

TEAM RUBICON, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

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TEAM RUBICON, INC.

YEARS ENDED DECEMBER 31, 2012 AND 2011

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WILKE & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Team Rubicon, Inc.
Inglewood, California

We have audited the accompanying financial statements of Team Rubicon, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

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CERTIFIED PUBLIC ACCOUNTANTS

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 Team Rubicon, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Wilke & Associates, LLP

Wilke & Associates, LLP
Carnegie, Pennsylvania

November 13, 2013

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TEAM RUBICON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS		
	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 252,348	\$ 194,090
Pledges receivable	602,125	63,891
Investments	1,135,775	-
Prepaid expenses	38,140	389
	<u>2,028,388</u>	<u>258,370</u>
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT		
Equipment	31,348	10,511
Furniture and fixtures	2,170	-
Software	16,616	10,736
	<u>50,134</u>	<u>21,247</u>
Less accumulated depreciation	<u>(13,184)</u>	<u>(5,075)</u>
NET PROPERTY AND EQUIPMENT	<u>36,950</u>	<u>16,172</u>
TOTAL ASSETS	<u><u>\$ 2,065,338</u></u>	<u><u>\$ 274,542</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 123,855	\$ 8,910
Accrued liabilities	40,077	55,298
	<u>163,932</u>	<u>64,208</u>
TOTAL CURRENT LIABILITIES		
NET ASSETS		
Unrestricted	1,806,406	60,334
Temporarily Restricted	95,000	150,000
	<u>1,901,406</u>	<u>210,334</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,065,338</u></u>	<u><u>\$ 274,542</u></u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 2,435,417	\$ 5,000	\$ 2,440,417
Grants	130,000	393,000	523,000
In-kind contributed services	122,836	75,000	197,836
Special events	101,111	-	101,111
Investment income, net of fees	7,338	-	7,338
Net assets released from restrictions	528,000	(528,000)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>3,324,702</u>	<u>(55,000)</u>	<u>3,269,702</u>
EXPENSES			
Program services	1,344,919	-	1,344,919
Special events	89,336	-	89,336
Management and general	144,375	-	144,375
TOTAL EXPENSES	<u>1,578,630</u>	<u>-</u>	<u>1,578,630</u>
CHANGE IN NET ASSETS	1,746,072	(55,000)	1,691,072
NET ASSETS, BEGINNING OF THE YEAR	<u>60,334</u>	<u>150,000</u>	<u>210,334</u>
NET ASSETS, END OF THE YEAR	<u><u>\$ 1,806,406</u></u>	<u><u>\$ 95,000</u></u>	<u><u>\$ 1,901,406</u></u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 349,066	\$ -	\$ 349,066
Grants	46,052	150,000	196,052
In-kind contributed services	19,164	-	19,164
Special events	10,391	-	10,391
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>424,673</u>	<u>150,000</u>	<u>574,673</u>
EXPENSES			
Program services	394,360	-	394,360
Special events	31,015	-	31,015
Management and general	10,551	-	10,551
TOTAL EXPENSES	<u>435,926</u>	<u>-</u>	<u>435,926</u>
CHANGE IN NET ASSETS	(11,253)	150,000	138,747
NET ASSETS, BEGINNING OF THE YEAR	<u>71,587</u>	<u>-</u>	<u>71,587</u>
NET ASSETS, END OF THE YEAR	<u><u>\$ 60,334</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 210,334</u></u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	PROGRAM SERVICES	SPECIAL EVENTS	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Field expenses	\$ 689,474	\$ -	\$ -	\$ 689,474
Wages	272,071	26,072	21,472	319,615
Conference expense	116,253	2,678	1,380	120,311
Awards, fellowships and grants	105,200	-	-	105,200
Professional services	39,075	1,782	34,458	75,315
Telephone and internet	35,295	1,077	12,144	48,516
Bank and merchant fees	40	45,361	1,823	47,224
Rent, parking, utilities	11,698	-	22,415	34,113
Office expense	20,154	1,311	6,492	27,957
Payroll taxes	22,343	2,190	2,288	26,821
Employee benefits	-	-	19,512	19,512
Marketing materials	9,290	2,275	1,390	12,955
Insurance	-	-	8,978	8,978
Printing and copying	6,756	1,111	481	8,348
Depreciation	2,062	-	6,047	8,109
Special events expenses	3,624	4,225	-	7,849
Miscellaneous	3,439	1,068	-	4,507
Membership, dues & licenses	3,206	-	405	3,611
Automobile expense	2,563	-	780	3,343
Facilities and equipment	263	-	2,830	3,093
Meals & entertainment	2,113	186	455	2,754
Fines and penalties	-	-	1,025	1,025
	<u>\$ 1,344,919</u>	<u>\$ 89,336</u>	<u>\$ 144,375</u>	<u>\$ 1,578,630</u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICES	SPECIAL EVENTS	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Wages	\$ 130,181	\$ 5,998	\$ 3,748	\$ 139,927
Field expenses	101,784	-	-	101,784
Conference expense	47,132	766	-	47,898
Professional services	17,439	-	1,525	18,964
Special events expenses	1,058	17,454	-	18,512
Office expense	15,910	968	535	17,413
Freight	15,471	-	-	15,471
Payroll taxes	10,642	491	306	11,439
Bank service charge	8,323	-	743	9,066
Meals & entertainment	4,541	3,700	-	8,241
Medical supplies	7,914	-	-	7,914
Rent, parking, utilities	6,580	-	-	6,580
Marketing materials	5,791	129	-	5,920
Printing and copying	3,919	1,166	-	5,085
Depreciation	3,996	343	343	4,682
Telephone & internet	4,002	-	-	4,002
Awards, fellowships and grants	3,600	-	-	3,600
Fines and penalties	46	-	3,328	3,374
Automobile expense	3,080	-	-	3,080
Membership, dues & licenses	2,951	-	-	2,951
Tax expense - non payroll	-	-	23	23
	<u>\$ 394,360</u>	<u>\$ 31,015</u>	<u>\$ 10,551</u>	<u>\$ 435,926</u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,691,072	\$ 138,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,109	4,682
Unrealized (gain) loss on investments	3,523	-
(Increase) decrease in:		
Pledges receivable	(538,234)	(63,891)
Prepaid expense	(37,751)	16,431
Cash advance	-	(389)
Increase (decrease) in:		
Accounts payable	114,945	8,910
Accrued liabilities	(15,221)	55,298
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,226,443</u>	<u>159,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,139,298)	-
Purchases of property and equipment	(28,887)	(18,674)
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,168,185)</u>	<u>(18,674)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,258	141,114
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>194,090</u>	<u>52,976</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>\$ 252,348</u></u>	<u><u>\$ 194,090</u></u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities:

Team Rubicon, Inc. (“the Organization”) is a Minnesota corporation formed in 2010 that maintains its headquarters in southern California. The corporation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has been formed to bridge the critical gap between large humanitarian disasters and conventional aid response.

Basis of Accounting:

In accordance with accounting principles generally accepted in the United States of America, the accompanying financial statements are prepared using the accrual basis of accounting and include the assets, liabilities, net assets, and financial operations of the activities of the Organization. Accordingly, revenues are recorded when earned and expenses are recognized when the liabilities are incurred.

The Organization reports gifts of cash and other assets as temporarily restricted contributions if they are received with donor stipulations that limit the use of the assets. When a 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 statement of activities as “net assets released from restrictions”. The Organization considers restricted donations received and spent during the same year as unrestricted donations.

Financial Statement Presentation:

Team Rubicon, Inc. follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-05-6 *A Complete Set of Financial Statements*. Under FASB ASC 958-205-05-6, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash includes currency on hand and demand deposits with financial institutions. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash, with a stated maturity of three months or less. The Organization’s cash deposits may be in excess of Federal Deposit Insurance Corporation limits at various times during the years ended December 31, 2012 and 2011.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Investments:

The Organization has investments in mutual funds. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The Organization's investments are carried at their estimated current value. The cost of securities sold in computing the net realized gains (losses) is determined based on the specific identification method, with such gains (losses) included in the statements of activities and changes in net assets. The unrealized appreciation (depreciation) of investments represents the change between the total cost and the market value of investments held at the beginning and end of the year.

Property and Equipment:

Property and equipment are stated at cost. The Organization utilizes the straight-line method of depreciation for financial reporting purposes at rates based on the following estimated useful lives of the assets:

Equipment	3 – 10 years
Furniture and fixtures	7 years
Software	3 years

Repairs and maintenance, which do not extend the lives of the applicable assets, are charged to expense as incurred. Gain or loss resulting from retirement or other disposition of assets is included in income. Depreciation expense for the years ended December 31, 2012 and 2011 was \$8,109 and \$4,682 respectively.

Allocation of Certain Expenses:

Costs of providing program services and other activities are summarized on a functional basis in the statements of functional expenses. Accordingly, all costs have been allocated to the functional expenses classification to the extent it is practicable to do so.

Advertising:

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2012 and 2011 was \$12,955 and \$5,920, respectively.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes:

The Organization is exempt from federal income taxes as previously noted and accordingly, no provision for federal and state income taxes is recorded. The Organization files income tax returns in the U.S. federal jurisdiction.

The Organization follows the provision of the FASB ASC 740-10-65-1 Income Taxes Basic Recognition Threshold which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740-10-65-1 requires the evaluation of tax positions taken by the Organization and to determine whether tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. As of December 31, 2012 no tax position taken by the Organization would be subject to this provision.

The Organization is no longer subject to U.S. federal income tax examinations by tax authorities, for the years before 2010. The open tax year for filing purposes is only for the year ended December 31, 2012.

NOTE B – INVESTMENTS

Marketable securities are stated at fair value based upon known, quoted rates (Level 1). Realized gains and losses are stated separately for securities sold in the current year. Unrealized gains and losses represent the change in asset value from carrying value to the fair market value.

At December 31, 2012, marketable securities consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Appreciation (Depreciation)</u>
Money market funds	\$ 24,633	\$ 24,633	\$ -
Mutual funds	<u>1,114,665</u>	<u>1,111,142</u>	<u>(3,523)</u>
	<u>\$ 1,139,298</u>	<u>\$ 1,135,775</u>	<u>\$ (3,523)</u>

NOTE C – PLEDGES RECEIVABLE

Pledges receivable have been classified as unconditional or conditional. Unconditional promises to give, which are to be received in less than one year, were \$602,125 and \$63,891 as of December 31, 2012 and 2011 respectively.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE D – NET ASSETS

Temporarily restricted net assets contain donor imposed restrictions that expire once specific actions are undertaken by the Organization. These net assets are then released and reclassified to unrestricted net assets, from which they are expended. Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2012</u>	<u>2011</u>
Designated for:		
Clay Hunt Fellowship Program	\$ 66,000	\$ -
Salaries	25,000	120,000
Communications equipment	4,000	-
Travel	-	20,000
Marketing	-	10,000
	<u>\$ 95,000</u>	<u>\$ 150,000</u>

There were no permanently restricted net assets as of December 31, 2012 and 2011.

NOTE E — OPERATING LEASES

Office Lease:

The Organization leases office space under a lease agreement which expires in January 2014. The monthly payments on the lease are \$1,950. The future minimum rental payments are \$23,400 and \$1,950 for the years ended December 31, 2013 and 2014, respectively. Rent expense under this lease agreement for the year ended December 31, 2012 was \$21,450.

The Organization entered into a sublease for new office space commencing August 2013. The operating lease expires in January 2016. The monthly payments on the lease are \$7,973. The lease requires an annual rental increase of \$0.05 per rentable square foot. The Organization receives rent abatements for three months during the year.

Total future minimum rental payments are as follows:

Year ending December 31, 2013	\$ 31,890
Year ending December 31, 2014	81,054
Year ending December 31, 2015	100,188
Year ending December 31, 2016	<u>8,504</u>
	<u>\$ 221,636</u>

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE F – IN-KIND DONATIONS

Material gifts in kind used in the Organization's program are recorded as income and expense or fixed assets at the time the items are received, which is normally also the time they are placed in service or distributed.

NOTE G — SUBSEQUENT EVENT

Management has evaluated and determined there are no subsequent events necessary for disclosure as of the independent auditors' report date of November 13, 2013.