

COMBINED FINANCIAL STATEMENTS

digitalGREEN

**DIGITAL GREEN FOUNDATION AND THE
DIGITAL GREEN TRUST**

**FOR THE YEARS ENDED
MARCH 31, 2016 AND 2015**

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Digital Green Foundation and the Digital Green Trust
New Delhi, India

We have audited the accompanying combined financial statements of the Digital Green Foundation and the Digital Green Trust (collectively, the Organizations), which comprise the combined statements of financial position as of March 31, 2016 and 2015, and the related combined statements of activities and changes in net assets and combined cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined financial statements based on our audit. We did not audit the financial activity of the Digital Green Trust, which statements reflect total assets constituting 5% and 16% of the combined total assets as of March 31, 2016 and 2015 and total revenues constituting 9% and 26% of the combined total revenues for years ended March 31, 2016 and 2015. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Digital Green Trust, is based solely on the report of the other auditors. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, based on our audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of March 31, 2016 and 2015, and the combined changes in their net assets and their combined cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

February 27, 2017

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND 2015

ASSETS		<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	4,595,913	\$ 9,055,054
Grants receivable (Note 2)		12,101,460	6,997,644
Advances and other receivables		82,132	-
Prepays and other assets		<u>121,165</u>	<u>182,905</u>
Total current assets		<u>16,900,670</u>	<u>16,235,603</u>
PROPERTY AND EQUIPMENT			
Property and equipment		89,256	187,337
Less: Accumulated depreciation		<u>(40,334)</u>	<u>(72,019)</u>
Net property and equipment		<u>48,922</u>	<u>115,318</u>
OTHER ASSETS			
Grants receivable, net of current portion (Note 2)		<u>484,262</u>	<u>3,858,849</u>
TOTAL ASSETS		<u>\$ 17,433,854</u>	<u>\$ 20,209,770</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	172,532	\$ 455,603
Refundable advance		<u>331,762</u>	<u>-</u>
Total current liabilities		<u>504,294</u>	<u>455,603</u>
NET ASSETS			
Unrestricted		100,911	(11,095)
Temporarily restricted (Note 4)		<u>16,828,649</u>	<u>19,765,262</u>
Total net assets		<u>16,929,560</u>	<u>19,754,167</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 17,433,854</u>	<u>\$ 20,209,770</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Grants and contributions	\$ -	\$ 2,103,260	\$ 2,103,260
Government grants	558,110	-	558,110
Government contracts	253,819	-	253,819
Interest income	2,421	138,193	140,614
Other	-	-	-
In-kind contributions	369,706	-	369,706
Net assets released from donor restrictions (Note 4)	<u>5,132,862</u>	<u>(5,132,862)</u>	<u>-</u>
Total revenue	<u>6,316,918</u>	<u>(2,891,409)</u>	<u>3,425,509</u>
EXPENSES			
Program Services	5,230,592	-	5,230,592
Management and General	<u>974,320</u>	<u>-</u>	<u>974,320</u>
Total expenses	<u>6,204,912</u>	<u>-</u>	<u>6,204,912</u>
Changes in net assets (deficit) before other item	112,006	(2,891,409)	(2,779,403)
OTHER ITEM			
Loss on foreign exchange	<u>-</u>	<u>(45,204)</u>	<u>(45,204)</u>
Changes in net (deficit) assets	112,006	(2,936,613)	(2,824,607)
Net assets (deficit) at beginning of year, as restated	<u>(11,095)</u>	<u>19,765,262</u>	<u>19,754,167</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 100,911</u>	<u>\$ 16,828,649</u>	<u>\$ 16,929,560</u>

2015		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 8,710	\$ 12,869,673	\$ 12,878,383
-	-	-
-	-	-
1,970	148,143	150,113
2,532	-	2,532
105,236	-	105,236
<u>4,024,048</u>	<u>(4,024,048)</u>	<u>-</u>
<u>4,142,496</u>	<u>8,993,768</u>	<u>13,136,264</u>
3,539,228	-	3,539,228
<u>603,268</u>	<u>-</u>	<u>603,268</u>
<u>4,142,496</u>	<u>-</u>	<u>4,142,496</u>
-	8,993,768	8,993,768
<u>(7,501)</u>	<u>(90,273)</u>	<u>(97,774)</u>
(7,501)	8,903,495	8,895,994
<u>(3,594)</u>	<u>10,861,767</u>	<u>10,858,173</u>
<u>\$ (11,095)</u>	<u>\$ 19,765,262</u>	<u>\$ 19,754,167</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 1,928,385	\$ 352,441	\$ 2,280,826
Professional fees	426,479	13,863	440,342
Rent and utilities	53,754	198,564	252,318
Accounting and audit	-	29,627	29,627
Travel	881,068	25,675	906,743
Communication expense	29,867	1,583	31,450
Consulting fees	138,665	161,199	299,864
Meetings and conventions	147,876	21,319	169,195
Bank fees and finance charges	17	55	72
Equipment	314,238	43,394	357,632
Sub-grantee expense (non DGT)	837,296	-	837,296
Miscellaneous and other project costs	103,241	39,172	142,413
Donated advertising	369,706	-	369,706
Depreciation	-	87,428	87,428
	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 5,230,592</u>	<u>\$ 974,320</u>	<u>\$ 6,204,912</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 1,219,425	\$ 185,170	\$ 1,404,595
Professional fees	154,419	-	154,419
Rent and utilities	41,986	268,657	310,643
Accounting and audit	-	88,923	88,923
Insurance	10,577	-	10,577
Travel	483,295	-	483,295
Communication expense	25,574	-	25,574
Consulting fees	526,767	23,250	550,017
Postage and delivery	2,863	-	2,863
Temporary help	-	4,210	4,210
Supplies	3,284	-	3,284
Subscriptions and publications	5,631	-	5,631
Meetings and conventions	10,600	1,695	12,295
Bank fees and finance charges	4,771	-	4,771
Interest and taxes	-	1,642	1,642
Equipment	62,990	-	62,990
Data processing	3,656	-	3,656
Sub-grantee expense (non DGT)	731,998	-	731,998
Miscellaneous and other project costs	146,156	5,823	151,979
Donated advertising	105,236	-	105,236
Depreciation	-	23,898	23,898
	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 3,539,228</u>	<u>\$ 603,268</u>	<u>\$ 4,142,496</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net (deficit) assets	\$ (2,824,607)	\$ 8,895,994
Adjustments to reconcile changes in net (deficit) assets to net cash (used) provided by operating activities:		
Depreciation	87,428	23,898
Present value discount	15,739	141,151
(Increase) decrease in:		
Grants receivable	(1,744,968)	(3,262,442)
Advances and other receivables	(82,132)	-
Prepays and other assets	61,740	10,985
Increase (decrease) in:		
Accounts payable and accrued liabilities	(283,071)	305,673
Refundable advance	<u>331,762</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(4,438,109)</u>	<u>6,115,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(21,032)</u>	<u>(29,863)</u>
Net cash used by investing activities	<u>(21,032)</u>	<u>(29,863)</u>
Net (decrease) increase in cash and cash equivalents	(4,459,141)	6,085,396
Cash and cash equivalents at beginning of year	<u>9,055,054</u>	<u>2,969,658</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,595,913</u>	<u>\$ 9,055,054</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS MARCH 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Digital Green Foundation (the Foundation) was incorporated in March 2008 as a non-profit public benefit corporation in California. The Digital Green Trust (the Trust) was incorporated in 2008 and is exempt from paying taxes in the country of India. Based on their affiliation agreement, the Foundation has significant control over the Trust and the Trust must operate itself to align with the Foundation's mission.

The Foundation works with existing, people-based extension systems, aiming to amplify their effectiveness through our ICT-enabled approach. Their model combines technology and social organization to maximize the potential of building the capacity of community members on improved, sustainable agriculture, livelihood and health interventions.

They also facilitate knowledge exchange between community engagement for partners looking to learn, contribute and connect on social innovation practices toward improving lives in rural communities. They work with partners throughout the entire experience to share knowledge and capture feedback with supported technologies that allow partners to locally produce and share videos in villages all around the world.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities Consolidation*.

Based upon the fact that management exerts common control, both financially and programmatically over both entities, the financial statements of the Digital Green Foundation and the Digital Green Trust (collectively, the Organizations) have been combined. Accordingly, all significant transactions between the two entities have been eliminated in combination.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Included in cash and cash equivalents is cash held in India and Ethiopia in the amounts of \$945,489 and \$2,903,060 at March 31, 2016 and 2015, respectively, which is uninsured. Management believes the risk in this situation is minimal.

Bank deposit accounts in the U.S. are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Organizations may maintain cash balances in excess of FDIC limits. Management believes the risk in these situations is also minimal.

Grants receivable -

Grants receivable at March 31, 2016 and 2015 approximate fair value. As of March 31, 2016 and 2015, management has evaluated all grants receivable and deemed them to be fully collectible. Accordingly, there is no allowance for doubtful accounts at March 31, 2016 and 2015.

Property and equipment -

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years.

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS MARCH 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

The Foundation is exempt from U.S. income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not a private foundation. The Foundation is required to file Internal Revenue Service (IRS) Form 990, *Return of Organization Exempt from Income Tax*, and the returns are subject to examination by the IRS, generally for three years after the date the return has been filed.

The Trust has been granted exemption from income taxes by the Revenue Authority in India. The Trust has been classified as a non-governmental organization under Indian Law.

Based upon the non-profit status of each entity, there is no provision for income taxes in the accompanying combined financial statements.

Uncertain tax positions -

For the tax years ended March 31, 2016 and 2015, management of the Foundation and the Trust have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and they have determined that no material uncertain tax positions with respect to either entity qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS MARCH 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

In-kind contributions -

In-kind contributions consist of donated advertising. In-kind contributions are recorded at their fair market value as of the date of the gift. During the years ended March 31, 2016 and 2015, they received \$369,706 and \$105,236, respectively, in donated advertising.

Use of estimates -

The preparation of the combined 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 amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Functional currency -

The accompanying combined financial statements are denominated in U.S. Dollars. The assets and liabilities of the Trust and Digital Green Foundation - India have been converted from Indian Rupee to the U.S. Dollar using the spot rate at March 31, 2016 (\$1.00 equals 66.14 Rupee). At March 31, 2015, the spot rate used was \$1.00 equals 62.68 Rupee. The revenue and expenses of the Trust and Digital Green Foundation - India for the year ended March 31, 2016 have been converted from the Indian Rupee to the U.S. Dollar using a weighted average rate of \$1.00 equals 62.24 Rupee. The revenue and expenses of the Trust for the year ended March 31, 2015 have been converted from the Indian Rupee to the U.S. Dollar using a weighted average rate of \$1.00 equals 60.69 Rupee.

2. GRANTS RECEIVABLE

Grants receivable represent unconditional promises to give from various donors. Amounts due more than one year from the Combined Statements of Financial Position date of March 31, 2016 and 2015, have been recorded at the present value of their estimated cash flows using a discount rate of 3.25%.

Following is a summary of when donor payments are to be received as of March 31:

	<u>2016</u>	<u>2015</u>
Within one year	\$ 12,101,460	\$ 6,997,644
Two to five years	<u>500,000</u>	<u>4,000,000</u>
Subtotal	12,601,460	10,997,644
Less: Present value discount	<u>(15,738)</u>	<u>(141,151)</u>
GRANTS RECEIVABLE, NET	<u>\$ 12,585,722</u>	<u>\$ 10,856,493</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015**

3. CONTINGENCY

The Foundation receives grants from various agencies of the United States Government. For fiscal years through March 31, 2015, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended March 31, 2016, such grants are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2016. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
ICT partnership with national rural livelihood mission in India	\$ 5,101,657	\$ 6,804,023
ICT enabled improvement in food security and health outcomes in India and other low income counties	463,766	11,954,940
Scaling Digital Green in Ethiopia	9,774,389	-
Integrated soil fertility management	10,457	62,349
Other ICT programs	1,375,147	943,950
ICT Challenge Fund - Ethiopia	<u>103,233</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 16,828,649</u>	<u>\$ 19,765,262</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

	<u>2016</u>	<u>2015</u>
ICT partnership with national rural livelihood mission in India	\$ 1,952,402	\$ 1,573,811
ICT enabled improvement in food security and health outcomes in India and other low income counties	19,543	2,056,961
Scaling Digital Green in Ethiopia	1,670,168	-
Integrated soil fertility management	73,377	32,240
Other ICT programs	535,942	361,036
ICT Challenge Fund - Ethiopia	<u>881,430</u>	<u>-</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 5,132,862</u>	<u>\$ 4,024,048</u>

5. LEASE COMMITMENTS

The Foundation signed a lease to rent a house that will be used for office space in Addis Ababa, Ethiopia. The lease period begins on March 1, 2015 and ends on February 28, 2018. The agreement calls for an advance payment of 64,100 birr, plus 15% VAT.

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015**

5. LEASE COMMITMENTS (Continued)

The Trust has entered into several lease agreements for office space in cities throughout India.

Following is a schedule of the future lease commitments, denominated in U.S. Dollars, as of March 31, 2016:

Digital Green Foundation Ethiopia: Addis Ababa	\$ 33,921
Digital Green Trust India: Delhi Office (D6 & E6)	<u>92,178</u>
TOTAL FUTURE LEASE COMMITMENTS	<u>\$ 126,099</u>

Rent expense, including utilities, for the years ended March 31, 2016 and 2015 was \$252,318 and \$310,643, respectively.

6. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through February 27, 2017, the date the combined financial statements were issued.