revenue.

Receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. All receivables are expected to be collected within one year.

Fixed assets -

Fixed assets purchases of \$1,000 or more are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Revenue recognition -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

USHAHIDI, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Revenue recognition (continued) -

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).

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.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2015, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Use of estimates -

The preparation of the 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

USHAHIDI, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2015:

Hivos	<u>\$ 311,380</u>
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3. **NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Google Foundation	\$ 250,000
Hivos	891,129
Other Programs	<u>30,000</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 1,171,129</u>

4. **LEASE COMMITMENTS**

The Organization leases a facility space in Nairobi, Kenya. The lease commenced on May 1, 2014, and expires on April 30, 2020. Base rent is 1,094,940 Kenyan Shilling per year, plus a proportionate share of expenses, increasing by a factor of approximately 15% per year. The Organization also has various month-to-month leases, which expire in various years through 2016. The local currency for Nairobi is the Kenyan Shilling, and the future minimum lease payments have been converted to United States Dollars using the average rate as of December 31, 2015.

The following is a schedule of the future minimum lease payments, converted to United States Dollars:

<u>Year Ending December 31,</u>	
2016	\$ 11,935
2017	12,088
2018	13,297
2019	13,901
2020	<u>4,634</u>
	<u>\$ 55,855</u>

Rent expense, including taxes and services charges, for the year ended December 31, 2015 was \$41,753. This amount is included in office expenses in the accompanying Statement of Functional Expenses.

USHAHIDI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. CONDITIONAL CONTRIBUTIONS

During 2011, the Organization received an unrestricted grant, up to \$1,900,000. This grant was conditional upon the Organization achieving certain performance metrics. Through December 31, 2014, the Organization had recognized a total of \$1,480,000 of this grant (\$580,000 in 2014 and \$400,000 in 2013). During 2015, the remaining \$420,000 was received and recognized as the remaining metrics of the grant were achieved.

During 2013, the Organization received a pledge for an unrestricted grant in the amount of \$1,000,000, of which \$250,000 was received in that same year. The remaining \$750,000 was not recorded as a contribution in 2013, since to receive those funds, the Organization had to achieve certain milestones. These milestones were partially met in 2014, and the Organization received \$500,000 of the pledge, which was recorded as unrestricted contribution revenue. During 2015, the remaining \$250,000 was received and recognized as the remaining milestones were achieved.

6. BRCK, Inc.

On October 15, 2013, the Organization purchased a 20% equity interest in BRCK, Inc. ("BRCK") for \$200. This investment is accounted for under the equity method. BRCK is a for-profit entity that began in 2013 and provides a rugged, cloud-managed, full-featured router with built-in fail-overs and programmable GPIO expansion. The Organization has one seat on the BRCK Board of Directors. During 2014, the Organization reduced its basis in this investment to zero.

On July 24, 2015, the Organization and BRCK signed a memorandum of understanding to allow BRCK to acquire 50% of the Organization's current equity in BRCK, which represents 10% of the total equity of BRCK. The purchase price paid for the equity was \$350,000 and is included in other income in the accompanying Statement of Activities and Change in Net Assets. Additionally, following a reconciliation of the Organization's accounts, it was determined that BRCK owes the Organization \$77,000 from previously unreimbursed expenses, including a \$30,000 loan. Further, BRCK owes the Organization a license fee payment of \$100,000 for 2014. At December 31, 2015, the outstanding balance owed to the Organization was \$177,000.

The Organization also has a Technology License Agreement, which entitles the Organization to receive a 5% share of BRCK's sales from one of its products. Under the agreement, BRCK has the option to purchase certain intellectual property held by the Organization. The purchase price is based on a downward sliding scale starting in 2014 at \$5,000,000, through the year 2018, for \$1,000,000. In 2019, the expiration of the agreement, the purchase option price will be \$100. The Organization agreed to defer the due date of the 2015 license fee payment over a six-month period through May 2017. Accordingly, the Organization did not record any of the 2015 license fee payment from this agreement as revenue for the year ended December 31, 2015.

7. LINE OF CREDIT

The Organization has an \$80,000 unsecured business line of credit with Wells Fargo Bank that expires on July 31, 2018. At December 31, 2015, the outstanding balance was \$703.

8. GEARBOX, Inc.

In 2014, the Organization became the fiscal sponsor of Gearbox, Inc., a limited liability company in Nairobi, Kenya formed to cater to scalable invention-based enterprises addressing the needs of underserved Africans.

USHAHIDI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. GEARBOX, Inc. (Continued)

Since inception, the Organization has the role in managing the program on behalf of Gearbox, Inc. This includes receiving monies and paying expenses on behalf of Gearbox, Inc.

At December 31, 2015, the Organization maintained \$94,669 in assets on behalf of Gearbox, Inc. Additionally, at December 31, 2015, the Organization owed Gearbox, Inc. \$430,542. These amounts are included in cash and cash equivalents and due to Gearbox, Inc. on the accompanying Statement of Financial Position.

9. PRIOR PERIOD ADJUSTMENT

The 2014 financial statements have been retroactively restated to reflect Gearbox, Inc. activity that had been previously reported in temporarily restricted net assets and net assets released from restrictions for the year ended December 31, 2014.

The effect of the restatement on the financial statements is as follows:

	<u>As Restated</u>	<u>As Previously Stated</u>
Due to Gearbox, Inc.	\$ 227,833	\$ -
Total Current Liabilities	\$ 241,260	\$ 13,427
Temporarily Restricted Net Assets	\$ 148,964	\$ 376,797
Total Net Assets	\$ 837,358	\$ 1,065,191

10. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 31, 2016, the date the financial statements were issued.