

**ZIDISHA INC.**

Audited Financial Statements – Modified Cash Basis  
and Independent Auditor's Report

December 31, 2011

# **ZIDISHA INC.**

## **Financial Statements – Modified Cash Basis December 31, 2011**

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## INDEPENDENT AUDITOR'S REPORT

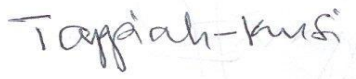
To the Board of Directors  
Zidisha Inc.  
21900 Muirfield Circle, #302  
Sterling, VA 20164

We have audited the accompanying statement of assets, liabilities, and net assets –modified cash basis of Zidisha Inc. (a nonprofit organization) as of December 31, 2011, and the related statement of support, revenue, and expenses – modified cash basis, the statement of cash flows – modified cash basis, 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 financial statements based on our audit.

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 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.

As described in note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – modified cash basis of Zidisha Inc. as of December 31, 2011, and its support, revenue, and expenses – modified cash basis, changes in cash flows – modified cash basis for the year then ended, on the basis of accounting described in note A.



Tweneboa Appiah-Kusi, CPA  
Germantown, MD  
April 30, 2012

# Zidisha Inc.

## STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS DECEMBER 31, 2011

	<u>2011</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,734
Loans and advances	74,076
Website development, net	8,325
<b>TOTAL ASSETS</b>	<u><u>\$ 100,135</u></u>
 <b>LIABILITIES</b>	
Funds held for others	<u>\$ 82,439</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 82,439</u></u>
 <b>NET ASSETS</b>	
Unrestricted	<u>17,697</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 17,697</u></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 100,135</u></u>

# Zidisha Inc.

## STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>
<b>UNRESTRICTED NET ASSETS</b>	
Unrestricted revenues and gains	
Individual donations	\$ 5,624
Expired gift cards converted to donations	50
Program service fees	4,016
Other income	312
<b>TOTAL UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT</b>	<u>\$ 10,002</u>
 Expenses	
Program services	\$ 6,909
Supporting services	
Management and general	<u>2,717</u>
<b>TOTAL EXPENSES</b>	<u>\$ 9,626</u>
 <b>INCREASE IN NET ASSETS</b>	 \$ 376
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 <u>17,321</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 17,697</u></u>

**Zidisha Inc.**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b><u>2011</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 376
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Amortization	2,692
(Increase) decrease in operating assets	
Accounts receivable	(74,076)
Increase (decrease) in operating liabilities	
Other current liabilities	82,439
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 11,431</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments for website development	(5,319)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b><u>\$ (5,319)</u></b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 6,112</u></b>
 <b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b><u>11,622</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u><u>\$ 17,734</u></u></b>

See accompanying notes.

# **Zidisha Inc.**

## **Notes to Financial Statements December 31, 2011**

### **NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Activities**

Zidisha Inc. (Zidisha) is a not-for-profit corporation, incorporated in Virginia, United States of America, that has received a determination letter from the United States Internal Revenue Service classifying it as a tax-exempt public charity described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended. Founded in 2009, Zidisha provides a peer-to-peer lending service to poor entrepreneurs in the developing world so that they can create jobs, build assets and improve their standard of living. With a Swahili name implying 'expand', the organization connects low income entrepreneurs of developing nations to lenders across the globe and assists them in expanding their businesses and breaking out of poverty. Its unique funding model which involves no intermediaries enables it to cut down interest rates sharply and made microfinance even more affordable to the poor. At present, Zidisha operates in 4 developing countries in Africa (Burkina Faso, Kenya and Senegal) and Asia (Indonesia), serving over 1,100 clients.

#### **Basis of Accounting and Presentation**

Zidisha's financial statements are prepared on a modified basis of cash receipts and disbursement, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation occurred. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of intangibles and related amortization.

#### **Individual Donations**

Individual Donations and other income are recognized when received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### **Cash and Cash Equivalents**

For the purpose of reporting cash flows, cash and cash equivalent include cash on hand and cash due from banks. \$11,883 of the cash and cash equivalent amount was kept in a US Bank which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. \$5,871 was kept in banks outside the United States and therefore not covered by the FDIC insurance.

Below is a breakdown of cash and cash equivalent:

#### **December 31, 2011**

Wells Fargo checking account, United States:	\$	11,883
BNi checking account, Indonesia:		212
Ecobank checking account, Burkina Faso:		227
CBA checking account, Kenya:		41
M-PESA account, Kenya:		583
CBAO checking account, Senegal:		<u>4,788</u>
	\$	<u><u>17,734</u></u>

### **Program Service Fees**

Borrowers pay a fee on each loan they take out through Zidisha and a one-time, new borrower registration fee is charged for first time borrowers. These fees are recognized as revenue to Zidisha when the cash is received rather than earned.

Program fees include:

#### **December 31, 2011**

Borrower registration fees	\$	1,527
Borrower service fees		1,925
Lender transaction fees		<u>564</u>
	\$	<u><u>4,016</u></u>

### **Contributed Services**

No amounts have been reflected in the financial statements for donated services. Zidisha generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Zidisha's administration, but these services do not meet the criteria for recognition as contributed services. Zidisha has no employees and exclusively use volunteers to help run all its programs. Additionally, Zidisha periodically receives unpaid volunteer services from its Board of Directors, Officers and other volunteers. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.



## Estimates

The preparation of financial statements in conformity with the modified basis of cash receipts and disbursement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

## Income Taxes

Zidisha is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

## Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that Zidisha does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs. This amount has been adjusted for possible non payments based on past experiences of Zidisha and the industry as a whole. The outstanding balance reported has been reduced by an allowance for loan losses of \$1,554.

## Funds held for Others

These are lender funds held by Zidisha acting as custodian or fiscal agent. The funds consist of three folds. The first part consists of funds advanced by lenders for the purpose of funding borrower loan requests that have not yet been disbursed or withdrawn by the lenders. The second part consists of loans that have been disbursed to borrowers and not yet repaid to Zidisha, including interest on repayments, and the third part consists of gift cards purchased by lenders but not yet redeemed.

Funds held for others consist of:

	<b>December 31, 2011</b>
Loans advanced by lenders to Zidisha	\$ 41,430
Loans repaid by borrowers to Zidisha	38,984
Gift cards purchased by lenders to be redeemed by borrowers	<u>2,025</u>
Totals	<u><u>\$ 82,439</u></u>

## Net Assets

The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Zidisha Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

- Unrestricted net assets have no donor-imposed restrictions.
- Temporarily restricted net assets have donor-imposed restrictions that will expire in the future. There were no temporarily restricted net assets at December 31, 2011.
- Permanently restricted net assets have donor-imposed restrictions which do not expire. There were no permanently restricted net assets at December 31, 2011.

## NOTE B—WEBSITE DEVELOPMENT

Website development consists of the following:

	December 31, 2011
Website development cost	\$ 11,017
Less: accumulated amortization	<u>(2,692)</u>
Website development, net	<u>\$ 8,325</u>

Website development represents the total cost of the design and development of Zidisha's website. Amortization is calculated on a straight-line basis over the estimated useful life of 5 years.

## NOTE C—Allocation of Expenses

The costs of providing the various program and supporting services consist of:

	December 31, 2011	
	Program	Management and general
Bank fees	\$ 1,078	\$
Money transfer fees	1,052	
Telephone, Telecommunications	1,176	
Verification partner commission	845	
Volunteer cost reimbursement	508	
Other costs	696	
Loan loss provision	1,554	
Legal fees		25
Amortization		<u>2,692</u>
Totals	<u>\$ 6,909</u>	<u>\$ 2,717</u>

**NOTE D—EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated the effects of events that have occurred subsequent to December 31, 2011, and through April 15, 2012, which is the date its financial statements were available to be issued. During this period, there have been no material subsequent events that would require recognition in financial statements or disclosure in the footnotes to the financial statements.