

FINANCIAL STATEMENTS

Digital Green

DIGITAL GREEN FOUNDATION

FOR THE YEAR ENDED MARCH 31, 2019

DIGITAL GREEN FOUNDATION

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of March 31, 2019	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended March 31, 2019	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended March 31, 2019	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended March 31, 2019	7
NOTES TO FINANCIAL STATEMENTS	8 - 13



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Digital Green Foundation
Berkeley, California

We have audited the accompanying financial statements of the Digital Green Foundation (the Foundation), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and change in net assets 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 the 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 audit. We did not audit the financial activities of the Digital Green Foundations' offices in India and Ethiopia, which statements reflect total assets constituting 5% of the total assets as of March 31, 2019 and total expenses constituting 32% of the total expenses for the year ended March 31, 2019. 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 Foundation, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of March 31, 2019, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

February 20, 2020

DIGITAL GREEN FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,211,667
Grants receivable	656,551
Advances and other receivables	<u>63,260</u>
Total current assets	<u>4,931,478</u>

FURNITURE AND EQUIPMENT

Furniture and equipment	16,645
Less: Accumulated depreciation	<u>(8,184)</u>
Net furniture and equipment	<u>8,461</u>

OTHER ASSETS

Deposits	<u>170,537</u>
----------	----------------

TOTAL ASSETS \$ 5,110,476

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 257,034
Refundable advance	<u>53,353</u>
Total liabilities	<u>310,387</u>

NET ASSETS

Without donor restrictions	508,888
With donor restrictions	<u>4,291,201</u>
Total net assets	<u>4,800,089</u>

TOTAL LIABILITIES AND NET ASSETS \$ 5,110,476

DIGITAL GREEN FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Grants and contributions:			
Government	\$ 3,981,952	\$ -	\$ 3,981,952
Foundations and individuals	200,420	2,263,245	2,463,665
Contracts	390,461	-	390,461
Interest	1,095	-	1,095
In-kind contributions	63,310	-	63,310
Net assets released from donor restrictions	<u>5,010,719</u>	<u>(5,010,719)</u>	<u>-</u>
Total revenue	<u>9,647,957</u>	<u>(2,747,474)</u>	<u>6,900,483</u>
EXPENSES			
Program Services	7,570,303	-	7,570,303
Management and General	<u>1,621,471</u>	<u>-</u>	<u>1,621,471</u>
Total expenses	<u>9,191,774</u>	<u>-</u>	<u>9,191,774</u>
Change in net assets before other item	456,183	(2,747,474)	(2,291,291)
OTHER ITEM			
Gain on foreign exchange	<u>-</u>	<u>127,435</u>	<u>127,435</u>
Change in net assets	456,183	(2,620,039)	(2,163,856)
Net assets at beginning of year	(196,438)	7,160,383	6,963,945
Reclassification of net assets	<u>249,143</u>	<u>(249,143)</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 508,888</u>	<u>\$ 4,291,201</u>	<u>\$ 4,800,089</u>

DIGITAL GREEN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	Program Services	Management and General	Total Expenses
Salaries and benefits	\$ 2,305,193	\$ 956,803	\$ 3,261,996
Professional fees	35,843	75,309	111,152
Rent and utilities	162,024	81,666	243,690
Accounting and audit	-	45,425	45,425
Insurance	-	9,155	9,155
Travel	616,151	73,227	689,378
Workshops and training	304,662	-	304,662
Communication expense	4,323	4,535	8,858
Consulting fees	248,870	149,408	398,278
Postage and delivery	408	1,298	1,706
Supplies	326	1,329	1,655
Subscriptions and publications	1,004	164	1,168
Meetings and conventions	20,587	7,131	27,718
Bank fees and finance charges	(588)	934	346
Equipment-Maintenance and support	34,788	50,572	85,360
Sub-grantee expense	3,535,128	-	3,535,128
Other donations	144,712	-	144,712
Other project costs	93,113	25,440	118,553
Depreciation	-	6,426	6,426
Donated advertising	63,310	-	63,310
Miscellaneous and unallowable costs	449	132,649	133,098
TOTAL	\$ 7,570,303	\$ 1,621,471	\$ 9,191,774

DIGITAL GREEN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (2,163,856)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	6,426
Decrease (increase) in:	
Grants receivable	1,528,767
Advances and other receivables	(7,543)
Deposits	18,722
Increase in:	
Accounts payable and accrued liabilities	65,576
Refundable advance	<u>514</u>
Net cash used by operating activities	<u>(551,394)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(7,623)</u>
Net cash used by investing activities	<u>(7,623)</u>
Net decrease in cash and cash equivalents	(559,017)
Cash and cash equivalents at beginning of year	<u>4,770,684</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,211,667</u>

DIGITAL GREEN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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 Foundation has registered offices in India and Ethiopia and also has activities in other countries undertaken in partnership with other organizations and consultants.

The Foundation is a global development organization that empowers smallholder farmers to lift themselves out of poverty by harnessing the collective power of technology and grassroots-level partnerships. The Foundation has joined forces with governments, private agencies and, most importantly, rural communities themselves to co-create scalable and cost-effective technologies that enable rural communities to access and share information with each other.

The Foundation originally focused on producing and screening locally relevant videos, which allowed farmers to share their knowledge with other farmers. The Foundation is bringing together digital channels and data to empower farmers to make better decisions and engage with others across the food and agricultural value chain to boost the value they realize from their harvests in a nutrition-sensitive, climate-resilient and inclusive manner.

The Foundation is affiliated with the Digital Green Trust (the Trust), an Indian organization exempt from paying income taxes within India based upon their common mission; however, the Foundation does not exert financial or governance control over the Trust.

The Foundation has entered into several sub-awards with the Trust for programmatic activities within India. During the 2019 fiscal year, the Foundation transferred \$1,362,234 to the Trust under the aforementioned sub-awards. In addition, as of March 31, 2019, the Foundation had an obligation to the Trust in the amount of \$211,249.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU was adopted during the year ended March 31, 2019 and applied retrospectively.

Cash and cash equivalents -

The Foundation considers 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 \$98,858 at March 31, 2019, 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 Foundation 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, 2019 are recorded at their net realizable value, which approximates fair value. As of March 31, 2019, management has evaluated all grants receivable and deemed them to be fully collectible. Accordingly, there is no allowance for doubtful accounts at March 31, 2019.

DIGITAL GREEN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

Furniture and equipment -

Furniture and equipment in excess of \$5,000 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.

Income tax -

The Foundation is exempt from U.S. income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not a private foundation.

Uncertain tax positions -

For the tax year ended March 31, 2019, management of the Foundation 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 financial statements.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.
- **Reclassification of Net Assets** - During the 2019 fiscal year, management of the Foundation performed a comprehensive review of all grant awards and the cumulative expenses incurred under each award. As a result of such review it was determined that a reclassification entry was required to correct the balances of certain grant awards as of April 1, 2018. Accordingly, a transfer of \$249,143 was made from the net assets with donor restrictions balance to the net assets without donor restrictions balance.

Grants and contributions -

Contributions and grants are recorded as revenue in the year notification is received from the donor.

DIGITAL GREEN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

Grants and contributions (continued) -

Contributions and grants with donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

The Foundation receives awards under grants and contracts from the U.S. government, international organizations and other sources for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as revenue "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements

Awards received under grants and contracts from the U.S. government, international organizations and other sources for direct and indirect program costs (in which the claimed costs are deemed conditional until accepted by the donor) in advance of incurring the related expenses are recorded as refundable advances. Grants and support receivable represents amounts due from funding organizations in accordance with the terms and conditions outlined in grant agreements.

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 year ended March 31, 2019, they received \$63,310 in donated advertising.

Use of estimates -

The preparation of the 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 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Rent and utilities, depreciation, and office costs are allocated based on square footage.

Functional currency -

The accompanying financial statements are denominated in U.S. Dollars. The assets and liabilities of the Foundation - India have been converted from Indian Rupee to the U.S. Dollar using the spot rate at March 31, 2019 (69.12 Indian Rupee equals \$1.00).

DIGITAL GREEN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

Functional currency (continued) -

The revenue and expenses of the Foundation - India for the year ended March 31, 2019 have been converted from the Indian Rupee to the U.S. Dollar using a weighted average rate of 68.69 Indian Rupee equals \$1.00.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by one year; thus, the effective date is for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Foundation has not yet decided on a transition method. This ASU is effective for fiscal years beginning after December 15, 2018.

FASB issued ASU 2019-01, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASUs at the required implementation date.

2. GRANTS RECEIVABLE

Grants receivable represent unconditional promises to give from various donors. Following is a summary of when donor payments are to be received as of March 31, 2019:

Within One Year

\$ 656,551

DIGITAL GREEN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at March 31, 2019:

Community Videos for Agricultural Extension	\$ 2,635,872
Community Videos for Nutrition Education	189,242
Digital Data Sharing Platform	1,295,650
Mobile Application for Farmer Access to Markets	<u>170,437</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,291,201</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Community Videos for Agricultural Extension	\$ 4,361,719
Community Videos for Nutrition Education	444,709
Digital Data Sharing Platform	36,219
Mobile Application for Farmer Access to Markets	<u>168,072</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 5,010,719</u>

4. CONTINGENCY

Digital Green Foundation receives grants from various agencies of the United States Government. These 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 (Uniform Guidance)*. 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 2019. 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.

5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 4,211,667
Grants receivable	656,551
Advances and other receivables	<u>63,260</u>
Financial assets available within one year	4,931,478
Less: Donor restricted funds	<u>(4,291,201)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 640,277</u>

DIGITAL GREEN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

5. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2019, the Foundation has financial assets available to meet their cash needs for general expenditures.

6. LEASE COMMITMENTS

The Foundation and the Trust have entered into a shared lease agreement for office space in Delhi, India. Both entities are responsible for 50% of the lease agreement. The lease ends on April 12, 2026.

The Foundation signed a lease to rent an office in Addis Ababa, Ethiopia. The lease period began on April 1, 2018 and ends on October 31, 2019.

The Foundation also has leases on a month-to-month basis in San Francisco, California.

Following is a schedule of future lease commitments (including only 50% of the commitments under the India lease agreement), denominated in U.S. Dollars, as of March 31, 2019:

2020	\$	90,128
2021		68,988
2022		68,988
2023		68,988
2024		68,988
2025 and thereafter		<u>132,227</u>
TOTAL FUTURE LEASE COMMITMENTS	\$	<u>498,307</u>

Rent expense, including utilities, for the year ended March 31, 2019 was \$243,690.

7. RETIREMENT PLAN

The Foundation provides retirement benefits to its U.S. employees through a defined contribution plan covering all full-time employees with one year of eligible experience. The Foundation provides a 4% match of each eligible employee's contribution. Contributions to the plan during the year ended March 31, 2019 totaled \$50,098.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 20, 2020, the date the financial statements were issued.