

The logo consists of a dark purple square with the word "TIDEPOOL" centered inside. The letters are white with a dotted or pixelated texture.

TIDEPOOL

**TIDEPOOL PROJECT  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Tidepool Project  
San Francisco, California

We have audited the accompanying financial statements of Tidepool Project (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tidepool Project as of June 30, 2015, and the changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



November 30, 2015

Member of



North America  
An association of legally  
independent firms

# TIDEPOOL PROJECT

## STATEMENT OF FINANCIAL POSITION

June 30, 2015

### Assets

Current assets:	
Cash and cash equivalents	\$ 246,766
Cash restricted as to use	409,333
Accounts receivable, net of allowance for doubtful accounts of \$50,000	34,137
Prepaid expenses	<u>15,505</u>
Total current assets	705,741
Property and equipment, net of accumulated depreciation	16,360
Other assets:	
Intangible asset, net of accumulated amortization	2,745
Deposits	<u>1,470</u>
Total other assets	<u>4,215</u>
Total assets	<u><u>\$ 726,316</u></u>

### Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 45,734
Accrued expenses	<u>28,720</u>
Total current liabilities	74,454
Net assets:	
Unrestricted	242,529
Temporarily restricted	<u>409,333</u>
Total net assets	<u>651,862</u>
Total liabilities and net assets	<u><u>\$ 726,316</u></u>

# TIDEPOOL PROJECT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions	\$ 199,584	\$ 460,000	\$ 659,584
Grants	60,200	1,190,000	1,250,200
Fee for service	187,087	-	187,087
Interest income	2	-	2
Net assets released from restrictions	1,240,667	(1,240,667)	-
Total revenue and support	1,687,540	409,333	2,096,873
Operating expenses:			
Program services	1,280,713	-	1,280,713
General and administrative	44,330	-	44,330
Fundraising	24,066	-	24,066
Total operating expenses	1,349,109	-	1,349,109
Change in net assets	338,431	409,333	747,764
Net deficit, beginning of year	(95,902)	-	(95,902)
Net assets, end of year	\$ 242,529	\$ 409,333	\$ 651,862

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

# TIDEPOOL PROJECT

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional expenses:				
Payroll and related expenses	\$ 742,971	\$ -	\$ 18,214	\$ 761,185
Contractors	309,601	-	-	309,601
Travel and meetings	78,374	-	3,852	82,226
Rent	19,140	-	-	19,140
Web services	28,454	-	-	28,454
Professional services	39,746	11,299	-	51,045
Office expenses	5,948	33,031	2,000	40,979
Bad debt expense	50,000	-	-	50,000
Depreciation and amortization	6,479	-	-	6,479
	<u>\$ 1,280,713</u>	<u>\$ 44,330</u>	<u>\$ 24,066</u>	<u>\$ 1,349,109</u>

# TIDEPOOL PROJECT

## STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	\$ 747,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,479
Bad debt expense	50,000
Changes in operating assets and liabilities:	
Cash restricted as to use	(409,333)
Accounts receivable	(84,137)
Prepaid expenses	1,158
Accounts payable	33,706
Accrued expenses	<u>(158,153)</u>
Net cash provided by operating activities	187,484
Cash flows from investing activities:	
Purchases of property and equipment	(7,984)
Acquisition of trademark	<u>(2,840)</u>
Net cash used in investing activities	<u>(10,824)</u>
Net increase in cash and cash equivalents	176,660
Cash and cash equivalents, beginning of year	<u>70,106</u>
Cash and cash equivalents, end of year	<u><u>\$ 246,766</u></u>

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

# TIDEPOOL PROJECT

## Notes to Financial Statements

June 30, 2015

### Note 1 - Nature of operations

Tidepool Project (the "Organization") is a nonprofit, open source software development organization building a software platform and software applications that help reduce the burden of managing Type 1 diabetes. All of the Organization's source code is freely available at <https://github.com/tidepool-org>.

The Organization is currently developing the following software applications:

- The **Tidepool Uploader** is a cross-platform, web-based tool that allows users to upload data from insulin pumps, continuous glucose monitors, and blood glucose meters. This data is uploaded to the secure, cloud-based Tidepool Platform.
- **Blip** is a web-based application that consolidates data from multiple diabetes devices into one location and makes it easier to share that data with caregivers.
- **Blip Notes** is a companion mobile application to Blip that makes it possible to record contextual information about the life events that may affect diabetes therapy.
- **Nutshell** is a mobile application that records what the user ate and pairs it with data from diabetes devices stored in the Tidepool Platform, making it possible for patients to recall what they ate and how their body reacted to insulin therapy dosing decisions.

The Tidepool Uploader, Blip and Nutshell will be made freely available to patients and their care givers. The Organization also offers a cloud-hosted version of its software under a fee based Platform as a Service (PaaS) to diabetes device makers and diabetes researchers.

### Note 2 - Summary of significant accounting policies

#### Basis of accounting

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

#### Financial statement presentation

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

*Unrestricted net assets* - are neither permanently restricted nor temporarily restricted by donor imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws.

*Temporarily restricted net assets* - result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations.

# TIDEPOOL PROJECT

## Notes to Financial Statements

June 30, 2015

### Note 2 - Summary of significant accounting policies (continued)

#### Financial statement presentation (continued)

*Permanently restricted net assets* - result from contributions and other inflows of assets whose use by the Organization is permanently restricted by the donor, which require the assets to be maintained in perpetuity but permit the Organization to expend all or part of the income derived from the donated assets. At June 30, 2015, the Organization had no permanently restricted net assets.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include the allowance for doubtful accounts and determining useful lives of property and equipment. Actual results could differ from those estimates.

#### Fair value

The Organization has adopted fair value accounting guidance for all applicable assets and liabilities to define fair value, establish a framework for measuring fair value, and enhance fair value measurement disclosure. The application of this guidance does not have a significant impact on the Organization's financial statements. All of the carrying amounts of the Organization's financial assets and liabilities on its balance sheets approximate fair value because of the short maturity of these instruments.

#### Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents. As of June 30, 2015, cash and cash equivalents consist of cash deposited with banks. The recorded carrying amount of cash and cash equivalents approximates their fair value. The Organization places its cash equivalents with high credit-quality financial institutions.

#### Accounts receivable

Accounts receivable arise principally from charges to funding sources for services performed. The Organization records an allowance for doubtful accounts based on specifically identified amounts that not certain to be collected. As of June 30, 2015, allowance for doubtful accounts was \$50,000.

#### Revenue recognition

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with grantor/donor stipulations that limit the use of the assets. When a grantor/donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Contributions are recognized as receivables in the accompanying statement of financial position when the donor makes a promise to give to the Organization that is, in substance, unconditional. Fee for service revenue is recognized when goods are delivered or services rendered.

# TIDEPOOL PROJECT

## Notes to Financial Statements

June 30, 2015

### Note 2 - Summary of significant accounting policies (continued)

#### Research and development costs

Research and development costs are expensed as incurred. The cost of internally developed software is expensed as the Organization uses agile software development with new application software functionality being deployed frequently.

#### Property, equipment and depreciation

The Organization capitalizes property and equipment acquisitions over \$1,000. Purchased property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets of three years.

#### Intangible assets

The Organization capitalized the cost incurred to obtain a certain trademark. Amortization is computed using the straight-line method over the estimated useful life of five years.

#### Functional Expense

The costs of providing the Organization's program and service have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to the related program or service benefited.

#### Tax exempt status

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Accordingly, no provisions for income taxes or related tax credits are included in these financial statements.

The Organization has adopted the accounting standard related to uncertainties in income taxes. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination; therefore, no liability for unrecognized income tax benefits has been recorded as of June 30, 2015. The Organization's tax returns are subject to examination by a major tax jurisdiction back to 2012.

#### Subsequent events

In preparing its financial statements, the Organization has evaluated subsequent events through November 30, 2015, which is the date the financial statements were available to be issued.

# TIDEPOOL PROJECT

## Notes to Financial Statements

June 30, 2015

### Note 3 - Property, equipment and depreciation

Property and equipment at June 30, 2015 consisted of the following:

Computer equipment	\$	24,807
Less accumulated depreciation		<u>(8,447)</u>
	\$	<u>16,360</u>

Depreciation expense for the year ended June 30, 2015 was \$6,384.

### Note 4 - Intangible assets

Intangible assets at June 30, 2015 consist of the following:

Trademark	\$	2,840
Less accumulated amortization		<u>(95)</u>
	\$	<u>2,745</u>

### Note 5 - Temporarily restricted net assets

Temporarily restricted net assets were available for the following purpose:

	<u>June 30,</u> <u>2014</u>	<u>Additions</u>	<u>Released</u> <u>From</u> <u>Restrictions</u>	<u>June 30,</u> <u>2015</u>
Development of software platform and applications	\$ -	\$ 1,650,000	\$ (1,240,667)	\$ 409,333
	<u>\$ -</u>	<u>\$ 1,650,000</u>	<u>\$ (1,240,667)</u>	<u>\$ 409,333</u>

### Note 6 - Concentrations

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Organization maintains its cash and cash equivalents accounts with high-credit, quality financial institutions. The Organization believes its credit policies do not result in significant adverse risk, and historically has not experienced significant credit-related losses.

# TIDEPOOL PROJECT

## Notes to Financial Statements

June 30, 2015

### Note 6 - Concentrations (continued)

Pledges and grants receivable represent amounts committed by donors that have not been received. Accounts receivable represent amounts invoiced for services performed. The Organization makes judgments as to the ability to collect all of its outstanding receivables and provides allowances for amounts when collection becomes doubtful. Provisions are made based upon a specific review of past due and other outstanding balances for which collection is considered uncertain.

As of and for the year ended June 30, 2015, the Organization had three significant grantors that represented 29%, 29% and 21% of total revenue and support, respectively.