

MOBILE GIVING FOUNDATION, INC.

FINANCIAL REPORT

December 31, 2015



Tremper & Co., LLP
Certified Public Accountants

Mobile Giving Foundation, Inc.

Table of Contents

December 31, 2015

Independent Auditor's Report	Pages 1 - 2
Statements of Financial Position	Page 3
Statements of Activities	Page 4
Statements of Functional Expenses	Pages 5 - 6
Statements of Cash Flows	Page 7
Notes to Financial Statements	Pages 8 - 11



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Mobile Giving Foundation, Inc.
Bellevue, Washington

We have audited the accompanying financial statements of Mobile Giving Foundation, Inc. (a nonprofit organization), which comprise statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows 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 Mobile Giving Foundation, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Tremper & Co., LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

May 31, 2016

Mobile Giving Foundation, Inc.

Statements of Financial Position

December 31, 2015 and 2014

	ASSETS	
	2015	2014
CURRENT ASSETS:		
Cash	\$ 134,847	\$ 22,236
Trust account	229,678	198,679
Accounts receivable, net	62,724	135,461
Contributions receivable	730	1,145
Prepaid expenses and other current assets	22,234	21,299
TOTAL CURRENT ASSETS	450,213	378,820
PROPERTY AND EQUIPMENT:		
Furniture and equipment	11,377	18,389
(less) Accumulated depreciation	(6,594)	(16,437)
TOTAL PROPERTY AND EQUIPMENT (net)	4,783	1,952
TOTAL ASSETS	\$ 454,996	\$ 380,772
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable and other current liabilities	\$ 31,714	\$ 23,350
Remittances payable	230,295	199,802
Deferred contribution revenue	2,727	32,083
TOTAL CURRENT LIABILITIES	264,736	255,235
NET ASSETS	190,260	125,537
TOTAL LIABILITIES AND NET ASSETS	\$ 454,996	\$ 380,772

The accompanying notes are an integral part of these financial statements.

Mobile Giving Foundation, Inc.

Statements of Activities

For the Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>
REVENUE:		
Program income	\$ 676,296	\$ 770,874
MGF Canada operations	48,000	48,000
Contributions	177	15,010
Interest and misc. income	<u>2,272</u>	<u>4,535</u>
TOTAL REVENUE	726,745	838,419
EXPENSE:		
Program services	625,422	1,110,659
Management and general	34,134	61,808
Fundraising	<u>2,466</u>	<u>11,420</u>
TOTAL EXPENSE	<u>662,022</u>	<u>1,183,887</u>
INCREASE (DECREASE) IN NET ASSETS	64,723	(345,468)
NET ASSETS, <i>beginning of year</i>	<u>125,537</u>	<u>471,005</u>
NET ASSETS, <i>end of year</i>	<u>\$ 190,260</u>	<u>\$ 125,537</u>

The accompanying notes are an integral part of these financial statements.

Mobile Giving Foundation, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2015

	Total Program Services	Management and General	Fundraising	Total
Wages	\$ 253,491	\$ 11,379	\$ 1,610	\$ 266,480
Platform expense	103,000	-	-	103,000
Short codes	84,000	-	-	84,000
Payroll taxes and benefits	57,418	2,578	365	60,361
Messaging and billing service	38,293	-	-	38,293
Professional services	9,686	17,932	-	27,618
Travel and meetings	17,212	-	174	17,386
Insurance	15,213	683	97	15,993
Telephone	10,749	482	68	11,299
Facilities and equipment	8,697	390	55	9,142
Registration fees and testing	8,435	-	-	8,435
Bank fees and transaction charges	7,133	320	45	7,498
Office and miscellaneous	3,738	168	24	3,930
Forum event expense	3,343	-	-	3,343
Subscriptions	1,988	89	13	2,090
Postage and delivery	1,176	53	7	1,236
Depreciation	1,103	49	7	1,159
Marketing	513	-	-	513
Loss on disposition of assets	234	11	1	246
TOTAL EXPENSES AND LOSSES	\$ 625,422	\$ 34,134	\$ 2,466	\$ 662,022

The accompanying notes are an integral part of these financial statements.

Mobile Giving Foundation, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2014

	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 375,011	\$ 30,484	\$ 8,156	\$ 413,651
Platform expense	312,000	-	-	312,000
Short codes	94,000	-	-	94,000
Payroll taxes and benefits	68,056	5,532	1,480	75,068
Professional services	44,334	20,525	-	64,859
Bad debt expense	55,850	-	-	55,850
Travel and meetings	36,980	-	374	37,354
Messaging and billing service	29,432	-	-	29,432
Insurance	20,914	1,700	455	23,069
Marketing	17,065	-	-	17,065
Telephone	12,429	1,010	270	13,709
Bank fees and transaction charges	12,086	983	263	13,332
Registration fees and testing	8,536	-	-	8,536
Loss on disposition of assets	5,640	459	123	6,222
Office and miscellaneous	4,720	384	103	5,207
Forum event expense	4,616	-	-	4,616
Depreciation	2,867	233	62	3,162
Facilities and equipment	2,753	224	60	3,037
Subscriptions	1,917	156	42	2,115
Postage and delivery	1,453	118	32	1,603
TOTAL EXPENSES AND LOSSES	\$ 1,110,659	\$ 61,808	\$ 11,420	\$ 1,183,887

The accompanying notes are an integral part of these financial statements.

Mobile Giving Foundation, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 64,723	\$ (345,468)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,159	3,162
Loss on disposition of assets	246	6,222
Change in receivable from trust account	(506)	1,158
Change in accounts receivable	72,737	(18,290)
Change in contributions receivable	415	248,855
Change in prepaid expenses and other current assets	(935)	(1,547)
Change in accounts payable and other current liabilities	8,364	(2,863)
Change in deferred revenue	(29,356)	19,083
Total Adjustments	<u>52,124</u>	<u>255,780</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	116,847	(89,688)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(4,236)	-
Proceeds from the sale of furniture and equipment	-	13,000
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(4,236)</u>	<u>13,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,611	(76,688)
BEGINNING CASH AND CASH EQUIVALENTS	<u>22,236</u>	<u>98,924</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 134,847</u>	<u>\$ 22,236</u>

The accompanying notes are an integral part of these financial statements.

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1. Summary of Significant Accounting Policies:

Nature of business

Mobile Giving Foundation, Inc. (the “Foundation”), a nonprofit organization, headquartered in Issaquah, Washington, was established to enable the mobile channel for charitable giving in support of good causes by using the convenience, security, and ubiquity of text messaging and other wireless based billing systems. The Foundation provides a platform that tracks charitable contributions made via SMS text messaging and receives contributions collected by wireless carriers which are then remitted to the appropriate charitable organizations. The Foundation also connects charitable organizations with Application Services Providers (ASPs) who establish and operate mobile giving campaigns for the charitable organizations. Foundation support comes primarily through program service fees, donor contributions, corporate sponsorships, and grants. In 2014 the Foundation added an additional advisory service to the charity sector through the creation of the Mobile Giving Alliance, designed to optimize the mobile channel charities in a mobile first world. In early 2015 the Foundation added a Donor Advise Fund Service offered to digital publishers.

Basis of accounting

Assets, liabilities, and revenues and expenses are recognized on the accrual basis of accounting.

Classification of cash equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Trust account

The Foundation collects contributions from the customers of wireless carriers, via the carriers, on behalf of charitable organizations. These contributions are held in a separate checking account until they are remitted to the proper charitable organizations. The Foundation also records a liability for funds received from wireless carriers and not yet remitted to charitable organizations.

Accounts receivable

Accounts receivable result from the performance of program services and are reported at the amount management expects to collect on balances outstanding at year-end. An allowance for uncollectible accounts of \$10,500 at December 31, 2015 has been recorded (\$30,400 - 2014). Management closely monitors outstanding balances and records all balances that have been deemed uncollectible as of the financial statement report date.

Depreciation and amortization

Property and equipment are stated at cost if purchased and fair market value if contributed. Depreciation is computed using straight line methods over the estimated useful lives of seven years for office equipment and furnishings and seven to five years for computer equipment. Expenditures for normal maintenance and repairs are expensed as incurred. Leasehold improvements are amortized using the straight line method over the remaining life of the lease.

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1. **Summary of Significant Accounting Policies - *continued*:**

Program service income and contributions

Program service fees in the form of monthly and annual fees charged to ASPs and charitable organizations comprise the majority of the Foundation's annual revenue. ASPs are charged a monthly fee determined by volume of events (campaigns or extra keywords) and transactions occurring in the prior month. Revenue from the monthly ASP fees is recognized in the month in which the service is performed. Charitable organizations pay a one-time registration fee and then an annual renewal fee. Revenue for the registration and renewal fees is recognized when billed.

The Foundation accounts for contributions in accordance with recommendations of the Financial Accounting Standards Board in FASB ASC 958 Accounting for Contributions Received and Contributions Made. In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 reported on the statements of activities as net assets released from restrictions. Restricted contributions received whose restrictions are met in the same reporting period are recorded as unrestricted support. The Foundation does not currently hold any donor restricted funds.

Contributed goods received are recognized in the accompanying financial statements as in-kind contributions. Donated goods are recorded at their estimated fair market value at the date of receipt.

Income taxes

The Foundation is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

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 amount of assets and liabilities and disclosure of contingent 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.

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 2. **Credit Risk:**

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation does not consider this to be a significant credit risk.

The Foundation occasionally grants credit to its service providers and customers. Such receivables are unsecured.

Note 3. **Platform agreement:**

On January 1, 2012 the Foundation entered into a one year service agreement with Cellfish Media, LLC. The agreement automatically renewed at the end of one year for six months and then automatically renewed for successive one month periods unless either party provides thirty day prior written notice to terminate the agreement. Under the agreement Cellfish Media, LLC is to provide and maintain the platform that tracks charitable contributions made via SMS text messaging. The Foundation was to pay a minimum monthly fee of \$26,000 for this service (\$26,000 - 2014), additional fees would be charged for additional services when incurred. Effective February 2015, the Foundation terminated its agreement with Cellfish Media, LLC and has contracted to use the technology platform of Mobile Giving Foundation Canada (a non-related party). Monthly fees under the new agreement are \$7,000. Total payments made under the platform agreements during the year ended December 31, 2015 totaled \$103,000 (\$312,000).

Note 4. **Joint Costs:**

For the years ended December 31, 2015 and 2014, the Foundation conducted activities that included program service as well as management and general and fundraising components. Those activities included educating not-for-profit entities about the benefits of using the mobile channel for charitable giving, assisting not-for-profit entities in using the mobile channel for charitable giving, and fundraising and operational activities. The costs of conducting those activities included a total of \$379,431 for the year ended December 31, 2015 (\$560,175 - 2014) of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 360,935	\$ 507,846
Management and general	16,203	41,283
Fundraising	<u>2,293</u>	<u>11,046</u>
Total	<u>\$ 379,431</u>	<u>\$ 560,175</u>

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 5. Transactions With Related Parties:

The Foundation maintained an operating agreement (terminated February 2015) for the text to give tracking platform with a company which employed a member of the Foundation's Board of Trustees, through May 2012, at which time he was moved to a non-voting ex officio member. During the year ended December 31, 2015 payments made to the company totaled \$26,000 (\$312,000 - 2014). As a condition of a grant agreement, a representative of Syniverse will be a member of the Foundation's Board of Trustees. As a condition of a \$100,000 grant agreement in 2012, a representative of Verizon will serve on the Foundation's Board of Trustees.

On March 24, 2015, the Foundation entered into a non-statutory stock option agreement with Causemo Inc. This agreement gave the Foundation the ability to purchase 47,067 total shares of Causemo Inc. at \$.10 per share. The ability to purchase these shares vests at 25% annually beginning December 31, 2015. As of December 31, 2015 the Foundation has not exercised its right to purchase these shares. Management does not believe that these shares hold any value to the Foundation as of December 31, 2015 and as such has not booked a corresponding asset. The Foundation recorded revenues from Causemo Inc. during the year ended December 31, 2015 totaling \$91,000.

Note 6. Contingencies:

The Board of Directors of the Foundation continuously monitors the Foundation's financial health and evaluates the Foundation's ability to continue to serve its exempt purpose. The Board believes the Foundation has adequate resources to continue operations for at least the year following the financial statement date. Of primary concern to the Board is the Foundation's ability to generate revenue through program service fees and donations, both of which are inherently uncertain revenue sources. If at any time the Board determines the Foundation is not able to continue to serve its exempt purpose, the Foundation will cease operations or transfer operations to a likeminded entity.

Note 7. Subsequent Event:

Management has evaluated subsequent events through May 31, 2016, the date on which the financial statements were available to be issued.