

Mobile Giving Foundation, Inc.

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December 31, 2017

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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 statement of financial position as of December 31, 2017, and the related statement of activities, 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 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, 2017, 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

December 6, 2018

Mobile Giving Foundation, Inc.

Statement of Financial Position

December 31, 2017

ASSETS	
CURRENT ASSETS:	
Cash	\$ 106,299
Trust account	486,744
Accounts receivable, net	46,456
Contributions receivable	406,130
Prepaid expenses and other current assets	<u>19,729</u>
TOTAL CURRENT ASSETS	1,065,358
PROPERTY AND EQUIPMENT:	
Furniture and equipment	12,926
(less) Accumulated depreciation	<u>(8,222)</u>
TOTAL PROPERTY AND EQUIPMENT (net)	<u>4,704</u>
TOTAL ASSETS	<u>\$ 1,070,062</u>

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable and other current liabilities	\$ 59,584
Remittances payable	892,987
Deferred contribution revenue	<u>13,788</u>
TOTAL CURRENT LIABILITIES	966,359
NET ASSETS	<u>103,703</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,070,062</u>

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

Mobile Giving Foundation, Inc.

Statement of Activities

For the Year Ended December 31, 2017

REVENUE:	
Donor advised contributions	\$ 5,527,955
Program income	635,941
MGF Canada operations	48,000
Contributions	110
Interest and misc. income	1,750
	<hr/>
TOTAL REVENUE	6,213,756
EXPENSE:	
Program services	6,205,519
Management and general	44,209
Fundraising	4,206
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TOTAL EXPENSE	6,253,934
DECREASE IN NET ASSETS	(40,178)
NET ASSETS, <i>beginning of year</i>	143,881
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NET ASSETS, <i>end of year</i>	\$ 103,703

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, 2017

	Total Program Services	Management and General	Fundraising	Total
Donor advised contributions	\$ 5,527,955	\$ -	\$ -	\$ 5,527,955
Wages	277,642	18,151	3,003	298,796
Platform expense	85,188			85,188
Short codes	83,000			83,000
Professional services	52,768	18,791		71,559
Payroll taxes and benefits	65,413	4,276	707	70,396
Messaging and billing service	43,507			43,507
Insurance	17,841	1,166	193	19,200
Telephone	9,316	609	101	10,026
Registration fees and testing	9,008			9,008
Office and miscellaneous	8,014	524	87	8,625
Subscriptions	1,951	128	21	2,100
Bad debt	7,951			7,951
Travel and meetings	6,812			6,812
Facilities and equipment	4,136	270	45	4,451
Bank fees and transaction charges	1,971	129	21	2,121
Depreciation	1,819	119	20	1,958
Postage and delivery	705	46	8	759
Marketing	522	-	-	522
TOTAL EXPENSES AND LOSSES	\$ 6,205,519	\$ 44,209	\$ 4,206	\$ 6,253,934

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

Mobile Giving Foundation, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (40,178)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	1,958
Loss on disposition of assets	-
Change in accounts receivable	22,138
Change in contributions receivable	144,440
Change in prepaid expenses and other current assets	2,430
Change in accounts payable and other current liabilities	12,401
Change in contributions payable	184,241
Change in deferred revenue	4,825
Total Adjustments	<u>372,433</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>332,255</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	332,255
BEGINNING CASH AND CASH EQUIVALENTS	<u>260,788</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 593,043</u>

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

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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 provides direct services to charitable organizations and 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. As an Electronic Donor Advised Fund, the Foundation follows all donor advisements and as such reports a contribution payable at the time a donor advised contribution is made and as such there is no change to beginning net assets.

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 \$5,651 at December 31, 2017 has been recorded (\$4,700 - 2016). 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, 2017 and 2016

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 operates as a 501(c)(3) Public Charity. The Foundation is under examination by the Internal Revenue Service which has tentatively concluded that the Foundation's tax-exempt status as a 501(c)(3) Public Charity should be revoked. The Foundation disputes the tentative findings by the IRS and will be fully exercising its rights to administrative appeal of the proposed action.

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, 2017 and 2016

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:**

In February 2015 the Foundation contracted to use the technology platform of Mobile Giving Foundation Canada (a non-related party) for administering the text to give contributions. Monthly fees under the new agreement are \$7,000. Additional fees outside the scope of the platform service are paid as incurred. Total payments made under the platform agreements during the year ended December 31, 2017 totaled \$85,188.

Note 4. **Joint Costs:**

For the year ended December 31, 2017, 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 \$418,432 for the year ended December 31, 2017 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2017</u>
Program services	\$ 388,808
Management and general	25,419
Fundraising	<u>4,205</u>
Total	<u>\$ 418,432</u>

Mobile Giving Foundation, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 5. 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 audit report 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.

The Foundation is currently under audit by the Internal Revenue Service. The Internal Revenue Service has tentatively concluded that the Foundation's 501(c)(3) Public Charity status should be revoked. The Foundation aggressively disputes the tentative findings by the IRS and is fully exercising its rights to administrative appeal of the proposed action. Management is confident in their position that the Foundation is properly operating as an Electronic Donor Advised Fund under section 501(c)(3) and this position will be upheld during appeal.

Note 6. Subsequent Event:

Due to a significant number of natural and man-made disasters occurring during 2018, management anticipates a significant increase in Program Service Revenues from transaction fees.

Management has evaluated subsequent events through December 6, 2018, the date on which the financial statements were available to be issued.