Mobile Giving Foundation

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December 31, 2011

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Mobile Giving Foundation
Issaquah, Washington

We have audited the accompanying statement of financial position of Mobile Giving Foundation (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Mobile Giving Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Tremper & Co., LLP
Certified Public Accountants

July 16, 2012

Mobile Giving Foundation

Statement of Financial Position

December 31, 2011

ASSETS

		2011
CURRENT ASSETS:		
Cash	$	95,762
Trust account		173,650
Accounts receivable, net		115,588
Deferred in-kind expenses		143,961
Prepaid expenses and other current assets		13,265
TOTAL CURRENT ASSETS		**542,226**
PROPERTY AND EQUIPMENT:		
Furniture and equipment		17,099
Software		9,456
(Less) accumulated depreciation		(9,503)
TOTAL PROPERTY AND EQUIPMENT (net)		**17,052**
TOTAL ASSETS	**$**	**559,278**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and other current liabilities	$	57,683
Remittances payable		170,124
Deferred contribution revenue		20,000
Rental deposits		5,954
TOTAL CURRENT LIABILITIES		**253,761**
NET ASSETS		**305,517**
TOTAL LIABILITIES AND NET ASSETS	**$**	**559,278**

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

Mobile Giving Foundation

Statement of Activities

For the Year Ended December 31, 2011

	2011
REVENUE:	
Program income	$ 820,514
Facilities income and other	90,744
MGF Canada support fees	51,160
TOTAL REVENUE	**962,418**
EXPENSE:	
Program services	1,609,366
Management and general	44,077
Fundraising	9,582
TOTAL EXPENSE	**1,663,025**
DECREASE IN NET ASSETS	**(700,607)**
NET ASSETS, *beginning of year*	1,006,124
NET ASSETS, *end of year*	**$ 305,517**

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

Mobile Giving Foundation

Statement of Functional Expenses

For the Year Ended December 31, 2011

	Total Program Services	Management and General	Fundraising	Total
Facilities and equipment	$ 558,821	$ 17,246	$ 4,187	$ 580,254
Wages	315,123	9,725	2,361	327,209
Platform expense	260,550	-	-	260,550
Bad debt expense	118,973	-	-	118,973
Payroll taxes and benefits	89,140	2,751	668	92,559
Marketing	77,560	-	-	77,560
Travel and meetings	60,982	-	1,886	62,868
Short codes	35,000	-	-	35,000
Telephone	30,365	937	228	31,530
Forum event expense	16,216	-	-	16,216
Professional services	2,837	12,376	-	15,213
Insurance	12,466	385	93	12,944
Registration fees and testing	10,040	-	-	10,040
Depreciation	5,078	157	38	5,273
Office and miscellaneous	3,708	114	28	3,850
Loss on disposition of assets	3,530	109	26	3,665
Bank fees and transaction charges	3,219	99	24	3,342
Subscriptions	3,180	98	24	3,302
Postage and delivery	2,578	80	19	2,677
TOTAL EXPENSES AND LOSSES	**$ 1,609,366**	**$ 44,077**	**$ 9,582**	**$ 1,663,025**

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

Mobile Giving Foundation

Statement of Cash Flows

For the Year Ended December 31, 2011

		2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$	**(700,607)**
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation		5,273
Loss on disposition of assets		3,665
Change in accounts receivable		94,669
Change in prepaid expenses and other current assets		(13,265)
Change in deferred in-kind expenses		580,530
Change in accounts payable and other current liabilities		(11,902)
Change in deferred revenue		20,000
Change in rental deposit payable		(8,000)
Total Adjustments		**670,970**
NET CASH USED BY OPERATING ACTIVITIES		**(29,637)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment		(12,217)
NET CASH USED BY INVESTING ACTIVITIES		**(12,217)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(41,854)**
BEGINNING CASH AND CASH EQUIVALENTS		137,616
ENDING CASH AND CASH EQUIVALENTS	**$**	**95,762**

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

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

Nature of business

Mobile Giving Foundation (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 Automated 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.

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 $25,800 at December 31, 2011 has been recorded. 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.

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.

Income taxes

The Foundation is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

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.

Note 2. **Change in accounting principle:**

Effective January 1, 2011, the Foundation changed its method of reporting to the accrual basis of accounting in accordance with generally accepted accounting principles. Previously the Foundation had reported under the cash basis of accounting. The change was effected in order to provide a better matching of revenues and expenditures. The accounting change resulted in a cumulative adjustment to net assets as of January 1, 2011 in the amount of $856,062.

Note 3. **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 4. **Platform agreement:**

On January 1, 2010 the Foundation entered into a two year service agreement with Cellfish Media, LLC. The agreement automatically renews for successive one month periods following the initial term 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 is to pay a minimum monthly fee of $20,000 for this service. Additional fees may be charged for additional services rendered. Payments made under this agreement during the year ended December 31, 2011 totaled $260,550. Subsequent to year end, the agreement was extended for an additional two years with minimum monthly fees increased to $26,000 per month.

Note 5. **Lease Commitments:**

The Foundation receives the use of donated office space under a non-cancelable operating lease agreement expiring April 30, 2012. The initial $1,150,000 value of the lease was recognized as contribution income when the lease agreement was executed. In-kind rent expenses recognized in the year to which it relates. During the year ended December 31, 2011 the in-kind expense recognized in the accompanying statement of activities is $580,500.

Beginning May 1, 2012, the Foundation is paying monthly rentals of $2,000 under a one year sub-lease agreement.

On September 28, 2010 the Foundation entered into an agreement to lease a copier for a period of 48 months. The minimum monthly payment under this lease is $79. Total rent expense recognized in the accompanying financial statements for December 31, 2011 were $956.

Future minimum rental expense commitments under non-cancelable operating leases are as follows:

Year ending December 31,	
2012	$ 948
2013	948
2014	711
2015 and later	-
Total minimum rental expense	$ 2,607

Note 6. **Joint Costs:**

For the year ended December 31, 2011, 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 $1,066,605 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	2011
Program services	$1,027,208
Management and general	31,701
Fundraising	7,696
Total	$1,066,605

Note 7. **Transactions With Related Parties:**

The Foundation maintains an operating agreement for their text to give tracking platform with a company which employs a member of the Foundation's Board of Trustees. During the year ended December 31, 2011 payments made to the company totaled $260,550.

Note 8. **Subsequent Event:**

Management has evaluated subsequent events through July 16, 2012, the date on which the financial statements were available to be issued.

Subsequent to year end the Foundation signed a sponsorship agreement with Syniverse consisting of annual receipts of $250,000 for three years. The Chief Marketing Officer of Syniverse has been named to the Board of Trustees.

In addition, subsequent to year end, the Foundation entered into a two-year operating agreement with the Council of Better Business Bureaus, Inc. (CBBB) and the BBB Wise Giving Alliance which will include joint marketing and operations. As part of the agreement, CBBB entered into a three year consulting agreement with the Founder and CEO of the Mobile Giving Foundation.