

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

USHAHIDI, INC.

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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, 2016, and the related statements of activities and change in net deficit, 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, 2016, and the change in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

July 13, 2017

USHAHIDI, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 479,290	\$ 484,223
Grants receivable	-	321,853
Other receivables	1,401	18,980
Due from BRCK, Inc.	100,006	177,000
Prepaid expenses	<u>52,818</u>	<u>18,847</u>
Total current assets	<u>633,515</u>	<u>1,020,903</u>
FIXED ASSETS		
Furniture	46,239	46,239
Computer equipment	221,010	209,928
Leasehold improvements	67,124	67,124
Software	<u>11,099</u>	<u>11,099</u>
	345,472	334,390
Less: Accumulated depreciation and amortization	<u>(284,682)</u>	<u>(218,189)</u>
Net fixed assets	<u>60,790</u>	<u>116,201</u>
OTHER ASSETS		
Deposits	<u>10,856</u>	<u>10,856</u>
TOTAL ASSETS	<u>\$ 705,161</u>	<u>\$ 1,147,960</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ -	\$ 703
Accounts payable and accrued liabilities	8,861	4,839
Accrued salaries and related benefits	22,005	18,306
Due to Gearbox, Inc.	<u>25,698</u>	<u>430,542</u>
Total current liabilities	<u>56,564</u>	<u>454,390</u>
NET ASSETS		
Unrestricted	(217,805)	382,190
Temporarily restricted	<u>866,402</u>	<u>311,380</u>
Total net assets	<u>648,597</u>	<u>693,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 705,161</u>	<u>\$ 1,147,960</u>

USHAHIDI, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants and contributions	\$ 798,554	\$ 2,183,837	\$ 2,982,391	\$ 2,430,398
Management services fees	-	-	-	107,528
Project revenue	132,811	-	132,811	831,548
Other income	-	-	-	527,000
Interest income and other	410	-	410	5,712
Net assets released from donor restrictions	<u>1,628,815</u>	<u>(1,628,815)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,560,590</u>	<u>555,022</u>	<u>3,115,612</u>	<u>3,902,186</u>
EXPENSES				
Program Services	<u>2,319,748</u>	<u>-</u>	<u>2,319,748</u>	<u>2,390,764</u>
Supporting Services:				
Management and General	763,498	-	763,498	1,583,104
Fundraising	<u>77,339</u>	<u>-</u>	<u>77,339</u>	<u>72,106</u>
Total supporting services	<u>840,837</u>	<u>-</u>	<u>840,837</u>	<u>1,655,210</u>
Total expenses	<u>3,160,585</u>	<u>-</u>	<u>3,160,585</u>	<u>4,045,974</u>
Change in net assets before other items	<u>(599,995)</u>	<u>555,022</u>	<u>(44,973)</u>	<u>(143,788)</u>
OTHER ITEMS				
Gearbox, Inc. funds	425,344	-	425,344	585,074
Gearbox, Inc. disbursements	<u>(425,344)</u>	<u>-</u>	<u>(425,344)</u>	<u>(585,074)</u>
Change in net deficit	(599,995)	555,022	(44,973)	(143,788)
Net assets at beginning of year	<u>382,190</u>	<u>311,380</u>	<u>693,570</u>	<u>837,358</u>
NET ASSETS AT END OF YEAR	<u>\$ (217,805)</u>	<u>\$ 866,402</u>	<u>\$ 648,597</u>	<u>\$ 693,570</u>

USHAHIDI, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL STATEMENTS FOR 2015**

	2016				2015	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries and related expenses	\$ 1,483,888	\$ 284,412	\$ 69,575	\$ 353,987	\$ 1,837,875	\$ 2,539,242
Contract services	262,491	66,493	-	66,493	328,984	427,102
Travel	283,942	186,010	7,764	193,774	477,716	437,315
Trade shows and conferences	82,720	8,771	-	8,771	91,491	190,425
Office expenses	34,251	56,889	-	56,889	91,140	119,265
Information technology	156,603	2,480	-	2,480	159,083	189,915
Advertising	-	127	-	127	127	3,592
Insurance	14,645	28,051	-	28,051	42,696	22,357
Depreciation and amortization	-	66,493	-	66,493	66,493	59,608
Bank charges	1,208	9,376	-	9,376	10,584	39,127
Miscellaneous	-	54,396	-	54,396	54,396	18,026
TOTAL	\$ 2,319,748	\$ 763,498	\$ 77,339	\$ 840,837	\$ 3,160,585	\$ 4,045,974

USHAHIDI, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (44,973)	\$ (143,788)
Adjustments to reconcile change in net deficit to net cash provided (used) by operating activities:		
Depreciation and amortization	66,493	59,608
Decrease (increase) in:		
Grants receivable	321,853	(40,737)
Other receivables	17,579	(18,980)
Employee advances	-	804
Due from BRCK, Inc.	76,994	(177,000)
Prepaid expenses	(33,971)	(17,798)
Increase (decrease) in:		
Accounts payable and accrued liabilities	4,022	(8,588)
Accrued salaries and related benefits	3,699	18,306
Due to Gearbox, Inc.	(404,844)	202,709
Net cash provided (used) by operating activities	<u>6,852</u>	<u>(125,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(11,082)</u>	<u>(68,780)</u>
Net cash used by investing activities	<u>(11,082)</u>	<u>(68,780)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments) proceeds on line of credit	<u>(703)</u>	<u>703</u>
Net cash (used) provided by financing activities	<u>(703)</u>	<u>703</u>
Net decrease in cash and cash equivalents	(4,933)	(193,541)
Cash and cash equivalents at beginning of year	<u>484,223</u>	<u>677,764</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 479,290	\$ 484,223

USHAHIDI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 the 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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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. 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.

The Organization maintains several bank accounts in foreign countries to support operations in those countries. These accounts are largely uninsured. At December 31, 2016, the Organization had \$100,084 of cash held at financial institutions overseas.

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 as incurred.

USHAHIDI, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and 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.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization receives funding under grants and contracts from the U.S. Government, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

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, 2016, 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.

USHAHIDI, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Net asset classification (continued) -

- **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 Deficit 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.

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 Deficit. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Deficit. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organization's financial statements, it is not expected to alter the Organization's reported financial position.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016:

Hivos	\$	412,261
CISCO		83,971
DREAMS		119,017
COMRADES		<u>251,153</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>866,402</u>

USHAHIDI, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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:

Hivos	\$ 1,040,738
CISCO	341,029
DREAMS	108,776
COMRADES	<u>138,272</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>1,628,815</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, 2016.

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

Year Ending December 31,

2017	\$ 12,088
2018	13,297
2019	13,901
2020	<u>4,634</u>
	\$ <u>43,920</u>

Rent expense, including taxes and services charges, for the year ended December 31, 2016 was \$56,206. This amount is included in office expenses in the accompanying Statement of Functional Expenses.

5. BRCK, Inc.

BRCK, Inc. ("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. 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 Deficit.

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, 2016, the outstanding balance owed to the Organization was \$100,006.

USHAHIDI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

5. BRCK, Inc. (Continued)

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 and 2016 license fee payments through May 2017. Accordingly, the Organization did not record any of the license fee payments from this agreement as revenue for the years ended December 31, 2016 and 2015.

6. 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, 2016, the outstanding balance was \$0.

7. 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 undeserved Africans. 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, 2016, the Organization maintained \$1,122 in assets on behalf of Gearbox, Inc. Additionally, at December 31, 2016, the Organization owed Gearbox, Inc. \$25,698. These amounts are included in cash and cash equivalents and due to Gearbox, Inc. on the accompanying Statement of Financial Position.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 13, 2017, the date the financial statements were issued.