

Mobile Giving Foundation, Inc.

Table of Contents

December 31, 2012

| | |
|-----------------------------------|--------------|
| 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 - 12 |



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Mobile Giving Foundation, Inc. (a nonprofit organization) as of December 31, 2012 and 2011, 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, 2012 and 2011, 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.

Tremper & Co., LLP

Certified Public Accountants

June 10, 2013

Mobile Giving Foundation, Inc.

Statements of Financial Position

December 31, 2012 and 2011

| | ASSETS | 2012 | 2011 |
|--|-----------------------------------|---------------------|-------------------|
| CURRENT ASSETS: | | | |
| Cash | | \$ 167,564 | \$ 95,762 |
| Trust account | | 185,974 | 173,650 |
| Accounts receivable, net | | 101,436 | 115,588 |
| Deferred in-kind expense | | - | 143,961 |
| Contributions receivable | | 250,000 | - |
| Prepaid expenses and other current assets | | 20,082 | 13,265 |
| TOTAL CURRENT ASSETS | | 725,056 | 542,226 |
| PROPERTY AND EQUIPMENT: | | | |
| Furniture and equipment | | 43,270 | 17,099 |
| Software | | 9,456 | 9,456 |
| (less) Accumulated depreciation | | (18,718) | (9,503) |
| TOTAL PROPERTY AND EQUIPMENT (net) | | 34,008 | 17,052 |
| OTHER ASSETS | | | |
| Contributions receivable, less current portion | | 250,000 | - |
| TOTAL ASSETS | | \$ 1,009,064 | \$ 559,278 |
| | LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable and other current liabilities | | \$ 54,105 | \$ 57,683 |
| Remittances payable | | 182,467 | 170,124 |
| Deferred contribution revenue | | - | 20,000 |
| Rental deposits | | - | 5,954 |
| TOTAL CURRENT LIABILITIES | | 236,572 | 253,761 |
| NET ASSETS | | 772,492 | 305,517 |
| TOTAL LIABILITIES AND NET ASSETS | | \$ 1,009,064 | \$ 559,278 |

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

Mobile Giving Foundation, Inc.

Statements of Activities

For the Year Ended December 31, 2012

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|
| REVENUE: | | |
| Program income | \$ 764,272 | \$ 820,514 |
| Contributions | 915,090 | 1,600 |
| Contributions - in kind | 124,601 | 868 |
| Facilities income | 15,274 | 88,276 |
| MGF Canada operations | 51,935 | 51,160 |
| TOTAL REVENUE | 1,871,172 | 962,418 |
| EXPENSE: | | |
| Program services | 1,320,991 | 1,609,366 |
| Management and general | 70,791 | 44,077 |
| Fundraising | 12,415 | 9,582 |
| TOTAL EXPENSE | 1,404,197 | 1,663,025 |
| INCREASE (DECREASE) IN NET ASSETS | 466,975 | (700,607) |
| NET ASSETS, <i>beginning of year</i> | 305,517 | 1,006,124 |
| NET ASSETS, <i>end of year</i> | \$ 772,492 | \$ 305,517 |

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, 2012

| | Total Program Services | Management and General | Fundraising | Total |
|-----------------------------------|---------------------------|---------------------------|------------------|---------------------|
| Wages | \$ 419,748 | \$ 28,308 | \$ 6,128 | \$ 454,184 |
| Platform expense | 313,600 | - | - | 313,600 |
| Facilities and equipment | 233,127 | 10,163 | 2,200 | 245,490 |
| Payroll taxes and benefits | 95,002 | 6,407 | 1,387 | 102,796 |
| Travel and meetings | 61,043 | - | 1,888 | 62,931 |
| Short codes | 57,000 | - | - | 57,000 |
| Professional services | 21,251 | 22,160 | - | 43,411 |
| Bad debt expense | 26,450 | - | - | 26,450 |
| Insurance | 16,869 | 1,138 | 246 | 18,253 |
| Marketing | 16,641 | - | - | 16,641 |
| Telephone | 14,886 | 1,004 | 217 | 16,107 |
| Forum event expense | 12,688 | - | - | 12,688 |
| Depreciation | 8,517 | 574 | 124 | 9,215 |
| Registration fees and testing | 8,802 | - | - | 8,802 |
| Office and miscellaneous | 4,971 | 335 | 73 | 5,379 |
| Bank fees and transaction charges | 4,960 | 335 | 72 | 5,367 |
| Postage and delivery | 2,933 | 198 | 43 | 3,174 |
| Subscriptions | 2,503 | 169 | 37 | 2,709 |
| TOTAL EXPENSES AND LOSSES | \$ 1,320,991 | \$ 70,791 | \$ 12,415 | \$ 1,404,197 |

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, 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, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (Decrease) in net assets | \$ 466,975 | \$ (700,607) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Contributed fixed assets (non-cash) | (42,147) | - |
| Depreciation | 9,215 | 5,273 |
| Loss on disposition of assets | - | 3,665 |
| Change in accounts receivable | 14,152 | - |
| Change in contributions receivable | (500,000) | 94,669 |
| Change in prepaid expenses and other current assets | (6,817) | (13,265) |
| Change in deferred in-kind expenses | 143,961 | 580,530 |
| Change in accounts payable and other current liabilities | (3,578) | (11,902) |
| Change in deferred revenue | (20,000) | 20,000 |
| Change in rental deposit payable | (5,954) | (8,000) |
| Total Adjustments | <u>(411,168)</u> | <u>670,970</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 55,807 | (29,637) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of furniture and equipment | - | (12,217) |
| Proceeds from the sale of furniture and equipment | 15,995 | - |
| NET CASH USED BY INVESTING ACTIVITIES | <u>15,995</u> | <u>(12,217)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 71,802 | (41,854) |
| BEGINNING CASH AND CASH EQUIVALENTS | <u>95,762</u> | <u>137,616</u> |
| ENDING CASH AND CASH EQUIVALENTS | \$ 167,564 | \$ 95,762 |

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

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

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.

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 \$15,600 at December 31, 2012 has been recorded (\$25,800 - 2011). Management closely monitors outstanding balances and records all balances that have been deemed uncollectible as of the financial statement report date. Amounts that have been outstanding for greater than 120 days at year end have been reported as uncollectible.

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, 2012 and 2011

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).

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.

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Note 3. **Contributions Receivable:**

Contributions, including grants and unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation deems all amounts to be collectible.

Contributions receivable at December 31 consist of the following:

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|-------------------|---------------|
| Receivable in less than one year | \$ 250,000 | \$ --- |
| Receivable in one to five years | 250,000 | --- |
| Receivable in more than five years | <u>-</u> | <u>---</u> |
| Total contributions receivable | 500,000 | --- |
| Less allowance for doubtful accounts | <u>---</u> | <u>---</u> |
| Net contributions receivable | <u>\$ 500,000</u> | <u>\$ ---</u> |

As a condition of the above contribution, the contributing company (Syniverse) is allowed to have one representative on the Board of Directors of the Foundation.

Note 4. **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 5. **Platform agreement:**

On January 1, 2012 the Foundation entered into a one year service agreement with Cellfish Media, LLC. The agreement automatically renews at the end of one year for six months and then automatically renews 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 is to pay a minimum monthly fee of \$26,000 for this service (\$20,000 - 2011). Additional fees may be charged for additional services rendered. Payments made under this agreement during the year ended December 31, 2012 totaled \$313,600 (\$260,550).

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Note 6. 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 expense is recognized in the year to which it relates. During the year ended December 31, 2012 the in-kind expense recognized in the accompanying statement of activities is \$143,961 (\$580,500 - 2011).

Beginning May 1, 2012, the Foundation is paying monthly rentals of \$2,000 under a one year sub-lease agreement. The lease has an annual renewal option. Total rental expense for the year ended December 31, 2012 was \$16,000.

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, 2012 were \$956.

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

| | |
|------------------------------|-----------------|
| Year ending December 31, | |
| 2013 | \$ 948 |
| 2014 | 711 |
| 2015 and later | -- |
| Total minimum rental expense | <u>\$ 1,659</u> |

Note 7. Joint Costs:

For the years ended December 31, 2012 and 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 \$862,674 for the year ended December 31, 2012 (\$1,066,605 - 2011) of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

| | | |
|------------------------|------------------|--------------------|
| | <u>2012</u> | <u>2011</u> |
| Program services | \$797,266 | \$1,027,208 |
| Management and general | 53,768 | 31,701 |
| Fundraising | <u>11,640</u> | <u>7,696</u> |
| Total | <u>\$862,674</u> | <u>\$1,066,605</u> |

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Note 8. Transactions With Related Parties:

The Foundation maintains an operating agreement 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, 2012 payments made to the company totaled \$313,600 (\$260,550 - 2011). As a condition of a grant agreement, a representative of Syniverse will be a member of the Foundation's Board of Trustees (see note 3). As a condition of a \$100,000 grant agreement, a representative of Verizon will serve on the Foundation's Board of Trustees.

Note 9. Subsequent Event:

Management has evaluated subsequent events through June 10, 2013, the date on which the financial statements were available to be issued.