

**KABISSA, INC.**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**KABISSA, INC.**

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## INDEPENDENT AUDITOR'S REPORT

October 26, 2010

To the Board of Directors  
Kabissa, Inc.

We have audited the accompanying statement of financial position of Kabissa, Inc. (a non-profit organization) as of December 31, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these statements based on our audit. The prior year summarized comparative financial statements has been derived from the Organization's December 31, 2008 financial statements. The financial statements for December 31, 2008 were audited by another auditor. The predecessor's report dated November 11, 2009 was unqualified.

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 from material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kabissa, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



**BALL & TREGER, LLP**

**KABISSA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009 with comparative totals for 2008**

	<u>12/31/09</u>	<u>12/31/08</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,050	\$ 48,582
Unconditional promises to give, less allowance for uncollectible promises of \$0 and \$0	1,515	71
Accounts receivable, less allowance for uncollectible accounts of \$0 and \$0	164	-
Prepaid expenses	117	47
Intangible assets, net of accumulated amortization	<u>23,813</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 40,659</u></u>	<u><u>\$ 48,700</u></u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ 10,071</u>	<u>\$ 5,986</u>
<b>TOTAL LIABILITIES</b>	<u>10,071</u>	<u>5,986</u>
 <b>NET ASSETS</b>		
Unrestricted net assets	30,588	17,714
Temporarily restricted net assets	-	25,000
Permanently restricted net assets	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>30,588</u>	<u>42,714</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ 40,659</u></u>	<u><u>\$ 48,700</u></u>

The accompanying notes are an integral part of these financial statements.

**KABISSA, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2009 with comparative totals for 2008

	<u>2009</u>				<u>2008</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>PUBLIC SUPPORT &amp; REVENUE</b>					
Contribution revenue	18,971	-	-	18,971	7,326
Grant income	6,973	-	-	6,973	-
Program fees	2,754	-	-	2,754	2,439
Miscellaneous income	-	-	-	-	144
Interest income	-	-	-	-	13
Net assets released from restrictions	25,000	(25,000)	-	-	-
<b>TOTAL PUBLIC SUPPORT &amp; REVENUE</b>	<u>53,698</u>	<u>(25,000)</u>	<u>-</u>	<u>28,698</u>	<u>9,922</u>
<b>EXPENSES</b>					
Program services	24,786	-	-	24,786	41,625
Management and general	21,529	-	-	21,529	8,019
Fundraising	1,247	-	-	1,247	-
<b>TOTAL EXPENSES</b>	<u>47,562</u>	<u>-</u>	<u>-</u>	<u>47,562</u>	<u>49,644</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	6,136	(25,000)	-	(18,864)	(39,722)
<b>PRIOR PERIOD ADJUSTMENTS</b>	6,738	-	-	6,738	-
<b>NET ASSETS AT BEGINNING OF PERIOD</b>	<u>17,714</u>	<u>25,000</u>	<u>-</u>	<u>42,714</u>	<u>82,436</u>
<b>NET ASSETS AT END OF PERIOD</b>	<u>\$ 30,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,588</u>	<u>\$ 42,714</u>

The accompanying notes are an integral part of these financial statements.

**KABISSA, INC.**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2009 with comparative totals for 2008

	<u>12/31/09</u>	<u>12/31/08</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (18,864)	\$ (39,722)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	11,906	-
Prior period adjustment	6,738	-
Change in assets and liabilities:		
Pledges receivable	(1,444)	20,021
Accounts receivable	(164)	7,500
Miscellaneous receivables	-	66
Prepaid expenses	(70)	467
Accounts payable	4,085	440
Deferred revenue, program fees	-	(2,239)
<b>Net cash provided (used) by operating activities</b>	<u>2,187</u>	<u>(13,467)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash from refund of security deposit	-	1,900
Cash paid for website development	(35,719)	-
<b>Net cash provided (used) by investing activities</b>	<u>(35,719)</u>	<u>1,900</u>
<b>Net decrease in cash</b>	(33,532)	(11,567)
<b>Cash &amp; cash equivalents beginning of the year</b>	<u>48,582</u>	<u>60,149</u>
<b>Cash &amp; cash equivalents end of year</b>	<u>\$ 15,050</u>	<u>\$ 48,582</u>

The accompanying notes are an integral part of these financial statements.

**KABISSA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2009 with comparative totals for 2008

EXPENSES	PROGRAM SERVICES			SUPPORT SERVICES			Total Functional Expenses	Total 2008
	Hosting Services	Networking	Total	Management & General	Fund Raising	Total		
Accounting	-	-	-	2,793	-	2,793	2,793	532
Amortization	-	10,715	10,715	-	1,191	1,191	11,906	-
Audit	-	-	-	3,500	-	3,500	3,500	5,000
Bank service charges	175	175	350	351	-	351	701	790
Consulting	-	4,275	4,275	-	-	-	4,275	29,765
Dues and subscriptions	-	-	-	285	-	285	285	260
Equipment rental	5,841	1,225	7,066	-	-	-	7,066	10,877
Insurance	-	-	-	298	-	298	298	651
Interest	-	-	-	476	-	476	476	191
Internet connection	-	-	-	-	-	-	-	49
Junk removal	-	-	-	-	-	-	-	38
Licenses and permits	-	-	-	115	-	115	115	170
Marketing	-	-	-	56	56	112	112	-
Miscellaneous	-	-	-	-	-	-	-	56
Payroll taxes	-	-	-	1,010	-	1,010	1,010	-
Postage & shipping	-	-	-	357	-	357	357	264
Printing & reproduction	-	-	-	-	-	-	-	8
Supplies	-	-	-	235	-	235	235	-
Telephone/fax	-	-	-	53	-	53	53	526
Travel	-	2,380	2,380	-	-	-	2,380	467
Wages	-	-	-	12,000	-	12,000	12,000	-
Total functional expenses	\$ 6,016	\$ 18,770	\$ 24,786	\$ 21,529	\$ 1,247	\$ 22,776	\$ 47,562	\$ 49,644

The accompanying notes are an integral part of these financial statements.

**KABISSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 - ORGANIZATION AND OPERATION**

Kabissa, Inc. is a volunteer-led non-governmental organization founded in 1999 and incorporated under the laws of the District of Columbia, USA as a non-profit organization in 2001. The name means completely in Kiswahili. The mission of Kabissa, Inc. is to help African civil society organizations to put Information and Communications Technology (ICT) to work for the benefit of their communities. They do this by providing an online platform where people and organizations working in Africa can showcase themselves and connect with each other. Kabissa's Time to Get Online program provides these organizations with self-learning materials and hands-on workshops to build their capacity to use ICTs. The Organization currently supports nearly 1,500 civil society organizations throughout Africa. It is governed by a volunteer board of directors. The Organization is supported primarily through donor contributions, grants and fees charged for internet services. Kabissa, Inc.'s organizational headquarters are on Bainbridge Island in the state of Washington, although the organization operates mostly online.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. These amounts principally consist of designated contributions.

Permanently Restricted Net Assets are net assets subject to a donor-imposed restriction that stipulates that the specified resources be maintained permanently, but permits the Organization to use or expend part or all of the income or other economic benefits derived from the donated assets.

**Comparative Financial Statements**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**KABISSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

The Organization uses the allowance method to determine uncollectible unconditional pledges. The provision for uncollectible pledges is computed based upon management estimates of historical information as well current economic factors.

Contributed Services and Donated Materials

During the year ended December 31, 2009 there were no contributed services meeting the requirements for recognition in the financial statements; however, a number of volunteers have donated significant amounts of their time in the Organization's program services and its fundraising campaigns.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Equipment and leasehold improvements are carried at cost or, if donated, at the fair value on the date of donation. The cost of maintenance and repairs is charged to revenue and support as incurred; significant renewals or betterments are capitalized.

Cash and Cash Equivalents

The Organization considers all highly liquid assets purchased with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and had no taxable unrelated business income for the year ended December 31, 2009. 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 Internal Revenue Code. Therefore, the financial statements contained no provision for federal income taxes.

On January 1, 2009 the Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax at December 31, 2009.

The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2006.

**KABISSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Program Services

**Networking Tools:** The organization provides an online community platform including a sophisticated organization database and community blog. The online platform includes an online technology resource center for organizations to learn and share relevant technology news, events and opportunities.

**Capacity Building:** The Organization continues to offer "Time to Get Online" learning materials as well as training materials.

**Hosting Services:** The Organization provides affordable and accessible internet services including web site hosting, e-mail accounts, and email mailing lists to African civil society organizations. This service was discontinued in 2009.

Web Site Development Costs

The Organization expenses all costs incurred that relate to the planning and post-implementation phases of web site development. Costs incurred in the development phase are capitalized to the extent their estimated useful lives exceed one year. Any capitalized costs are amortized over the assets' useful lives of three years. Costs incurred associated with repairs and maintenance of the existing site or the development of web site content is expensed as incurred. Website development costs of \$35,719 were capitalized during the year ended December 31, 2009 and will be amortized over three years with no residual value. Accumulated amortization at December 31, 2009 was \$11,906. Amortization expense for future years will be \$11,906 and \$11,907 for years ending December 31, 2010 and 2011, respectively.

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, write-down would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred and no events or changes in circumstances have indicated that the carrying amount of a long-lived asset may not be recoverable.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Subsequent Events

The Organization has evaluated subsequent events through October 26, 2010, the date of the audit report.

**KABISSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 3 - ALLOCATION OF JOINT COSTS**

The costs of providing the various community services and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated, based on management's judgment, among the program services and supporting services benefited.

**NOTE 4 – RECLASSIFICATIONS**

Certain December 31, 2008 amounts have been reclassified to conform with the December 31, 2009 financial statement presentation.

**NOTE 5 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$6,738 has been recorded for revenues earned in 2008 but received in 2009. Before the service of website hosting was discontinued in 2009 all billing for past services was completed. During this process the Organization billed for services provided before 2009 that had not previously been recorded in the financial statements. All revenue was unrestricted program revenue.