KOPERNIK SOLUTIONS

Financial Statements

December 31, 2018

Fasten Halberstam

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Kopernik Solutions
New York, New York

We have reviewed the accompanying financial statements of Kopernik Solutions (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1 to the financial statements, in 2018 Kopernik Solutions adopted new accounting guidance, Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

Fasten Halberstam LLP

Fasten Halberstam LLP
New York, New York
October 23, 2019

KOPERNIK SOLUTIONS
Statement of Financial Position
December 31, 2018

ASSETS		
Current assets		
Cash	$	61,391
Investments		1,296,463
Grants receivable		6,250
Prepaid expenses and other assets		7,043
Total current assets		1,371,147
Fixed assets, net		1,165
Total assets	$	1,372,312
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$	11,297
Grants payable		5,262
Total liabilities		16,559
Total net assets		1,355,753
Total liabilities and net assets	$	1,372,312

KOPERNIK SOLUTIONS

Statement of Activities

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
General contributions	$ 128,206	$ -	$ 128,206
Grants	14,458	-	14,458
Program service revenue	150,149	-	150,149
Interest income	176	-	176
In-kind support	11,250	-	11,250
	304,239	-	304,239
Net assets released from restrictions	366,086	(366,086)	-
Total revenues	670,325	(366,086)	304,239
Expenses			
Program services	951,965	-	951,965
Supporting services			
Management and general	87,591	-	87,591
Fundraising	27,803	-	27,803
Total supporting services	115,394	-	115,394
Total expenses	1,067,359	-	1,067,359
Change in net assets from operations	(397,034)	(366,086)	(763,120)
Other expense			
Investment loss	12,151	-	12,151
Change in net assets	(409,185)	(366,086)	(775,271)
Net Assets - Beginning of year	1,764,938	366,086	2,131,024
Net Assets - Ending of year	$ 1,355,753	$ -	$ 1,355,753

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Grants	$ 713,239	$ -	$ -	$ -	$ 713,239
Advertising	-	-	2,981	2,981	2,981
Conference and travel	5,760	2,198	4,843	7,041	12,801
Consulting fees	118,417	-	-	-	118,417
Contracted services	37,087	35,329	6,439	41,768	78,855
Depreciation	-	1,164	-	1,164	1,164
Fees	101	2,845	4,949	7,794	7,895
Foreign exchange loss	-	1,047	-	1,047	1,047
Information technology	22	2,635	92	2,727	2,749
Licenses, dues and fees	-	8,819	-	8,819	8,819
Officers' compensation and benefits	66,089	33,554	8,499	42,053	108,142
Expenses before in-kind	940,715	87,591	27,803	115,394	1,056,109
Services (in-kind)	11,250	-	-	-	11,250
Total expenses	$ 951,965	$ 87,591	$ 27,803	$ 115,394	$ 1,067,359

Cash flows from operating activities:		
Change in net assets	$	(775,271)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments		12,151
Depreciation		1,164
Changes in operating assets and liabilities:		
Grants receivable		359,836
Prepaid expenses and other assets		16,008
Accounts payable and accrued expenses		(19,110)
Grants payable		(34,205)
Deferred revenue		(2,539)
Net cash used in operating activities		(441,966)
Cash flows from investing activities:		
Purchase of investments		(250,000)
Net cash used in investing activities		(250,000)
Net decrease in cash		(691,966)
Cash at beginning of year		753,357
Cash at end of year	$	61,391

1. PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Kopernik Solutions (the “Organization”) is a not-for-profit organization incorporated on September 18, 2009 in New York State. The Organization was formed for the charitable purpose of providing developmental assistance to poor and disadvantaged communities in the world through the use of technology or innovative products, services and solutions designed to improve the quality of their lives.

Support for the Organization’s programs is derived from foundation grants and general contributions. The Organization is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within Internal Revenue Code requirements.

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations on an accrual basis. The significant accounting and reporting policies used by the Organization are described below.

New Accounting Pronouncements

In May 2014, the FASB issued a new revenue recognition standard entitled Revenue from Contracts with Customers under Accounting Standards Update 2014-09. The core principle of the new guidance is 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. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. The standard is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018, with early adoption permitted. Entities must adopt the new guidance using one of two retrospective application methods. Although, the Organization has not yet adopted ASU 2014-09, it is currently evaluating the standard to determine the impact of its adoption on the financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not for Profit Entities (“ASU 2016-14”). The new standard looks to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The main provisions of this update, which amend the requirements for financial statements and notes, require not-for-profit entities to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. Other amendments include improved quantitative and qualitative disclosures in the footnotes. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Organization adopted this update in the financial statements during 2018.

Net Assets

Net assets and revenues, and 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 as follows:

PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

<u>Net assets without donor restrictions:</u> Net assets that are not subject to donor-imposed restrictions and may be used for any purpose in performing the main objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

<u>Net assets with donor restrictions:</u> Net assets subject to terms imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has specified the funds be maintained in perpetuity.

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

The Organization maintains all of its cash, aside from petty cash, in a financial institution. The financial institution is FDIC insured up to $250,000 per depositor. At times, the Organization's cash balance may exceed the FDIC's insured limits. This exposes the Organization to potential risk of loss in the event of the financial institution becomes insolvent.

Contributions (Grants) Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. All contributions and grants receivable are expected by management to be collected during the next year.

Property and Equipment

Land, buildings, property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $3,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Revenue

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. If an expense is incurred for a purpose for which net assets with donor restrictions are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred. When a donor restriction expires, that is, when

PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as release from restrictions in the statement of activities. Gains or losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or by law.

Foreign Currency
Assets and liabilities denominated in foreign currencies are translated into U.S. dollars, the reporting currency at exchange rates in effect at the consolidated statement of financial position date, and revenue and expenses are translated at rates which approximate those in effect on transactions dates. Net transaction and translation gains and losses are included as foreign currency exchange gain or loss in the accompanying statement of activities.

Gifts-in-Kind (Non-Cash Contributions)
The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a non-cash contribution, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

Advertising Costs
Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2018 amounted to $2,981.

Expense Recognition and Allocation
The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities.

Income Taxes
The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. At December 31, 2018, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of

PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain balances and amounts in the prior year financial statements have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

Subsequent Events

The Organization has evaluated subsequent events through October 23, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. GRANTS RECEIVABLE:

Grants receivable are expected by management to be collected during the next year. Management has determined that the grants receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2018.

3. FIXED ASSETS:

Fixed assets, at cost, consists of the following:

	Amount	Depreciation Period
Furniture, fixtures and equipment	$3,494	3 Years
Less: Accumulated depreciation	(2,329)	
Fixed assets, net	$1,165	

4. RESTRICTED NET ASSETS:

The Organization had no net assets with donor restrictions at December 31, 2018. The details for the net assets for the year ending December 31, 2018, are as follows:

Name	Restriction Details	Balance Beginning of Year	Net Assets with Donor Restrictions	Net Assets Released from Restrictions	Balance End of Year
Exxonmobil Foundation	Funds restricted for use in a future period	$ 350,000	$ -	$ (350,000)	$ -
Awareness Raising	Funds for awareness raising tour in Australia in a future period	16,086	-	(16,086)	-
Total		$ 366,086	$ -	$ (366,086)	$ -

5. IN-KIND SERVICES:

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without restrictions unless explicit donor stipulations specify how donated assets must be used. For the year ending December 31, 2018, the Organization benefited from donated technology services which were valued by the Organization at $11,250. The donated services were utilized in the Organization’s program services.

6. VOLUNTEER SERVICES: The volunteer services the Organization receives are essential to helping fulfill its mission. Although substantial, these services do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America.

7. INVESTMENTS: The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that a not-for-profit organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions). The primary uses of fair value measures in the Organization’s financial statements are the recurring measurement of investments.

Mutual Funds consist of investments in securities that are freely tradable and listed on major securities exchanges at their last reported sales price as of the valuation date. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

There were no significant transfers between the levels during the year. The following table summarizes the levels in the fair value hierarchy of the Organization's investments at December 31, 2018:

INVESTMENTS (continued):

	Total	Level 1	Level 2	Level 3
Mutual funds – bonds	$1,037,171	$1,037,171	$ -	$ -
Mutual funds – stocks	259,292	259,292	-	-
Total investments	$1,296,463	$1,296,463	$ -	$ -

The composition of the investment return reported in the statement of activities is as follows:

Investment income	$ 33,895
Net realized gains (losses)	9,761
Net unrealized losses (gains)	(55,807)
Total investment return	$ (12,151)

8. AFFILIATED ORGANIZATIONS: Kopernik Solutions works with affiliated organizations in Indonesia and Japan, which are governed by separate boards of directors in those countries. These affiliates, although not commonly controlled, share an overall mission to reduce poverty through the distribution of simple technology to people in need in developing countries.

Yayasan Kopernik is registered as an Indonesian Foundation (Yayasan) with the Indonesian Ministry of Law and Human Rights. Kopernik Japan is registered as a General Incorporated Association in Japan. Neither affiliate is controlled by, or in control of, the Organization and therefore, the accompanying financial statements do not include the accounts of Yayasan Kopernik or Kopernik Japan. Transactions with Yayasan Kopernik and Kopernik Japan are included as part of operations as program activities (see note 10).

9. LIQUIDITY AND AVAILABILITY: The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements.

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash	$ 61,391
Investments	1,296,463
Grants receivable	6,250
Prepaid expenses and other assets	7,043
Total financial assets available to meet general expenditures over the next twelve months	$ 1,371,147

10. RELATED PARTY TRANSACTIONS: The Organization's Indonesian affiliate, Yayasan Kopernik, is a legally separate entity and not under common control. The Organization has made grants to Yayasan to further the Organization's mission. Grants in the amount of $713,239 were made to Yayasan during the year ending December 31, 2018.

Two of the directors of the Organization are owners of PT Kopernik, an Indonesian company. During 2018, the Organization paid approximately $80,100 for services rendered by PT Kopernik. These payments are included as part of program activities.

11. CONCENTRATION OF DONOR RISK: For the year ended December 31, 2018, one donor's contribution accounted for more than 15% of the Organization's donations.

12. CONTINGENCIES: The Organization received funds from a cost reimbursement contract that has a co-finance (matching) provision, which are subject to audit by the grantee. Management believes these matters will not have a significant effect on the Organization's financial position

13. RISKS AND UNCERTAINTIES: Substantially all of the grants were made to an organization located in Indonesia. The Organization's activities are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Organization operates. Among other risks, the Organization's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations.