

TEAM RUBICON, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

TEAM RUBICON, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

CONTENTS

| | Page |
|--|-------------|
| Independent Auditor's Report..... | 1 |
| Statement of Financial Position..... | 3 |
| Statement of Activities..... | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows..... | 6 |
| Notes to Financial Statements..... | 7 |



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Team Rubicon, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Team Rubicon, Inc. (Team Rubicon), which comprise the statement of financial position as of December 31, 2020, 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 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.

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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Team Rubicon as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Team Rubicon, Inc.

Report on Summarized Comparative Information

We have previously audited Team Rubicon's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

January 28, 2022
Los Angeles, California

TEAM RUBICON, INC.STATEMENT OF FINANCIAL POSITION
December 31, 2020
With Summarized Totals at December 31, 2019

| ASSETS | 2020 | | | 2019 Total |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Cash and Cash Equivalents | \$ 9,404,238 | \$ - | \$ 9,404,238 | \$ 6,735,394 |
| Investments | 14,948,013 | 3,993,175 | 18,941,188 | 18,611,353 |
| Contributions and Pledges Receivable | 245,000 | 6,148,082 | 6,393,082 | 7,013,624 |
| Prepaid Expenses and Other Assets | 1,533,454 | - | 1,533,454 | 722,842 |
| Capitalized Software and Domain Name (Net) | 2,409,439 | - | 2,409,439 | 1,845,105 |
| Property and Equipment (Net) | 2,026,596 | - | 2,026,596 | 1,921,895 |
| TOTAL ASSETS | \$ 30,566,740 | \$ 10,141,257 | \$ 40,707,997 | \$ 36,850,213 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES: | | | | |
| Accounts Payable | \$ 441,874 | \$ - | \$ 441,874 | \$ 474,409 |
| Accrued Liabilities | 2,098,631 | - | 2,098,631 | 1,617,206 |
| Line of Credit | 3,000,000 | - | 3,000,000 | - |
| TOTAL LIABILITIES | 5,540,505 | - | 5,540,505 | 2,091,615 |
| NET ASSETS: | | | | |
| Without Donor Restrictions | 25,026,235 | - | 25,026,235 | 24,341,214 |
| With Donor Restrictions | - | 10,141,257 | 10,141,257 | 10,417,384 |
| TOTAL NET ASSETS | 25,026,235 | 10,141,257 | 35,167,492 | 34,758,598 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 30,566,740 | \$ 10,141,257 | \$ 40,707,997 | \$ 36,850,213 |

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

With Summarized Totals for the Year Ended December 31, 2019

| | 2020 | | | 2019 Total |
|---|-------------------------------|----------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| REVENUE, PUBLIC SUPPORT AND OTHER INCOME: | | | | |
| Contributions and Grants | \$ 12,781,823 | \$ 20,916,549 | \$ 33,698,372 | \$ 33,178,673 |
| In-Kind Contributions | 24,447,935 | - | 24,447,935 | 17,083,683 |
| Special Events (Net of Cost of Direct Donor Benefits of \$389,408) | 3,004,737 | - | 3,004,737 | 1,860,826 |
| Licensing and Other Revenue | 1,956,266 | - | 1,956,266 | 1,357,490 |
| Investment Return (Net) | 507,510 | - | 507,510 | 681,971 |
| Net Assets Released from Donor Restrictions | 21,192,676 | (21,192,676) | - | - |
| TOTAL REVENUE, PUBLIC SUPPORT AND OTHER INCOME | 63,890,947 | (276,127) | 63,614,820 | 54,162,643 |
| EXPENSES: | | | | |
| Program Services | 52,467,320 | - | 52,467,320 | 42,365,162 |
| Management and General | 6,902,096 | - | 6,902,096 | 3,596,668 |
| Fundraising | 3,836,510 | - | 3,836,510 | 2,702,972 |
| TOTAL EXPENSES | 63,205,926 | - | 63,205,926 | 48,664,802 |
| CHANGE IN NET ASSETS | 685,021 | (276,127) | 408,894 | 5,497,841 |
| Net Assets - Beginning of Year | 24,341,214 | 10,417,384 | 34,758,598 | 29,260,757 |
| NET ASSETS - END OF YEAR | \$ 25,026,235 | \$ 10,141,257 | \$ 35,167,492 | \$ 34,758,598 |

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

With Summarized Totals for the Year Ended December 31, 2019

| | 2020 | | | | | | | | 2019 Total |
|--|------------------------|------------------------------|-----------------------|---------------------|---------------------------|---------------------------|---------------------|----------------------|----------------------|
| | Disaster Operations | Capabilities and Training | Rebuild Operations | Other | Total Program Services | Management and General | Fundraising | Total | |
| Field Expenses and Travel | \$ 9,714,758 | \$ 1,226,172 | \$ 879,369 | \$ 89,859 | \$ 11,910,158 | \$ 247,374 | \$ 31,080 | \$ 12,188,612 | \$ 13,975,784 |
| Personnel Costs | 8,510,724 | 3,738,871 | 713,054 | - | 12,962,649 | 1,689,499 | 2,623,858 | 17,276,006 | 12,456,681 |
| Technology, Office Equipment and Supplies | 10,367,689 | 2,231,076 | 21,424 | 2,317 | 12,622,506 | 678,186 | 296,365 | 13,597,057 | 11,686,446 |
| Marketing | 889,789 | 8,025,082 | 2,704 | 5,873 | 8,923,448 | 18,859 | 295,526 | 9,237,833 | 4,044,462 |
| Professional Services | 1,770,821 | 1,134,261 | 8,165 | 4,412 | 2,917,659 | 3,947,379 | 326,115 | 7,191,153 | 3,460,810 |
| Other Business Expenses | 634,560 | 174,850 | 6,453 | 3,030 | 818,893 | 225,576 | 175,156 | 1,219,625 | 1,027,825 |
| Depreciation and Amortization | 448,502 | 645,626 | 4,680 | 4,447 | 1,103,255 | 16,278 | - | 1,119,533 | 690,697 |
| Rent, Parking and Utilities | 300,956 | 219,258 | 113,686 | - | 633,900 | 78,350 | 88,410 | 800,660 | 869,064 |
| Insurance | 186,206 | 187,526 | - | - | 373,732 | 595 | - | 374,327 | 316,033 |
| Awards, Fellowships and Grants | - | 201,120 | - | - | 201,120 | - | - | 201,120 | 137,000 |
| TOTAL 2020 FUNCTIONAL EXPENSES | \$ 32,824,005 | \$ 17,783,842 | \$ 1,749,535 | \$ 109,938 | \$ 52,467,320 | \$ 6,902,096 | \$ 3,836,510 | \$ 63,205,926 | |
| | | | | | 83% | 11% | 6% | 100% | |
| TOTAL 2019 FUNCTIONAL EXPENSES | \$ 19,764,785 | \$ 14,257,052 | \$ 5,237,374 | \$ 3,105,951 | \$ 42,365,162 | \$ 3,596,668 | \$ 2,702,972 | | \$ 48,664,802 |
| | | | | | 87% | 7% | 6% | | 100% |

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

With Summarized Totals for the Year Ended December 31, 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 408,894 | \$ 5,497,841 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Donated Software | (446,692) | (976,555) |
| Depreciation and Amortization | 1,119,533 | 690,697 |
| Net Realized and Unrealized Gain on Investments | (183,594) | (63,434) |
| (Increase) Decrease in: | | |
| Contributions and Pledges Receivable | 620,542 | (3,788,265) |
| Prepaid Expenses and Other Assets | (810,612) | (116,160) |
| Increase (Decrease) in: | | |
| Accounts Payable | (32,535) | (68,831) |
| Accrued Liabilities | 481,425 | (413,776) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,156,961</u> | <u>761,517</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property and Equipment | (360,205) | (835,587) |
| Purchase of Capitalized Software | (981,671) | (454,648) |
| Purchase of Investments | (23,173,275) | (19,153,041) |
| Interest and Dividends Reinvested | (419,306) | (573,494) |
| Proceeds on Sale of Investments | <u>23,446,340</u> | <u>23,519,322</u> |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>(1,488,117)</u> | <u>2,502,552</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net Draws on Line of Credit | <u>3,000,000</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | <u>2,668,844</u> | <u>3,264,069</u> |
| Cash and Cash Equivalents - Beginning of Year | <u>6,735,394</u> | <u>3,471,325</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 9,404,238</u> | <u>\$ 6,735,394</u> |

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - ORGANIZATION

Team Rubicon, Inc. (Team Rubicon) is a nonprofit international disaster response and humanitarian organization founded in 2010. Team Rubicon's primary mission is providing immediate response, relief and recovery to those affected by disasters and humanitarian crises across the United States and around the world. By pairing the skills and experiences of military veterans with first responders, civilian volunteers, and technology solutions, Team Rubicon aims to provide the greatest service and impact possible. Through continued service via Team Rubicon, many veterans rediscover three things they feel are missing after leaving the military: a Purpose, gained through disaster relief; Community, built by serving with others; and Identity, from recognizing the impact one individual can make. Coupled with leadership development and other opportunities, Team Rubicon offers a way for veterans to continue their service as they transition from military to civilian life.

Team Rubicon currently has more than 135,000 registered volunteers (70% military veterans) and has executed over 800 operations in response to approximately 440 disasters, including large-scale events such as the 2010 Haiti earthquake, Superstorm Sandy (2012), Hurricane Harvey (2017), Hurricanes Laura and Sally (2020) and others. In the aftermath of a disaster, Team Rubicon provides services free of charge to affected homeowners, families, and communities. Services range from debris removal - utilizing manual labor, chainsaws, or heavy equipment - to demolition, home repair, incident management and coordination, damage assessment, and mapping. Since 2010, Team Rubicon has returned \$54,310,119 (unaudited) in volunteer labor to communities affected by a disaster.

In response to the unprecedented COVID-19 pandemic, Team Rubicon launched over 360 operations in 2020, an over 300% increase from 2019. Team Rubicon expanded its operations to meet community needs brought about by the pandemic. In over 300 communities across the country, Team Rubicon's volunteers established mobile testing sites, propped up healthcare systems with medical providers, maintained food bank operations, and collected and distributed PPE, all while continuing to respond to a historic hurricane season in the Gulf. Team Rubicon's Emergency Food Assistance Program assisted more than 24,500 patients, including finding and delivering food resources to 2,500 immunocompromised patients. Volunteers delivered over 48 million pounds of food and packaged over 9.7 million meals. Through partnerships across the country, Team Rubicon assisted with COVID-19 testing of 120,000 patients. Through medical decompression efforts in the Navajo Nation, over 10,000 patients were served as medical teams supported the emergency rooms and ambulance system.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - ORGANIZATION (continued)

Against the backdrop of COVID-19, 2020 also brought about a historic storm season. Team Rubicon established COVID-19 safety protocols to allow volunteers to deploy safely. Every hurricane in 2020 quickly became a low-attention disaster, or a disaster that faded from media attention quickly, requiring Team Rubicon to rapidly evolve safety protocols to allow volunteers to respond to Hurricanes Laura, Sally, and Delta, all of which required response over multiple months. Team Rubicon also established its fourth Rebuild Operation on the Gulf Coast serving Orange, TX and Lake Charles, LA, to allow residents to return home within months of the disaster hitting. Unlike other Rebuilds, this was also the first time that Team Rubicon participated in every step of the disaster cycle, from the immediate response by tarping homes to recovery by rebuilding the same homes.

Long-term Rebuild Operations provide construction services for communities affected by disasters, and have launched in Houston, South Florida, and Puerto Rico, after Hurricanes Harvey, Irma, and Maria, respectively. Team Rubicon has so far rebuilt 109 homes in Houston for homeowners affected by Hurricane Harvey, with more in planning.

In addition to Disaster and Rebuild Operations, Team Rubicon designs and delivers capabilities based on the evolving needs of disaster-affected communities and invests in its volunteers with disaster training education and courses. Through its Capabilities and Training efforts, 2,636 Team Rubicon Greyshirts have completed 234 training events in skills such as incident command, chainsaw operations, heavy equipment operations, and expedient home repairs and construction, totaling 24,564 hours dedicated to training in 2020 alone.

While domestic operations increased at over 300 percent compared to 2019, Team Rubicon also remained ready to respond internationally. After two Category 4 Hurricanes - Eta and Iota - made landfall in Central America in November 2020, Team Rubicon worked with officials and local agencies in Honduras and local partners to conduct a water, sanitation, and hygiene program (WASH), providing clean water for affected communities. By the operation's conclusion in December 2020, Greyshirts had assisted 560 families in Honduras in receiving clean drinking water.

Team Rubicon's commitments to financial and operational transparency have achieved positive recognition from charity watch groups, including a platinum rating from GuideStar and a four-star rating from Charity Navigator. In coordination with several data and visualization partners, Team Rubicon also hosts the Open Initiative, an online data transparency dashboard available to the general public that provides real-time insight into key operational metrics and the overall health of the organization.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and are shown as net assets released from donor restrictions on the statement of activities.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the related assets are placed in service.

(c) CASH AND CASH EQUIVALENTS

For financial statement purposes, Team Rubicon considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Team Rubicon maintains its cash and cash equivalents in bank deposit and money market accounts, which, at times, may exceed federally insured limits. Team Rubicon has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The carrying value of cash and cash equivalents at December 31, 2020, approximates its fair value.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investment decisions are made by the executive team with the approval of the Team Rubicon Board of Directors. The investments are managed by outside investment managers contracted by Team Rubicon.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until the conditions on which they depend have been met. There were no conditional promises outstanding at December 31, 2020.

Pledges receivable expected to be collected within one year are recorded at their net realizable value. Pledges receivable expected to be collected in future years are recorded at the present value of estimated future cash flows discounted at an appropriate market interest rate at the time of the contribution.

At December 31, 2020, Team Rubicon evaluated the collectability of pledges receivable and determined that no allowance for uncollectible pledges receivable was necessary.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) LICENSING AND OTHER REVENUE

Team Rubicon records revenue from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. These transactions primarily include licensing revenues as well as service contracts which are recognized at a point-in-time. For performance obligations related to licensing income, control transfers to the customer at a point-in-time at the date licensing rights are transferred. Revenue related to service contracts is recognized when performance obligations within the contracts are met. Resources received in exchange transactions are recognized as deferred revenue to the extent that the earnings process has not yet been completed. There were no significant receivables or deferred revenue related to these transactions at December 31, 2020.

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expenses as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars, and the useful life is greater than one year.

The estimated useful lives of property and equipment are as follows:

| | |
|---------------------------------|--------------|
| Field Equipment | 5 - 10 Years |
| Field Communication Equipment | 5 Years |
| Computer Equipment | 3 Years |
| Furniture and Office Equipment | 7 Years |
| Leasehold Improvements | Lease Term |
| Audiovisual and Media Equipment | 5 Years |

(h) CAPITALIZED SOFTWARE

Team Rubicon capitalizes certain costs incurred in connection with the development of software for internal use. These costs are capitalized beginning when Team Rubicon has entered the application development stage and ceases when the software is substantially complete and ready for its intended use. The period of amortization of software ranges from three to five years.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2020, Team Rubicon received in-kind contributions of \$24,447,935. Included in in-kind contribution revenue is a significant contribution related to field workflow management, data collection, and fieldwork order management. This contribution, which was received throughout the year ended December 31, 2020, is reflected at a fair market value of \$7,649,815. Data warehouse, business analytics, and reporting platform expenses, included in technology, office equipment, and supplies in the statement of functional expenses, increased during the year ended December 31, 2020, as a result of this significant contribution. The balance of \$16,798,120 of in-kind contribution revenue includes donated software, hardware and consulting services of \$4,744,709, pro-bono legal services of \$3,760,033, donated media and advertising of \$7,313,580 and other goods and services of \$979,798. A substantial number of volunteers have donated significant amounts of their time to Team Rubicon. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized in the accompanying financial statements.

(k) INCOME TAXES

Team Rubicon is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 740, *Uncertainty in Income Taxes*, Team Rubicon recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2020, Team Rubicon performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Team Rubicon's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(n) RECLASSIFICATIONS

Certain reclassifications have been made to the 2019 summarized comparative information to conform to the 2020 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets.

(o) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Team Rubicon's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

(p) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the 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. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions and various other narrow aspects, as identified and addressed in such updates. Team Rubicon implemented this ASU during the year ended December 31, 2021. There was no significant impact on Team Rubicon's financial statements as a result of the implementation of this ASU.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For Team Rubicon, the ASU will be effective for the year ending December 31, 2022.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For Team Rubicon, the ASU will be effective for the year ending December 31, 2022.

(q) SUBSEQUENT EVENTS

Team Rubicon has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2020, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 28, 2022, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as disclosed in Notes 7, 10 and 12.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Team Rubicon has implemented the accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates, and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table presents information about Team Rubicon's assets that are measured at fair value on a recurring basis at December 31, 2020, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

| | December 31, 2020 | Fair Value Measurements Using | | |
|--------------------------|----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and Fixed Income | \$ 18,928,788 | \$ 18,928,788 | \$ - | \$ - |
| Equity Funds | 12,400 | 12,400 | - | - |
| TOTAL | \$ 18,941,188 | \$ 18,941,188 | \$ - | \$ - |

The fair values of the securities within level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable are expected to be collected as follows:

| | |
|---|----------------------------|
| Within One Year | \$ 4,643,082 |
| One to Five Years | <u>1,750,000</u> |
| TOTAL CONTRIBUTIONS AND PLEDGES RECEIVABLE | <u>\$ 6,393,082</u> |

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020, consist of the following:

| | |
|-------------------------------------|----------------------------|
| Field Equipment | \$ 2,354,438 |
| Leasehold Improvements | 178,754 |
| Field Communication Equipment | 143,087 |
| Computer Equipment | 101,379 |
| Furniture and Office Equipment | 57,925 |
| Audiovisual and Media Equipment | 56,757 |
| Construction-in-Progress | <u>228,076</u> |
| TOTAL | 3,120,416 |
| Less: Accumulated Depreciation | <u>(1,093,820)</u> |
| PROPERTY AND EQUIPMENT (NET) | <u>\$ 2,026,596</u> |

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE 5 - PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the year ended December 31, 2020, was \$255,503. At December 31, 2020, the estimated costs to complete the construction-in-progress were approximately \$65,000.

NOTE 6 - CAPITALIZED SOFTWARE AND DOMAIN NAME

Capitalized software consists of the following at December 31, 2020:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|----------------------|-----------------------------|-----------------------------|------------------------|
| Capitalized Software | | | |
| Development Costs | \$ 3,575,166 | \$ (1,256,788) | \$ 2,318,378 |
| Domain Name | 99,881 | (8,820) | 91,061 |
| TOTAL | \$ 3,675,047 | \$ (1,265,608) | \$ 2,409,439 |

The period of amortization varies from three to five years for software and 15 years for the domain name. Amortization expense for the year ended December 31, 2020, was \$864,030. At December 31, 2020, the gross carrying amount includes software under external development of \$981,669 and the estimated costs to complete the software under external development were approximately \$2,500,000. Future amortization expense, excluding the software under development, is as follows:

Years Ending December 31

| | |
|--------------|---------------------|
| 2021 | \$ 819,763 |
| 2022 | 453,351 |
| 2023 | 83,396 |
| 2024 | 6,600 |
| 2025 | 6,600 |
| Thereafter | 58,060 |
| TOTAL | \$ 1,427,770 |

NOTE 7 - LINE OF CREDIT FACILITY

Team Rubicon has a line of credit facility with a bank with available financing of \$10,000,000 (increased to \$15,000,000 subsequent to year-end). The facility, which is secured by Team Rubicon's investments, expired in January 2021 and was renewed through February 2022 subsequent to year-end. Any draws on the line of credit bear interest at an Adjusted LIBOR Rate defined as 1.45% plus the LIBOR rate (the one-month LIBOR rate was 1.4889% at December 31, 2020). At December 31, 2020, the outstanding balance on the line of credit was \$3,000,000.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

| | |
|---|-----------------------------|
| Disaster Operations | \$ 5,679,829 |
| Time Restrictions | 3,070,322 |
| Capabilities and Training | <u>1,391,106</u> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 10,141,257</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2020:

| | |
|--|-----------------------------|
| Disaster Operations | \$ 15,577,628 |
| Time Restrictions | 4,000,000 |
| Capabilities and Training | 1,595,186 |
| Other | <u>19,862</u> |
| TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS | <u>\$ 21,192,676</u> |

NOTE 9 - EMPLOYEE BENEFIT PLAN

Team Rubicon sponsors a 401(k) retirement plan that covers all full-time and part-time employees. Participating employees may elect to contribute on a tax-deferred basis a portion of their compensation. Team Rubicon contributes an amount equal to 100% of each participant's contribution up to a maximum of 4% of eligible compensation. Team Rubicon may also elect to make additional discretionary contributions to the plan. Team Rubicon's contribution for the year ended December 31, 2020, amounted to \$476,277.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

Team Rubicon leases its facilities, including its Los Angeles office space, under non-cancelable operating lease agreements that expire through November 2029. Subsequent to year-end, in May 2021 a new lease for Team Rubicon's Los Angeles headquarters was signed and the related future lease commitments are included in the totals below. The lease commences in February 2022 and expires in November 2029. Future minimum lease payments under these leases, including the new lease, are as follows:

Years Ending December 31

| | | |
|--------------|-----------|-------------------------|
| 2021 | \$ | 517,433 |
| 2022 | | 708,905 |
| 2023 | | 983,815 |
| 2024 | | 1,150,935 |
| 2025 | | 1,191,930 |
| Thereafter | | <u>4,399,242</u> |
| TOTAL | \$ | <u>8,952,260</u> |

Rent expense for the year ended December 31, 2020, was \$607,471.

(b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, Team Rubicon may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against Team Rubicon, which, from time to time, may have an impact on its change in net assets. Team Rubicon does not believe that these proceedings, individually or in the aggregate, are material to the accompanying financial statements.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by Team Rubicon at December 31, 2020, and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

| | |
|--|----------------------|
| Financial Assets at December 31, 2020: | |
| Cash and Cash Equivalents | \$ 9,404,238 |
| Investments | 14,948,013 |
| Contributions and Pledges Receivable | <u>1,816,083</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR | <u>\$ 26,168,334</u> |

Team Rubicon regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Team Rubicon is substantially supported by contributions without donor restrictions and government grants and contracts. As part of Team Rubicon's liquidity management, it has the policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Team Rubicon has various sources of liquidity at its disposal. Team Rubicon's investments are held for operations, and the entire investment portfolio consists of highly liquid investments. In addition, to help manage unanticipated liquidity needs, Team Rubicon has a line of credit facility with available financing of \$15,000,000. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Team Rubicon considers pledges restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN

In January 2021, Team Rubicon received a Paycheck Protection Program (PPP) loan in the amount of \$2,523,312. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1% per annum, has a term of five years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. To the extent that all or part of the PPP loan is not forgiven, Team Rubicon will be required to pay interest on the PPP loan at a rate of 1% per annum. The terms of the PPP loan provide for customary events of default, including, among other things, payment defaults, breach of representations and warranties, and insolvency events.