TIDEPOOL PROJECT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Abbott, Stringham & Lynch
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the financial statements, Tidepool Project has not received the required revenue and support in the form of grants, contributions and fee for service revenue necessary to meet its obligations as they become due within the subsequent one year period from our report date, which has raised substantial doubt about its ability to continue as a going concern. Management’s plan in regard to these matters is described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter

Abbott, Stringham + Lynch

April 6, 2018

TIDEPOOL PROJECT

STATEMENT OF FINANCIAL POSITION

June 30, 2017

Assets

Current assets:	
Cash and cash equivalents	$ 774,337
Accounts receivable	2,500
Prepaid expenses	20,370
Total current assets	797,207
Property and equipment, net of accumulated depreciation	7,292
Other assets:	
Intangible asset, net of accumulated amortization	1,700
Deposits	2,350
Total other assets	4,050
Total assets	$ 808,549

Liabilities and Net Assets

Current liabilities:	
Accounts payable	$ 41,661
Accrued payroll and benefits	34,141
Total current liabilities	75,802
Net assets:	
Unrestricted	659,325
Temporarily restricted	73,422
Total net assets	732,747
Total liabilities and net assets	$ 808,549

TIDEPOOL PROJECT

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Grants - foundation	$ -	$ 2,156,115	$ 2,156,115
Contributions - individuals and businesses	29,482	-	29,482
Contributions - in-kind	29,506	-	29,506
Fee for service	155,822	-	155,822
Interest and other income	180	-	180
Loss on disposition of assets	(722)		(722)
Net assets released from restrictions	2,082,693	(2,082,693)	-
Total revenue and support	2,296,961	73,422	2,370,383
Functional expenses:			
Program services	2,082,693	-	2,082,693
General and administrative	44,029	-	44,029
Fundraising	14,453	-	14,453
Total functional expenses	2,141,175	-	2,141,175
Change in net assets	155,786	73,422	229,208
Net assets, beginning of year	503,539	-	503,539
Net assets, end of year	$ 659,325	$ 73,422	$ 732,747

TIDEPOOL PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2017

	Program Services	General and Administrative	Fundraising	Total
Functional expenses:				
Payroll and related expenses	$ 1,375,269	$ -	$ 11,510	$ 1,386,779
Contractors	418,871	-	-	418,871
Travel and meetings	65,653	-	1,865	67,518
Office expenses	52,191	28,705	1,078	81,974
Rent	50,875	-	-	50,875
Web services	48,311	-	-	48,311
Professional services	32,017	15,324	-	47,341
Grants	31,000	-	-	31,000
Depreciation and amortization	8,506	-	-	8,506
Total functional expenses	$ 2,082,693	$ 44,029	$ 14,453	$ 2,141,175

TIDEPOOL PROJECT

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year ended June 30, 2017

Cash flows from operating activities:	
Change in net assets	$ 229,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	8,457
Loss on disposition of assets	722
Changes in operating assets and liabilities:	
Accounts receivable	6,000
Prepaid expenses	6,275
Accounts payable	8,814
Accrued payroll and benefits	15,802
Net cash provided by operating activities	275,278
Cash flows from investing activities:	
Purchases of property and equipment	(4,255)
Net cash used in investing activities	(4,255)
Net increase in cash and cash equivalents	271,023
Cash and cash equivalents, beginning of year	503,314
Cash and cash equivalents, end of year	$ 774,337

TIDEPOOL PROJECT

Notes to Financial Statements

June 30, 2017

Note 1 - Nature of operations

Tidepool Project (the "Organization") is a 501(c)3 nonprofit, open source software development organization delivering a software platform and applications that make diabetes data more accessible, actionable, and meaningful by liberating data from diabetes devices, supporting researchers, and providing free software to the diabetes community. All of the Organization's source code is freely available at https://github.com/tidepool-org. Tidepool's software is available at https://tidepool.org.

The Organization currently offers the following software applications:

- The Tidepool Uploader is a downloadable application for Mac and PC systems which 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.
- Tidepool for Web consolidates data from multiple diabetes devices into one location and makes it easier to share that data with caregivers.
- Tidepool Mobile is a companion mobile application that makes it possible to record contextual information about the life events that may affect diabetes therapy.

The Tidepool Uploader, Tidepool for Web, and Tidepool Mobile are made freely available to people living with diabetes and their caregivers.

The Organization also offers a cloud-hosted version of its software under a fee-based Platform as a Service (PaaS). The Tidepool Clinical Study Platform allows academic and industry researchers to more easily gather data for their clinical studies. Finally, the Organization allows its users to opt-in to donating their diabetes data anonymously via the Tidepool Big Data Donation Project. Access to these anonymized, longitudinal datasets may be licensed by academic, industry and citizen scientist researchers.

Note 2 - Going concern consideration

As of January 31, 2018, the Organization incurred a cumulative loss of approximately $575,000. The Organization expects to continue to incur operating losses and negative cash flows until mission related service revenues reach a level sufficient to support ongoing operations. Accordingly, its planned operations raise substantial doubt about its ability to meet its obligations as they become due and to continue as a going concern within one year after April 6, 2018, which is the date that these financial statements are available to be issued.

Note 3 - Management's plan

In past years, the Organization has relied primarily on grants from foundations to fund development of its software platforms, applications, and to cover operating expenses. While management expects to continue receiving grants and donations, the long term goal has been to be able to self-fund by generating revenue from mission related services. The Organization continues to aggressively pursue partnerships and business development opportunities to increase revenue from mission related services and programs (e.g., Tidepool Clinical Study Program, Tidepool Big Data Donation Project). Additionally, management is currently and will continue to actively fundraise with grant-making organizations such as JDRF, Helmsley Charitable Trust, and Goldsmith Foundation. As of January 31, 2018, the Organization was able to only obtain approximately $700,000 in grant revenues, and $65,000 of mission related service revenue. These results currently do not alleviate the substantial doubt about the Organization's ability to continue as a going concern, as discussed above in Note 2.

Note 4 - 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.

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, 2017, 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 estimate used in preparing these financial statements includes the determination of the useful lives of property and equipment and intangibles. Actual results could differ from this estimate.

Fair value measurements

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 statement of financial position 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, 2017, cash and cash equivalents consist of cash and insured deposits 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.

Note 4 - Summary of significant accounting policies (continued)

Accounts receivable

Accounts receivable arise principally from charges to funding sources for current expenses, licensing its Platform as a Service, and datasets licensing. The Organization records an allowance for doubtful accounts based on specifically identified amounts that it believes are uncertain and records additional allowances based upon certain percentages of aged receivables, which are determined based on historical experience and consideration of the general financial conditions that may affect payment. As of June 30, 2017, the Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recognized. If amounts become uncollectable, they will be written off when that determination is made.

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.

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, which is generally three years.

Intangible assets

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

Functional allocation of expenses

The costs of providing the Organization's programs and support services 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. Expenses that are associated with more than one program or supporting service are allocated based on estimates made by management.

Note 4 - Summary of significant accounting policies (continued)

Tax exempt status

The Organization has been granted tax-exempt status by the Internal Revenue Service (Section 501(c)(3)) and the California Franchise Tax Board (Section 23701d). The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is subject to a tax on income earned from any unrelated business activity. The Organization does not believe it has any unrelated business taxable income that should have been reported for tax purposes.

The Organization has adopted the accounting standard related to uncertainties in income taxes. The Organization evaluates uncertain tax positions through its review of the source of revenue to identify unrelated business income and certain other matters, including those which may affect its tax exempt status. Management believes their estimates related to income tax uncertainties are appropriate based on the current facts and circumstances.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for years ended June 30, 2014 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended June 30, 2013 and after are also subject to examination by state taxing authorities, generally for four years after they are filed.

New accounting pronouncements not yet adopted

In May 2014, the FASB issued new accounting guidance for reporting revenue from contracts with customers. The five-step process in the new guidance may make it possible that more judgment and estimation is required within the revenue recognition process than required under existing pronouncements, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This new guidance is effective for annual reporting periods beginning after December 15, 2018, though early adoption is permitted for annual reporting periods beginning after December 15, 2016, and may be applied using either a full retrospective or a modified retrospective approach upon adoption. The Organization is currently evaluating the impact of adopting the new standard on its results of operations and financial position.

In February 2016, the FASB issued new accounting guidance for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new accounting guidance also addresses changes to lessor accounting. These changes are not considered to significantly modify the existing accounting guidance. The new standard will be effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted, and must be applied using a modified retrospective approach. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

In August 2016, FASB issued new accounting guidance for presentation of financial statements of not-for-profit entities. The update, which is the first phase of a two-phase project, makes significant changes in seven areas:

Note 4 - Summary of significant accounting policies (continued)

New accounting pronouncements not yet adopted (continued)

- *Net assets classes* - the three classes of net assets, (unrestricted, temporarily restricted and permanently restricted), will be replaced with two classes of net assets (net assets with donor restrictions and net assets without donor restrictions).

- *Liquidity and availability of resources* - organizations will be required to disclose both qualitative and quantitative information about how they manage their liquid resources.

- *Classification and disclosure of underwater endowment funds* - reporting of accumulated losses of a donor-restricted endowment fund that is an underwater endowment fund, will be included together with endowment fund in net assets with donor restrictions. The fund balance of a donor-restricted endowment fund will be reported entirely within net assets with donor restrictions, and the fund balance for a board-designated endowment fund will be reported entirely within net assets without donor restrictions.

- *Expense reporting - all not-for-profit organizations will be required to present an analysis of expenses by functional and natural classifications as well as to provide a description of the methods used to allocate costs among program and support functions. The statement of functional expenses has been included in the Organization's financial reporting.*

- *Statement of cash flows - continue to permit an organization to choose whether to provide a statement of cash flows using the direct or indirect method. However, if the direct method is used, the indirect reconciliation will no longer be required.*

- *Investment return - require that investment expenses related to total return investing be netted against investment returns on the statement of activities and eliminate the requirement to disclose investment expenses that have been netted.*

- *Release of restrictions on capital assets - require not-for-profit organization to report expirations of restrictions on gifts of long-lived assets and cash or other assets to be used to acquire or construct long-lived assets.*

This update is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. The update is to be applied on a retrospective basis. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

Subsequent events

In preparing its financial statements, the Organization has evaluated subsequent events through April 6, 2018, which is the date the financial statements were available to be issued.

Note 5 - Property, equipment and depreciation

Property and equipment at June 30, 2017 consisted of the following:

Computer equipment	$ 30,655
Less: accumulated depreciation	(23,363)
	$ 7,292

Depreciation expense for the year ended June 30, 2017 was $7,887.

Note 6 - Intangible asset

The intangible asset at June 30, 2017 consists of the following:

Trademark	$ 2,840
Less: accumulated amortization	(1,140)
	$ 1,700

Amortization expense for the year ended June 30, 2017 was $570.

Note 7 - Temporarily restricted net assets

Temporarily restricted net assets were available for the following purpose:

	June 30, 2016	Additions	Released From Restriction	June 30, 2017
Development of software platform and applications	$ -	$ 2,156,115	$ (2,082,693)	$ 73,422
	$ -	$ 2,156,115	$ (2,082,693)	$ 73,422

Note 8 - Concentrations

Pledges and grants receivable represent amounts committed by donors that have not been received. Accounts receivable represent amounts invoiced for services performed.

As of and for the year ended June 30, 2017, the Organization had one significant grantor that represented 91% of total revenue and support.