

TEAM RUBICON, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

TEAM RUBICON, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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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.

Opinion

We have audited the financial statements of Team Rubicon, Inc. (Team Rubicon), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Team Rubicon as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Team Rubicon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Team Rubicon's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Team Rubicon, Inc.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Team Rubicon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Team Rubicon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Team Rubicon's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

January 25, 2023
Los Angeles, California

TEAM RUBICON, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2021
With Summarized Totals at December 31, 2020

ASSETS	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash and Cash Equivalents	\$ 8,908,037	\$ -	\$ 8,908,037	\$ 9,404,238
Investments	16,445,962	6,696,734	23,142,696	18,941,188
Contributions and Pledges Receivable	-	7,404,727	7,404,727	6,393,082
Prepaid Expenses and Other Assets	1,752,377	-	1,752,377	1,533,454
Capitalized Software and Domain Name (Net)	2,164,635	-	2,164,635	2,409,439
Property and Equipment (Net)	2,494,266	-	2,494,266	2,026,596
TOTAL ASSETS	\$ 31,765,277	\$ 14,101,461	\$ 45,866,738	\$ 40,707,997
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 828,777	\$ -	\$ 828,777	\$ 441,874
Accrued Liabilities	2,380,741	-	2,380,741	2,098,631
Paycheck Protection Program Loan	2,523,312	-	2,523,312	-
Line of Credit	-	-	-	3,000,000
TOTAL LIABILITIES	5,732,830	-	5,732,830	5,540,505
NET ASSETS:				
Without Donor Restrictions	26,032,447	-	26,032,447	25,026,235
With Donor Restrictions	-	14,101,461	14,101,461	10,141,257
TOTAL NET ASSETS	26,032,447	14,101,461	40,133,908	35,167,492
TOTAL LIABILITIES AND NET ASSETS	\$ 31,765,277	\$ 14,101,461	\$ 45,866,738	\$ 40,707,997

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE, PUBLIC SUPPORT AND OTHER INCOME:				
Contributions and Grants	\$ 12,006,313	\$ 22,208,023	\$ 34,214,336	\$ 33,698,372
In-Kind Contributions	33,063,251	-	33,063,251	24,447,935
Special Events (Net of Cost of Direct Donor Benefits of \$669,868)	3,733,847	-	3,733,847	3,004,737
Licensing and Other Revenue	1,269,248	-	1,269,248	1,956,266
Investment Return (Net)	32,528	-	32,528	507,510
Net Assets Released from Donor Restrictions	18,247,819	(18,247,819)	-	-
TOTAL REVENUE, PUBLIC SUPPORT AND OTHER INCOME	68,353,006	3,960,204	72,313,210	63,614,820
EXPENSES:				
Program Services	59,413,327	-	59,413,327	52,467,320
Management and General	4,142,997	-	4,142,997	6,902,096
Fundraising	3,790,470	-	3,790,470	3,836,510
TOTAL EXPENSES	67,346,794	-	67,346,794	63,205,926
CHANGE IN NET ASSETS	1,006,212	3,960,204	4,966,416	408,894
Net Assets - Beginning of Year	25,026,235	10,141,257	35,167,492	34,758,598
NET ASSETS - END OF YEAR	\$ 26,032,447	\$ 14,101,461	\$ 40,133,908	\$ 35,167,492

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021								2020
	Disaster Operations	Capabilities and Training	Rebuild Operations	Other	Total Program Services	Management and General	Fundraising	Total	Total
Marketing	\$ 299,781	\$ 21,020,974	\$ 38	\$ -	\$ 21,320,793	\$ 22,608	\$ -	\$ 21,343,401	\$ 9,237,833
Personnel Costs	7,826,979	4,568,874	1,031,096	265,555	13,692,504	1,681,816	2,672,568	18,046,888	17,276,006
Technology, Office Equipment and Supplies	9,036,381	1,817,858	7,866	2,275	10,864,380	521,842	269,945	11,656,167	13,597,057
Field Expenses and Travel	5,891,355	1,476,250	1,307,480	530,769	9,205,854	95,091	89,086	9,390,031	12,188,612
Professional Services	376,035	892,150	14,864	14,250	1,297,299	1,129,625	48,865	2,475,789	7,191,153
Other Business Expenses	578,691	101,914	14,354	322	695,281	193,491	676,811	1,565,583	1,219,625
Depreciation and Amortization	1,139,057	48,459	9,125	-	1,196,641	93,377	-	1,290,018	1,119,533
Rent, Parking and Utilities	263,171	291,057	129,267	5,000	688,495	195,421	33,195	917,111	800,660
Insurance	119,993	105,118	49,050	25,212	299,373	209,726	-	509,099	374,327
Awards, Fellowships and Grants	-	152,707	-	-	152,707	-	-	152,707	201,120
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 25,531,443	\$ 30,475,361	\$ 2,563,140	\$ 843,383	\$ 59,413,327	\$ 4,142,997	\$ 3,790,470	\$ 67,346,794	
					88%	6%	6%	100%	
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%

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

With Summarized Totals for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 4,966,416	\$ 408,894
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Donated Software	(271,259)	(446,692)
Donation of Property and Equipment	(54,400)	-
Depreciation and Amortization	1,290,018	1,119,533
Bad Debt Expense	500,000	-
Net Realized and Unrealized (Gain) Loss on Investments	187,977	(183,594)
(Increase) Decrease in:		
Contributions and Pledges Receivable	(1,511,645)	620,542
Prepaid Expenses and Other Assets	(218,923)	(810,612)
Increase (Decrease) in:		
Accounts Payable	386,903	(32,535)
Accrued Liabilities	282,110	481,425
	<u>5,557,197</u>	<u>1,156,961</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(812,576)	(360,205)
Disposals of Property and Equipment	22,473	-
Purchase of Capitalized Software	(397,122)	(981,671)
Purchase of Investments	(8,109,702)	(23,173,275)
Interest and Dividends Reinvested	(169,449)	(419,306)
Proceeds on Sale of Investments	3,889,666	23,446,340
	<u>(5,576,710)</u>	<u>(1,488,117)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Repayments on Line of Credit	(3,000,000)	3,000,000
Proceeds from Paycheck Protection Program Loan	2,523,312	-
	<u>(476,688)</u>	<u>3,000,000</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(496,201)	2,668,844
Cash and Cash Equivalents - Beginning of Year	<u>9,404,238</u>	<u>6,735,394</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 8,908,037</u>	<u>\$ 9,404,238</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 to provide 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.

Programmatic Highlights in 2022 (Unaudited)

Team Rubicon currently has more than 150,000 registered volunteers (most of whom are military veterans) and has executed over 1,000 operations in response to approximately 440 disasters, including large-scale events such as the 2010 Haiti earthquake, Superstorm Sandy (2012), Hurricane Harvey (2017), Hurricane Ida (2021), and others. In the aftermath of a disaster, Team Rubicon provides services at no cost 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 \$61,532,785 (unaudited) in volunteer labor to communities affected by disaster.

In the continued effort to combat the COVID-19 pandemic, Team Rubicon had a constant presence in Navajo Nation, providing hospital decompression and also offered support internationally in Uganda, Papua New Guinea, and Mongolia. At the end of 2020, the organization began to pilot playbooks in preparation for the nationwide vaccination rollout. Partnering with hospital systems, local organizations, and institutions across the US, Team Rubicon offered vaccination support, including site setup and management, logistics support, and- where appropriate- administration of the vaccine. Knowing that the military enjoys the most trust of any group, Team Rubicon also convened six veterans organizations to create the Veterans Coalition for Vaccination (VCV), a coalition aiding local and state officials in the distribution of the COVID-19 vaccine nationwide. The participating veteran organizations worked toward the common goal of ensuring equitable access to vaccinations. Further, the VCV partnered with global advertising company Amobee and AdTechCares, an advertising industry coalition launched by Amobee in March 2020 with more than 50 partners. Together they launched the "Call to Arms" PSA campaign that appeared across broadcast, digital, social, video, and Times Square out-of-home. Through these collaborative efforts, 1.6+ million COVID-19 vaccinations were administered at Team Rubicon supported sites.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - ORGANIZATION (continued)

In addition to COVID-19 efforts, Team Rubicon launched a multi-city effort to welcome Afghan families fleeing from Afghanistan. Starting in August 2021 and under the direction of the Department of State and Department of Defense, Team Rubicon supported the management, organization, and distribution of donated goods across seven military bases housing Afghan families. Team Rubicon provided site management and logistical support at the reception point in the Dulles International Airport and set up housing in Denver, CO. Over 1,600 volunteers supported these efforts, distributing 8.3 million items worth \$32.3 million. As Afghan families moved off the bases, Greyshirts assisted with the move-in and home setup in communities across the country. This effort continued into 2022.

In addition to these humanitarian efforts, 2021 brought about unprecedented hazards. From Winter Storm Uri to flooding in Waverly, Tennessee, to tornadoes in Kentucky, hurricanes were not the only history-making disasters in 2021. Volunteers were on the ground within hours of Hurricane Ida passing through the south and were assisting homeowners months after. Simultaneously, Team Rubicon's WHO Type 1 EMT Mobile medical team was in Haiti responding to the 7.2 magnitude earthquake. Over 50+ volunteers responded and served 1,700 patients.

In 2021, Team Rubicon doubled down on its commitment to community preparedness and resilience through fire mitigation, long-term rebuilding, and capacity building. In partnership with local fire-safe councils and emergency managers, volunteers from California, Oregon, Colorado, Utah, and Texas helped to execute community wildfire protection plans to mitigate wildfires and flooding. Long-term Rebuild Operations continued to provide construction services for communities affected by disasters. Team Rubicon has so far rebuilt 109 homes in Houston for homeowners affected by Hurricane Harvey and 15 in Lake Charles, LA, and Orange, TX, following Hurricanes Laura and Delta.

In addition to mitigation 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 (both virtually and in-person), 12,508 Team Rubicon Greyshirts have completed 289 training events in skills such as incident command, chainsaw operations, heavy equipment operations, and expedient home repairs and construction, totaling 23,136 hours dedicated to training in 2021 alone.

In February 2022, to better serve international communities experiencing disasters and humanitarian crises, Team Rubicon International LLC was formed. Team Rubicon is the sole member of Team Rubicon International LLC.

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.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021

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, 2021, approximates its fair value.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 investment return 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. At December 31, 2021, conditional promises to give totaled \$1,718,334.

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, 2021, contributions and pledges receivable are due to be collected in their entirety within one year.

At December 31, 2021, Team Rubicon evaluated the collectability of pledges receivable and established an allowance for uncollectible contributions and pledges receivable in the amount of \$500,000.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021

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, 2021 or December 31, 2020.

(g) 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, except for the domain name which is amortized over fifteen years.

(h) 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	2 - 3 Years
Audiovisual and Media Equipment	5 Years

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) PAYCHECK PROTECTION PROGRAM LOAN

Management elected to account for forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and Team Rubicon has been legally released or (2) Team Rubicon repays the loan to the lender.

(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, 2021, Team Rubicon received in-kind contributions of \$33,063,251. Included in in-kind contribution revenue is a significant contribution related to advertising billboards at a fair market value of \$10,084,756. Additionally, Team Rubicon received a significant in-kind contribution related to field workflow management, data collection, and fieldwork order management. This contribution, which was received throughout the year ended December 31, 2021, was reflected at a fair market value of \$7,645,401. As a result of these significant in-kind contributions, 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, 2021. The remaining balance of \$15,333,094 of in-kind contribution revenue includes donated software, hardware and consulting services of \$2,862,683, pro-bono legal services of \$880,796, donated media and advertising of \$10,186,287 and other goods and services of \$1,403,328. 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.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2021, 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.

(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) 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, 2020, from which the summarized information was derived.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (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.

(p) SUBSEQUENT EVENTS

Team Rubicon has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2021, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 25, 2023, 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 Note 1, Note 6 and Note 9(a).

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.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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).

The following table presents information about Team Rubicon's assets that are measured at fair value on a recurring basis at December 31, 2021, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	December 31, 2021	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	\$ 23,090,709	\$ 23,090,709	\$ -	\$ -
Equity Funds	51,987	51,987	-	-
TOTAL	\$ 23,142,696	\$ 23,142,696	\$ -	\$ -

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 - CAPITALIZED SOFTWARE AND DOMAIN NAME

Capitalized software consists of the following at December 31, 2021:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized Software Development Costs	\$ 4,243,545	\$ (2,163,371)	\$ 2,080,174
Domain Name	99,881	(15,420)	84,461
TOTAL	\$ 4,343,426	\$ (2,178,791)	\$ 2,164,635

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021

NOTE 4 - CAPITALIZED SOFTWARE AND DOMAIN NAME (continued)

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, 2021, was \$913,185. At December 31, 2021, the gross carrying amount includes software under external development of \$1,378,789 and the estimated costs to complete the software under external development were approximately \$14,000. Future amortization expense, excluding the software under development, is as follows:

Years Ending December 31

2022	\$	540,767
2023		173,815
2024		6,600
2025		6,600
2026		6,600
Thereafter		<u>51,464</u>
TOTAL	\$	<u>785,846</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021, consist of the following:

Field Equipment	\$	2,557,559
Leasehold Improvements		415,630
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>604,043</u>
TOTAL		3,936,380
Less: Accumulated Depreciation		<u>(1,442,114)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u>2,494,266</u>

Depreciation expense for the year ended December 31, 2021, was \$376,833. At December 31, 2021, the estimated cost to complete the construction-in-progress was approximately \$156,000.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021

NOTE 6 - LINE OF CREDIT FACILITY

Team Rubicon has a line of credit facility with a bank with available financing of \$15,000,000. The facility, which is secured by Team Rubicon's investments, had a maturity date of February 25, 2022 which was extended to March 23, 2023 subsequent to the year-end. Any draws on the line of credit bear interest at an adjusted Secured Overnight Financing Rate (SOFR) defined as 1.75% plus the 1-month SOFR rate (the 1-month SOFR rate was .05% at December 31, 2021). At December 31, 2021, there was no outstanding balance on the line of credit.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Time Restrictions	\$ 7,405,915
Disaster Operations	6,308,353
Capabilities and Training	363,286
Other	<u>23,907</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 14,101,461</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, 2021:

Time Restrictions	\$ 4,095,322
Disaster Operations	12,998,588
Capabilities and Training	858,128
Other	<u>295,781</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 18,247,819</u>

NOTE 8 - 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, 2021, amounted to \$507,405.

TEAM RUBICON, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021

NOTE 9 - 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 December 2029. Subsequent to year-end, in May 2022 a new lease for Team Rubicon's Washington, D.C. coworking space was signed and the related future lease commitments are included in the totals below. The lease commences in June 2022 and expires in July 2023. Future minimum lease payments under these leases, including the new lease, are as follows:

Years Ending December 31

2022	\$ 660,997
2023	992,059
2024	1,142,319
2025	1,189,579
2026	1,226,856
Thereafter	<u>3,253,258</u>
TOTAL	<u>\$ 8,465,068</u>

Rent expense for the year ended December 31, 2021, was \$679,887.

(b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, Team Rubicon may become involved in legal proceedings. 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, 2021

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by Team Rubicon at December 31, 2021, 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, 2021:	
Cash and Cash Equivalents	\$ 8,908,037
Investments	16,445,962
Contributions and Pledges Receivable	<u>4,729,727</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 30,083,726</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 11 - 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.