

WILKE & ASSOCIATES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**TEAM RUBICON, INC.**

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012

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**North Hills Office:** 8199 McKnight Road • Pittsburgh, PA 15237

# **TEAM RUBICON, INC.**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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## 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, 2013 and 2012, 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.

### Auditors' 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.

WILKE & ASSOCIATES, LLP  
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, 2013 and 2012, 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

January 30, 2015

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**TEAM RUBICON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

ASSETS		
	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,284,500	\$ 252,348
Pledges receivable	503,735	602,125
Miscellaneous receivable	3,432	-
Investments	1,977,036	1,135,775
Prepaid expenses	96,731	34,240
Inventory	2,840	-
<b>TOTAL CURRENT ASSETS</b>	<b>3,868,274</b>	<b>2,024,488</b>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	121,337	31,348
Furniture and fixtures	2,170	2,170
Software	16,616	16,616
Leasehold improvements	4,572	-
	144,695	50,134
Less accumulated depreciation	(31,325)	(13,184)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>113,370</b>	<b>36,950</b>
<b>OTHER ASSETS</b>		
Security deposits	24,417	3,900
<b>TOTAL ASSETS</b>	<b>\$ 4,006,061</b>	<b>\$ 2,065,338</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 188,611	\$ 123,855
Accrued liabilities	64,306	40,077
<b>TOTAL CURRENT LIABILITIES</b>	<b>252,917</b>	<b>163,932</b>
<b>NET ASSETS</b>		
Unrestricted	3,522,303	1,806,406
Temporarily Restricted	230,841	95,000
<b>TOTAL NET ASSETS</b>	<b>3,753,144</b>	<b>1,901,406</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,006,061</b>	<b>\$ 2,065,338</b>

See accompanying notes to the financial statements.

**TEAM RUBICON, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 3,216,448	\$ -	\$ 3,216,448
Grants	294,500	1,161,034	1,455,534
In-kind contributed services	2,114,585	-	2,114,585
Special events	297,847	-	297,847
Merchandise revenue	14,818	-	14,818
Investment income, net of fees	5,768	-	5,768
Net assets released from restrictions	1,025,193	(1,025,193)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>6,969,159</u>	<u>135,841</u>	<u>7,105,000</u>
EXPENSES			
Program services	4,645,549	-	4,645,549
Special events	290,769	-	290,769
Management and general	316,944	-	316,944
TOTAL EXPENSES	<u>5,253,262</u>	<u>-</u>	<u>5,253,262</u>
CHANGE IN NET ASSETS	1,715,897	135,841	1,851,738
NET ASSETS, BEGINNING OF THE YEAR	<u>1,806,406</u>	<u>95,000</u>	<u>1,901,406</u>
NET ASSETS, END OF THE YEAR	<u><u>\$ 3,522,303</u></u>	<u><u>\$ 230,841</u></u>	<u><u>\$ 3,753,144</u></u>

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See accompanying notes to the financial statements.

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

	Unrestricted	Temporarily Restricted	Total
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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	PROGRAM SERVICES	SPECIAL EVENTS	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Field expenses	\$ 3,304,437	\$ -	\$ -	\$ 3,304,437
Wages	551,320	87,548	119,486	758,354
Conference expense	286,804	13,422	2,675	302,901
Professional services	160,080	51,315	25,937	237,332
Bank and merchant fees	149	75,871	11,910	87,930
Office expense	65,778	3,248	12,383	81,409
Employee benefits	34,999	-	35,394	70,393
Rent, parking, utilities	29,210	-	40,709	69,919
Telephone and internet	59,913	3,949	5,082	68,944
Payroll taxes	45,418	7,109	9,706	62,233
Marketing materials	54,146	1,587	1,048	56,781
Special events expenses	97	40,036	-	40,133
Insurance	14,076	-	7,516	21,592
Facilities and equipment	3,213	-	15,178	18,391
Depreciation	7,444	-	10,697	18,141
Printing and copying	7,328	6,684	1,906	15,918
Awards, fellowships and grants	14,000	-	-	14,000
Miscellaneous	516	-	9,681	10,197
Membership, dues & licenses	5,598	-	1,835	7,433
Placement and hiring costs	375	-	2,747	3,122
Meals & entertainment	-	-	3,020	3,020
Fines and penalties	648	-	34	682
	<u>\$ 4,645,549</u>	<u>\$ 290,769</u>	<u>\$ 316,944</u>	<u>\$ 5,253,262</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.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,851,738	\$ 1,691,072
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,141	8,109
Unrealized (gain) loss on investments	(2,348)	3,523
(Increase) decrease in:		
Pledges receivable	98,390	(538,234)
Accounts receivable	(3,432)	-
Prepaid expense	(62,491)	(37,751)
Inventory	(2,840)	-
Security deposits	(20,517)	-
Increase (decrease) in:		
Accounts payable	64,756	114,945
Accrued liabilities	24,229	(15,221)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,965,626</u>	<u>1,226,443</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(838,913)	(1,139,298)
Purchases of property and equipment	<u>(94,561)</u>	<u>(28,887)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(933,474)</u>	<u>(1,168,185)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,032,152	58,258
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>252,348</u>	<u>194,090</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>\$ 1,284,500</u></u>	<u><u>\$ 252,348</u></u>

See accompanying notes to the financial statements.

**TEAM RUBICON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**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, 2013 and 2012.

**TEAM RUBICON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**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, 2013 and 2012 was \$18,141 and \$8,109 respectively.

Inventories:

Inventories consist of items for sale through the Organization's website such as t-shirts, hats and various apparel items. They are stated at cost determined by the first-in, first-out (FIFO) method.

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.

Reclassifications:

Certain reclassifications have been made to the December 31, 2012 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**TEAM RUBICON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Advertising:

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2013 and 2012 was \$56,781 and \$12,955, respectively.

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, 2013 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, 2013.

**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, 2013, marketable securities consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Appreciation (Depreciation)</u>
Corporate stocks and bonds	\$ 504,942	\$ 524,586	\$ 19,644
Money market funds	41,170	41,170	-
Mutual funds	<u>1,428,576</u>	<u>1,411,280</u>	<u>(17,296)</u>
	<u>\$ 1,974,688</u>	<u>\$ 1,977,036</u>	<u>\$ 2,348</u>

**TEAM RUBICON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE B – INVESTMENTS (CONTINUED)**

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 \$503,735 and \$602,125 as of December 31, 2013 and 2012, respectively.

**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>2013</u>	<u>2012</u>
Designated for:		
Clay Hunt Fellowship Program	\$ 230,841	\$ 66,000
Salaries	-	25,000
Communications equipment	<u>-</u>	<u>4,000</u>
	<u>\$ 230,841</u>	<u>\$ 95,000</u>

There were no permanently restricted net assets as of December 31, 2013 and 2012.

**TEAM RUBICON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE E — OPERATING LEASES**

Office Lease:

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

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. Rent expense under this lease agreement for the year ended December 31, 2013 was \$31,890.

In February 2014, the Organization entered into a lease agreement for additional office space in the building in which it currently rents office space. The lease expires in January 2016. The monthly payments for the first and second rental years are \$8,587 and \$8,844, respectively. There was no rental expense incurred under this lease agreement for the years ended December 31, 2013 and 2012.

Residential Apartment:

The Organization entered into a lease agreement in November 2013 which expires in November 2014. The monthly payments on the lease are \$1,850. Rent expense under this lease agreement for the year ended December 31, 2013 was \$3,700.

Total future minimum rental payments are as follows:

Year ending December 31, 2014	\$ 176,836
Year ending December 31, 2015	197,220
Year ending December 31, 2016	8,504
	<u>\$ 382,560</u>

**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 date of the independent auditors' report.