

COMBINED FINANCIAL STATEMENTS

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

**FOR THE PERIOD
JANUARY 1, 2013 THROUGH MARCH 31, 2014**

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 statement of financial position as of March 31, 2014, and the related combined statements of activities and change in net assets and combined cash flows for the period January 1, 2013 to March 31, 2014, 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 15% of the combined total assets as of March 31, 2014 and total revenues constituting 97% of the combined total revenues for the period January 1, 2013 to March 31, 2014. 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 report and the report of the 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, 2014, and the combined change in net their assets and their combined cash flows for the period January 1, 2013 through March 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

January 28, 2015

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,280,360
Grants receivable (Note 2)	5,572,750
Prepays and other assets	<u>193,890</u>
Total current assets	<u>8,047,000</u>

PROPERTY AND EQUIPMENT

Property and equipment	160,621
Less: Accumulated depreciation	<u>(51,268)</u>
Net property and equipment	<u>109,353</u>

OTHER ASSETS

Grants receivable, net of current portion (Note 2)	<u>2,162,452</u>
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TOTAL ASSETS **\$ 10,318,805**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>149,930</u>
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NET ASSETS

Unrestricted	300,514
Temporarily restricted (Note 3)	<u>9,868,361</u>
Total net assets	<u>10,168,875</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 10,318,805**

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE PERIOD JANUARY 1, 2013 THROUGH MARCH 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Grants and contributions	\$ 18,530	\$ 683,552	\$ 702,082
Interest income	3,938	61,807	65,745
Other	346	-	346
Net assets released from donor restrictions (Note 3)	<u>3,953,719</u>	<u>(3,953,719)</u>	<u>-</u>
Total revenue	<u>3,976,533</u>	<u>(3,208,360)</u>	<u>768,173</u>
EXPENSES			
Program Services	3,004,050	-	3,004,050
Management and General	<u>668,375</u>	<u>-</u>	<u>668,375</u>
Total expenses	<u>3,672,425</u>	<u>-</u>	<u>3,672,425</u>
Change in net assets before other item	304,108	(3,208,360)	(2,904,252)
OTHER ITEM			
Loss on foreign exchange	<u>(3,594)</u>	<u>(277,772)</u>	<u>(281,366)</u>
Change in net assets	300,514	(3,486,132)	(3,185,618)
Net assets at beginning of period	<u>-</u>	<u>13,354,493</u>	<u>13,354,493</u>
NET ASSETS AT END OF PERIOD	<u>\$ 300,514</u>	<u>\$ 9,868,361</u>	<u>\$ 10,168,875</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD JANUARY 1, 2013 THROUGH MARCH 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 962,008	\$ 147,352	\$ 1,109,360
Employee benefits	119,639	30,294	149,933
Professional fees	167,114	10,413	177,527
Office rent (Note 4)	71,393	221,563	292,956
Office maintenance	-	12,652	12,652
Electricity	-	737	737
Loss on sale of fixed asset	-	713	713
Equipment	2,258	-	2,258
Audit (accounting and tax)	10,839	87,181	98,020
Bank charges	-	4,934	4,934
Communications	54,803	8,292	63,095
Interest	-	55	55
Staff welfare	-	9,516	9,516
Depreciation	-	30,278	30,278
Write offs	-	1,160	1,160
Insurance	-	1,171	1,171
Legal	430	4,718	5,148
Bad debt	-	13,540	13,540
Consultants	250,856	62,715	313,571
Taxes and licenses	-	25	25
Task force meetings	219	24	243
Recruiting	-	212	212
Travel	474,136	3,238	477,374
Software	5,866	-	5,866
Employee contract services	163,287	17,592	180,879
Miscellaneous	21	-	21
Project expenses	239,488	-	239,488
Subgrants	481,693	-	481,693
TOTAL	<u>\$ 3,004,050</u>	<u>\$ 668,375</u>	<u>\$ 3,672,425</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

COMBINED STATEMENT OF CASH FLOWS
FOR THE PERIOD JANUARY 1, 2013 THROUGH MARCH 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (3,185,618)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	30,278
Present value discount	70,280
Bad debt	13,540
Decrease in:	
Grants receivable	4,932,968
Prepays and other assets	2,148
Decrease in:	
Accounts payable and accrued liabilities	<u>(682,161)</u>
Net cash provided by operating activities	<u>1,181,435</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(25,727)</u>
Net cash used by investing activities	<u>(25,727)</u>
Net increase in cash and cash equivalents	1,155,708
Cash and cash equivalents at beginning of period	<u>1,124,652</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 2,280,360</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS MARCH 31, 2014

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 their 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. The Foundation also facilitates knowledge exchange between community engagement for partners looking to learn, contribute and connect on social innovation practices toward improving lives in rural communities. The Foundation works 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 Organizations 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 in the amount of \$1,147,819, 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, 2014 approximate fair value. As of March 31, 2014, management has evaluated all grants receivable and deemed them to be fully collectible. Accordingly, there is no allowance for doubtful accounts at March 31, 2014.

Property and equipment -

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

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.

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS MARCH 31, 2014

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

Income taxes (continued) -

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 periods ended March 31, 2014, 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 Statement of Activities and Change 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.

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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2014

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

Functional currency -

The accompanying combined financial statements are denominated in U.S. Dollars. The assets and liabilities of the Trust have been converted from Indian Rupee to the U.S. Dollar using the spot rate at March 31, 2014 (\$1.00 equals 59.758 Rupee). The revenue and expenses of the Trust for the period January 1, 2013 to March 31, 2014 have been converted from the Indian Rupee to the U.S. Dollar using a weighted average rate (\$1.00 equals 59.075 Rupee).

2. **GRANTS RECEIVABLE**

Grants receivable represent unconditional promises to give from various donors. Amounts due more than one year from the Statement of Financial Position date of March 31, 2014 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, 2014:

Within one year	\$ 5,572,750
Two to five years	<u>2,232,732</u>
Subtotal	7,805,482
Less: Present value discount	<u>(70,280)</u>
GRANTS RECEIVABLE	<u>\$ 7,735,202</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at March 31, 2014:

ICT partnership with national rural livelihood mission in India	\$ 7,729,164
ICT enabled improvement in food security and health outcomes in India and other low income counties	2,035,848
Integrated soil fertility management	85,418
Other ICT programs	<u>17,931</u>
	<u>\$ 9,868,361</u>

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

ICT partnership with national rural livelihood mission in India	\$ 1,885,617
ICT enabled improvement in food security and health outcomes in India and other low income counties	1,753,545
Leveraging mobile platforms for rural social networks	24,976
Cocoa Livelihood programs	55,693
Strengthening partnerships results and innovation in nutrition globally	85,521
Integrated soil fertility management	89,971
Other ICT programs	<u>58,396</u>
	<u>\$ 3,953,719</u>

DIGITAL GREEN FOUNDATION AND THE DIGITAL GREEN TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2014**

4. LEASE COMMITMENTS

On May 13, 2014, the Foundation signed a lease to rent a house that will be used for office space in Addis Ababa, Ethiopia. The lease period is for twelve months and begins on June 1, 2014. The agreement calls for an advance payment of 26,010 birr, plus 15% VAT. The Foundation further agrees to pay 87,735 birr for office purposes. The lesser will revise the amount for rent after one year. Either party may terminate the lease by giving two months advance notice.

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, 2014:

	<u>2015</u>	<u>2016</u>	<u>Total</u>
Digital Green Foundation			
Ethiopia:			
Addis Ababa	\$ <u>1,332</u>	\$ <u>2,664</u>	\$ <u>3,996</u>
Digital Green Trust			
India:			
MP Office	3,918	-	3,918
Orissa Office	1,581	-	1,581
AP Office	4,351	435	4,786
Bihar Office	7,530	753	8,283
Delhi Office (D6 & E6)	172,469	79,049	251,518
Delhi Office (D-3)	<u>82,521</u>	<u>-</u>	<u>82,521</u>
Total Digital Green Trust	<u>272,370</u>	<u>80,237</u>	<u>352,607</u>
TOTAL FUTURE LEASE COMMITMENTS	\$ <u>273,702</u>	\$ <u>82,901</u>	\$ <u>356,603</u>

5. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through January 28, 2015, the date the combined financial statements were issued.