



KOBO, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

KOBO, INC.

CONTENTS

	Page
Independent Auditor's 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 Auditor's 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, 2023 and 2022, 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, 2023 and 2022, 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 Auditor's 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.

Auditor's 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 auditor's 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 11, 2024

KOBO, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	\$ 580,819	\$ 588,774
Accounts receivable	25,520	24,006
Promises to give and grants receivable	84,367	9,222
Prepaid expenses and other assets	30,348	17,074
Total Current Assets	<u>721,054</u>	<u>639,076</u>
TOTAL ASSETS	<u>\$ 721,054</u>	<u>\$ 639,076</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 175,647	\$ 114,748
Deferred revenue	188,971	86,031
Refundable advances	64,809	171,874
Total Current Liabilities	<u>429,427</u>	<u>372,653</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>291,627</u>	<u>266,423</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 721,054</u>	<u>\$ 639,076</u>

See accompanying notes.

KOBO, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
SUPPORT AND REVENUE		
Program service revenue	\$ 556,559	\$ 209,392
Grants and other contributions	1,291,319	810,871
Other revenue	6,674	
Total Support and Revenue	<u>1,854,552</u>	<u>1,020,263</u>
EXPENSES		
Program services	1,649,505	1,114,699
Management and general	179,843	86,568
Total Expenses	<u>1,829,348</u>	<u>1,201,267</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	25,204	(181,004)
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of Year	<u>266,423</u>	<u>447,427</u>
End of Year	<u>\$ 291,627</u>	<u>\$ 266,423</u>

See accompanying notes.

KOBO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Compensation and benefits	\$ 120,285	\$ 53,194	\$ 173,479			
Server hosting	272,880		272,880	\$ 192,177		\$ 192,177
Contractors	1,182,161		1,182,161	883,693		883,693
Office expense	3,282	11,358	14,640	462	\$ 1,476	1,938
Professional services	52,228	105,980	158,208	31,313	80,169	111,482
Miscellaneous	18,669	9,311	27,980	7,054	4,923	11,977
TOTAL EXPENSES	\$ 1,649,505	\$ 179,843	\$ 1,829,348	\$ 1,114,699	\$ 86,568	\$ 1,201,267

See accompanying notes.

KOBO, INC.

STATEMENTS OF CASH FLOWS Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ 25,204	\$ (181,004)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) decrease in certain assets:		
Accounts receivable	(1,514)	134,225
Promises to give and grants receivable	(75,145)	(9,222)
Prepaid expenses and other assets	(13,274)	(17,074)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	60,899	27,875
Deferred revenue	102,940	45,489
Refundable advances	(107,065)	(57,463)
Net Cash Used by Operating Activities	<u>(7,955)</u>	<u>(57,174)</u>
NET DECREASE IN CASH	(7,955)	(57,174)
CASH		
Beginning of Year	<u>588,774</u>	<u>645,948</u>
End of Year	<u>\$ 580,819</u>	<u>\$ 588,774</u>

See accompanying notes.

KOBO, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2023 and 2022

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 humanitarian action, development, environmental protection, peacebuilding, and human rights. 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. As of December 31, 2023 and 2022, none of the Organization's net assets were subject to donor-imposed restrictions and could be used at the discretion of management and the Board of Directors, and therefore were all classified as net assets without donor restrictions.

Donor-restricted contributions that were initially classified as conditional contributions are reported as increases in net assets without donor restrictions when the conditions are met, if the restrictions expire in the same year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. 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.

Accounts Receivable represent uncollateralized amounts due from organizations and individuals for services provided, based on the terms specified in each contract and which do not bear interest. Accounts receivable are recorded at invoiced amounts, net of an allowance for credit losses. The allowance is determined using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Accounts receivable are charged off against the allowance when management believes there is no possibility of recovery. Recoveries from accounts previously written off are recognized as an offset to credit loss expense in the year of recovery. Management determined that no allowance for credit losses was necessary as of December 31, 2023 and 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give and Grants Receivable: Unconditional promises to give and 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 promises are received. Amortization of the discounts is included in grants and other contributions in the statements of activities. All unconditional promises to give and grants receivable at December 31, 2023 and 2022 are due to be received in less than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At December 31, 2023 and 2022, the Organization had outstanding promises to give of \$153,611 and \$349,996, respectively, which were conditional on requirements in accordance with the respective grant agreement. These funds will be recognized as revenue in the periods in which the conditions are fulfilled.

Promises to give and 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 donors and grantors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary as of December 31, 2023 and 2022.

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.

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. Program service fees included in deferred revenue totaled \$113,349, \$82,608, and \$40,542 at December 31, 2023, 2022, and 2021, respectively.

Subscription Fees are charged to organizations for various levels of access to the KoboToolbox software. Subscription contracts generally do not exceed one year in length, and subscription fees are recognized ratably over the specified term of the contract with the organizations. Organizations do not have the right to take possession of the underlying software. Subscription fee revenue is included within program service revenue in the statements of activities and totaled \$126,762 in 2023 and \$5,729 in 2022. Subscription fees received in advance are included in deferred revenue until the related services are performed. Subscription fees included in deferred revenue totaled \$75,622 and \$3,423 at December 31, 2023 and 2022, respectively. There were no subscription fees included in deferred revenue at December 31, 2021.

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 2023 and 2022 were expensed as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Expense	Method of Allocation
Compensation and benefits	Time and effort
Server hosting	Time and effort
Contractors	Time and effort
Office expense	Time and effort
Professional services	Time and effort
Miscellaneous	Time and effort

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 2023 and 2022.

The Organization files U.S. federal and Massachusetts information tax returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2020. 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.

Reclassifications: Certain amounts in the 2022 financial statements have been reclassified to conform to the presentation of the 2023 financial statements.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through October 11, 2024, the date the financial statements were available to be issued.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organization's financial assets available for general expenditure within one year of December 31, 2023 and 2022:

	2023	2022
Cash	\$580,819	\$588,774
Accounts receivable	25,520	24,006
Promises to give and grants receivable	84,367	9,222
Other assets	<u>2,636</u>	<u> </u>
Total Financial Assets Available Within One Year	<u>\$693,342</u>	<u>\$622,002</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 - RETIREMENT PLAN

Beginning in 2023, the Organization sponsors a defined contribution 401(k) retirement savings plan for all of its qualified employees. All plan participants are permitted to make salary reduction contributions to the Plan, and the Organization contributes, on a matching basis, 100% of each participant's contribution up to 2% of each participant's annual compensation. The Organization may also make a discretionary contribution to the Plan, to be determined annually, based on eligible earnings of participants. Participants become fully vested immediately upon entry into the Plan. The Organization made contributions of \$577 to the Plan during the 2023.

NOTE 4 - CONCENTRATIONS

Program service revenue, including subscription fees, provided 30% and 21% of total support and revenue for the years ended December 31, 2023 and 2022, respectively.

Grants and other contributions provided 70% and 79% of total support and revenue for the years ended December 31, 2023 and 2022, respectively. As part of grants and other contributions, three donors accounted for 57% of total revenue and support for the years ended December 31, 2023 and 2022.

Two customers represented 74% of the Organization's accounts receivable at December 31, 2023. Three customers represented 100% of the Organization's accounts receivable at December 31, 2022.

One donor represented 60% of the Organization's promises to give and grants receivable at December 31, 2023. One donor represented 100% of the Organization's promises to give and grants receivable at December 31, 2022.