



**KOBO, INC.**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2021 and 2020

# KOBO, INC.

## CONTENTS

	<b>Page</b>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10



## *Independent Auditors' Report*

Board of Directors  
Kobo, Inc.

### ***Opinion***

We have audited the accompanying financial statements of Kobo, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kobo, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kobo, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kobo, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kobo, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kobo, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Katy, Sapper & Miller, LLP*

Indianapolis, Indiana  
November 7, 2022

**KOBO, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2021 and 2020

**ASSETS**

	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 585,509	\$ 521,421
Restricted cash	60,439	5,902
Accounts receivable	158,231	
Grants receivable		250,000
Total Current Assets	<u>804,179</u>	<u>777,323</u>
<b>TOTAL ASSETS</b>	<u>\$ 804,179</u>	<u>\$ 777,323</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 86,873	\$ 51,093
Deferred revenue	<u>269,879</u>	<u>48,412</u>
Total Current Liabilities	<u>356,752</u>	<u>99,505</u>
<b>NET ASSETS</b>		
Without donor restrictions	447,427	263,422
With donor restrictions		414,396
Total Net Assets	<u>447,427</u>	<u>677,818</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 804,179</u>	<u>\$ 777,323</u>

*See accompanying notes.*

**KOBO, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Program service revenue	\$ 590,824		\$ 590,824	\$ 52,987		\$ 52,987
Grants and other contributions				250,000	\$ 450,000	700,000
Net assets released from restrictions	414,396	\$ (414,396)		35,604	(35,604)	
Total Support and Revenue	1,005,220	(414,396)	590,824	338,591	414,396	752,987
<b>EXPENSES</b>						
Program services	788,198		788,198	157,104		157,104
Management and general	33,017		33,017	7,499		7,499
Total Expenses	821,215		821,215	164,603		164,603
<b>CHANGE IN NET ASSETS</b>	184,005	(414,396)	(230,391)	173,988	414,396	588,384
<b>NET ASSETS</b>						
Beginning of Year	263,422	414,396	677,818	89,434		89,434
End of Year	\$ 447,427	\$ -	\$ 447,427	\$ 263,422	\$ 414,396	\$ 677,818

See accompanying notes.

**KOBO, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2021 and 2020**

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Server hosting	\$ 96,433		\$ 96,433	\$ 64,492		\$ 64,492
Contractors	685,351	\$ 1,482	686,833	89,812	\$ 3,125	92,937
Office expense		5,714	5,714		143	143
Professional services	6,414	25,548	31,962	2,500	3,343	5,843
Miscellaneous		273	273	300	888	1,188
<b>TOTAL EXPENSES</b>	<b><u>\$ 788,198</u></b>	<b><u>\$ 33,017</u></b>	<b><u>\$ 821,215</u></b>	<b><u>\$ 157,104</u></b>	<b><u>\$ 7,499</u></b>	<b><u>\$ 164,603</u></b>

*See accompanying notes.*

## KOBO, INC.

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2021 and 2020

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (230,391)	\$ 588,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in certain assets:		
Accounts receivable	(158,231)	
Grants receivable	250,000	(250,000)
Increase in certain liabilities:		
Accounts payable and accrued expenses	35,780	42,439
Deferred revenue	221,467	48,412
Net Cash Provided by Operating Activities	<u>118,625</u>	<u>429,235</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	118,625	429,235
<b>CASH AND RESTRICTED CASH</b>		
Beginning of Year	<u>527,323</u>	<u>98,088</u>
End of Year	<u>\$ 645,948</u>	<u>\$ 527,323</u>
<b>CASH AND RESTRICTED CASH</b>		
Cash	\$ 585,509	\$ 521,421
Restricted cash	<u>60,439</u>	<u>5,902</u>
<b>TOTAL CASH AND RESTRICTED CASH</b>	<u>\$ 645,948</u>	<u>\$ 527,323</u>

*See accompanying notes.*



## KOBO, INC.

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General:** Kobo, Inc. (the Organization) is a Massachusetts not-for-profit corporation which was formed in 2019. The Organization's mission is to host and maintain the KoboToolbox, a data collection, management, and visualization platform used globally for humanitarian actions and to support open source data systems and technology for global development, peace, human rights, and humanitarian action. The Organization's primary sources of revenue are program service fees and grants and other contributions.

**Basis of Presentation:** The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of the Organization's management and Board of Directors.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions that were perpetual in nature at December 31, 2021 and 2020.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, and when a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Estimates:** The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

**Cash** consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts.

**Restricted Cash** consists of accounts required to be maintained under certain service agreements. Funds within the account may only cover fees and expenses as allowed under the agreement.

**Accounts Receivable** represent amounts due from organizations and individuals for services provided, based on the terms specified in each contract. Accounts receivable are reviewed regularly for collectability and an allowance for doubtful accounts receivable is recorded, if necessary, based on management's judgment and analysis of the creditworthiness of the creditors, historical experience, economic conditions, and other relevant factors. Accounts receivable are written off against the allowance when deemed uncollectible. Management determined that no allowance was necessary at December 31, 2021. There were no accounts receivable at December 31, 2020 or 2019.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants Receivable:** Grants receivable expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those grants are received. Amortization of the discounts is included in grants and other contributions in the statements of activities.

Grants receivable are reviewed for collectability and a provision for doubtful accounts is recorded based on management’s judgment and analysis of the creditworthiness of the grantors, historical experience, economic conditions, and other relevant factors. There were no grants receivable at December 31, 2021. Grants receivable totaled \$250,000 at December 31, 2020, and were due to be received in less than one year. The full balance at December 31, 2020 was unavailable for expenditure until due. Management determined that no allowance was necessary as of December 31, 2020.

**Grants and Other Contributions** are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor’s obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met. Cash received prior to when conditions are substantially met are recognized as refundable advances. The Organization had no outstanding conditional contributions as of December 31, 2021 and 2020.

Grants and contracts normally provide for the recovery of direct costs. Entitlement to the recovery of the direct costs is conditional upon compliance with the terms and conditions of the grant agreements and with applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance reviews and audits by the grantors. Management believes an adverse material outcome from those reviews and audits is unlikely.

**Program Service Revenue** is recognized over the term of the service agreement as the services are performed. Program services primarily relate to the updating, modification, or build out of the KoboToolbox for specific requested times from entities, which once complete become part of the open source coding. Program service fees received in advance are included in deferred revenue until the related services are performed. Deferred revenue totaled \$269,879 and \$48,412 at December 31, 2021 and 2020, respectively. There was no deferred revenue at December 31, 2019.

**Software Development Costs** are incurred to develop, enhance, and monitor the Organization’s software platform and are primarily included in contractors expense. Based on the Organization’s product development process, technological feasibility was quickly established and the Organization’s platform was launched. All software development since that time has been to improve the existing product or deliver customer specific feature requests. Accordingly, all product development costs in 2021 and 2020 were expensed as incurred.

**Functional Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. All remaining indirect costs have been allocated to program and supporting services benefited. The expenses that are allocated include the following:

<b>Expense</b>	<b>Method of Allocation</b>
Server hosting	Time and effort
Contractors	Time and effort
Office expense	Time and effort
Professional services	Time and effort
Miscellaneous	Time and effort

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income Taxes:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. There was no unrelated business income tax for 2021 and 2020.

The Organization files U.S. federal and Massachusetts information tax returns. The Organization is subject to U.S. federal and state income tax examinations by tax authorities for all years since the Organization's inception in 2019. Management believes that the Organization's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

**Subsequent Events:** Management has evaluated the financial statements for subsequent events occurring through November 7, 2022, the date the financial statements were available to be issued.

## NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organization's financial assets and liquidity resources available for general expenditure within one year of the statement of financial position date:

	2021	2020
Cash	\$585,509	\$ 521,421
Restricted cash	60,439	5,902
Accounts receivable	158,231	
Grants receivable		<u>250,000</u>
Total Financial Assets	<u>804,179</u>	<u>777,323</u>
Funds restricted by service agreements	(60,439)	(5,902)
Donor-imposed Restrictions:		
Funds subject to expenditure for specified purpose	<u>                    </u>	<u>(164,396)</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$743,740</u>	<u>\$ 607,025</u>

The Organization maintains its cash in an interest-bearing checking account so all such funds are available as its general expenditures, liabilities, and other obligations come due. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

## NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 consisted of the following:

Subject to expenditure for specified purpose:	
Kobo Voice	\$164,396
Grants receivable which are unavailable for expenditure until due	<u>250,000</u>
Total Net Assets with Donor Restrictions	<u>\$414,396</u>

There were no net assets with donor restrictions as of December 31, 2021.

**NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Satisfaction of purpose restrictions:		
Kobo Voice	\$164,396	\$35,604
Expiration of time restrictions	<u>250,000</u>	<u>          </u>
Total Net Assets Released from Restrictions	<u>\$414,396</u>	<u>\$35,604</u>

**NOTE 4 - CONCENTRATIONS**

Program service fees provided 100% of total support and revenue for the year ended December 31, 2021. As part of program service fees, three customers accounted for 75% of total support and revenue for the year ended December 31, 2021.

Grants and other contributions provided 93% of total support and revenue for the year ended December 31, 2020. As part of grants and other contributions, two donors accounted for 93% of total support and revenue for the year ended December 31, 2020.

One donor represented 100% of the Organization’s grants receivable at December 31, 2020.

Two customers represented approximately 99% of the Organization’s accounts receivable at December 31, 2021.