

# Mobile Giving Foundation, Inc.

## Table of Contents

*December 31, 2018 and 2017*

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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, 2018 and 2017, 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, 2018 and 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

November 6, 2019

# Mobile Giving Foundation, Inc.

## Statements of Financial Position

December 31, 2018 and 2017

<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 97,406	\$ 106,299
Donation account	393,269	486,744
	<u>490,675</u>	<u>593,043</u>
Accounts receivable, net	90,178	46,456
Contributions receivable	836,545	406,130
Prepaid expenses and other current assets	17,263	19,729
	<u>1,434,661</u>	<u>1,065,358</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,434,661</b>	<b>1,065,358</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Furniture and equipment	12,926	12,926
(less) Accumulated depreciation	(10,115)	(8,222)
	<u>2,811</u>	<u>4,704</u>
<b>TOTAL PROPERTY AND EQUIPMENT (net)</b>	<b>2,811</b>	<b>4,704</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,437,472</b>	<b>\$ 1,070,062</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other current liabilities	\$ 160,289	\$ 59,584
Remittances payable	1,229,931	892,987
Deferred contribution revenue	22,040	13,788
	<u>1,412,260</u>	<u>966,359</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,412,260</b>	<b>966,359</b>
<b>NET ASSETS</b>	<u>25,212</u>	<u>103,703</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,437,472</b>	<b>\$ 1,070,062</b>

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

# Mobile Giving Foundation, Inc.

## Statements of Activities

*For the Years Ended December 31, 2018 and 2017*

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<b>REVENUE:</b>		
Donor advised contributions	\$ 2,077,702	\$ 5,527,955
Program income	780,770	636,051
MGF Canada operations	48,000	48,000
Interest and misc. income	1,863	1,750
	<hr/>	<hr/>
<b>TOTAL REVENUE</b>	<b>2,908,335</b>	<b>6,213,756</b>
<b>EXPENSE:</b>		
Program services	2,855,891	6,205,519
Management and general	126,607	44,209
Fundraising	4,328	4,206
	<hr/>	<hr/>
<b>TOTAL EXPENSE</b>	<b>2,986,826</b>	<b>6,253,934</b>
<b>DECREASE IN NET ASSETS</b>	<b>(78,491)</b>	<b>(40,178)</b>
NET ASSETS, <i>beginning of year</i>	103,703	143,881
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<b>NET ASSETS, <i>end of year</i></b>	<b>\$ 25,212</b>	<b>\$ 103,703</b>

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*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, 2018*

	Total Program Services	Management and General	Fundraising	Total
Bad debt	\$ 13,275	\$ -	\$ -	13,275
Bank fees and transaction charges	1,807	107	17	1,931
Depreciation	1,772	105	16	1,893
Donor advised contributions	2,077,702	-	-	2,077,702
Facilities and equipment	4,082	242	37	4,361
Insurance	17,707	1,048	162	18,917
Marketing	813	-	-	813
Messaging and billing service	46,159	-	-	46,159
Office and miscellaneous	5,311	314	49	5,674
Payroll taxes and benefits	72,329	4,281	660	77,270
Platform expense	102,071	-	-	102,071
Postage and delivery	444	26	4	474
Professional services	51,830	99,784	-	151,614
Registration fees and testing	8,174	-	-	8,174
Short codes	84,000	-	-	84,000
Subscriptions	2,181	129	20	2,330
Telephone	10,273	608	94	10,975
Travel and meetings	18,722	-	189	18,911
Wages	337,239	19,963	3,080	360,282
<b>TOTAL EXPENSES AND LOSSES</b>	<b>\$ 2,855,891</b>	<b>\$ 126,607</b>	<b>\$ 4,328</b>	<b>\$ 2,986,826</b>

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

*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, 2018 and 2017*

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (78,491)	\$ (40,178)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	1,893	1,958
Loss on disposition of assets	-	-
Change in accounts receivable	(43,722)	22,138
Change in contributions receivable	(430,415)	144,440
Change in prepaid expenses and other current assets	2,466	2,430
Change in accounts payable and other current liabilities	100,705	12,401
Change in contributions payable	336,944	184,241
Change in deferred revenue	8,252	4,825
<b>Total Adjustments</b>	<b>(23,877)</b>	<b>372,433</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(102,368)</b>	<b>332,255</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(102,368)</b>	<b>332,255</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>593,043</b>	<b>260,788</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 490,675</b>	<b>\$ 593,043</b>

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



# Mobile Giving Foundation, Inc.

## Notes to Financial Statements

December 31, 2018 and 2017

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### 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 advised 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. 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.

#### **Donation account**

Donations made by donors are billed and collected through wireless operators who in turn remit those funds to MGF on their behalf. The Foundation provides a platform that tracks charitable contributions made via SMS text messaging and issues grants to the qualified charitable organization upon receipt of contributions made by the public and collected by wireless carriers. These contributions are held in a separate checking account until they are remitted to the advised 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 \$1,281 at December 31, 2018 has been recorded (\$5,651 - 2017). 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, 2018 and 2017

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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 or restricted support, depending on the existence or nature of any donor-imposed restrictions.

All donor restricted support is reported as an increase in 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), 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 recently completed an examination by the Internal Revenue Service (IRS), see note 5. The IRS review found the Organization to be in compliance with IRS guidelines and Management believes it is no longer subject to income tax examinations for years prior to 2015.

**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, 2018 and 2017

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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 agreement are \$8,000 (\$7,000 - 2017) . 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, 2018 totaled \$102,071 (\$85,188 - 2017).

Note 4. **Joint Costs:**

For the years ended December 31, 2018 and 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 \$484,107 for the year ended December 31, 2018 (\$418,432- 2017) of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2018</u>	<u>2017</u>
Program services	\$ 453,145	\$ 388,808
Management and general	26,824	25,419
Fundraising	<u>4,138</u>	<u>4,205</u>
Total	<u>\$ 484,107</u>	<u>\$ 418,432</u>

# Mobile Giving Foundation, Inc.

## Notes to Financial Statements

*December 31, 2018 and 2017*

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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.

As of December 31, 2018, the Foundation was under audit by the Internal Revenue Service. The Internal Revenue Service asserted that the Foundation's 501(c)(3) Public Charity status should be revoked. The Foundation aggressively disputed the tentative findings by the IRS and appealed the proposed action. Management asserted that the Foundation properly operated as an Electronic Donor Advised Fund under section 501(c)(3). Subsequent to year end, the Foundation entered into a settlement with the IRS. The settlement included a payment of a settlement fee of \$40,000 and clarifying corrections to certain agreements. The payment represents a settlement payment and is not a payment of tax or a penalty under Code.

Note 6. **Subsequent Event:**

Due to a significant number of natural and man-made disasters occurring during 2019, management anticipates a significant increase in Program Service Revenues from transaction fees.

Management has evaluated subsequent events through November 6, 2019, the date on which the financial statements were available to be issued.