

**TEAM RUBICON, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

**TEAM RUBICON, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**CONTENTS**

	<b>Page</b>
Independent Auditor's Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6

## 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, 2018, 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, 2018, 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.

### Report on Summarized Comparative Information

We have previously audited Team Rubicon's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

July 24, 2019  
Los Angeles, California

**TEAM RUBICON, INC.**

STATEMENT OF FINANCIAL POSITION  
December 31, 2018  
With Summarized Totals at December 31, 2017

<b>ASSETS</b>	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash and Cash Equivalents	\$ 3,471,325	\$ -	\$ 3,471,325	\$ 1,128,116
Investments	16,091,390	6,249,316	22,340,706	21,119,542
Contributions and Pledges Receivable	1,007,359	2,218,000	3,225,359	3,465,813
Prepaid Expenses and Other Assets	606,682	-	606,682	699,666
Capitalized Software	766,928	-	766,928	84,079
Property and Equipment (Net)	1,423,979	-	1,423,979	1,158,782
<b>TOTAL ASSETS</b>	<b>\$ 23,367,663</b>	<b>\$ 8,467,316</b>	<b>\$ 31,834,979</b>	<b>\$ 27,655,998</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 543,240	\$ -	\$ 543,240	\$ 516,497
Accrued Liabilities	2,030,982	-	2,030,982	753,857
<b>TOTAL LIABILITIES</b>	<b>2,574,222</b>	<b>-</b>	<b>2,574,222</b>	<b>1,270,354</b>
<b>NET ASSETS:</b>				
Without Donor Restrictions	20,793,441	-	20,793,441	14,543,028
With Donor Restrictions	-	8,467,316	8,467,316	11,842,616
<b>TOTAL NET ASSETS</b>	<b>20,793,441</b>	<b>8,467,316</b>	<b>29,260,757</b>	<b>26,385,644</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,367,663</b>	<b>\$ 8,467,316</b>	<b>\$ 31,834,979</b>	<b>\$ 27,655,998</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**TEAM RUBICON, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2018**

**With Summarized Totals for the Year Ended December 31, 2017**

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE, PUBLIC SUPPORT AND OTHER INCOME:</b>				
Contributions and Grants	\$ 15,808,528	\$ 15,072,960	\$ 30,881,488	\$ 36,709,930
In-Kind Contributions	12,751,563	-	12,751,563	4,824,188
Special Events (Net of Cost of Direct Donor Benefits of \$459,678)	1,208,633	-	1,208,633	804,469
Other Income (Loss)	62,970	-	62,970	(113,642)
Investment Return (Net)	(171,353)	-	(171,353)	88,702
Net Assets Released from Restrictions	18,448,260	(18,448,260)	-	-
<b>TOTAL REVENUE, PUBLIC SUPPORT AND OTHER INCOME</b>	<b>48,108,601</b>	<b>(3,375,300)</b>	<b>44,733,301</b>	<b>42,313,647</b>
<b>EXPENSES:</b>				
Program Services	37,446,993	-	37,446,993	17,605,082
Management and General	2,405,713	-	2,405,713	1,621,082
Fundraising	2,005,482	-	2,005,482	1,813,074
<b>TOTAL EXPENSES</b>	<b>41,858,188</b>	<b>-</b>	<b>41,858,188</b>	<b>21,039,238</b>
<b>CHANGE IN NET ASSETS</b>	<b>6,250,413</b>	<b>(3,375,300)</b>	<b>2,875,113</b>	<b>21,274,409</b>
Net Assets - Beginning of Year	14,543,028	11,842,616	26,385,644	5,111,235
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 20,793,441</b>	<b>\$ 8,467,316</b>	<b>\$ 29,260,757</b>	<b>\$ 26,385,644</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**TEAM RUBICON, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2018**  
**With Summarized Totals for the Year Ended December 31, 2017**

	2018								2017 Total
	Disaster Operations	Rebuild Operations	Capabilities and Training	Other	Total Program Services	Management and General	Fundraising	Total	
Field Expenses and Travel	\$ 5,175,866	\$ 7,782,280	\$ 2,511,805	\$ 810,138	\$ 16,280,089	\$ 70,870	\$ 169,618	\$ 16,520,577	\$ 7,393,745
Technology, Office Equipment and Supplies	8,404,927	89,254	928,152	1,069,502	10,491,835	158,029	178,417	10,828,281	2,707,574
Personnel Costs	1,950,577	1,045,077	3,128,911	664,251	6,788,816	1,215,358	1,199,956	9,204,130	6,604,455
Professional Services	25,918	26,270	928,007	372,342	1,352,537	514,555	132,433	1,999,525	1,273,821
Marketing	300,016	123,882	287,444	329,702	1,041,044	16,068	77,863	1,134,975	1,185,917
Rent, Parking and Utilities	5,516	143,634	1,877	446,138	597,165	99,382	65,853	762,400	613,756
Other Business Expenses	23,979	35,262	94,908	171,788	325,937	224,941	156,397	707,275	866,822
Insurance	3,042	27,209	9,246	160,772	200,269	85,270	20,239	305,778	130,756
Depreciation and Amortization	85,826	22,042	39,551	97,882	245,301	21,240	4,706	271,247	137,392
Awards, Fellowships and Grants	-	-	124,000	-	124,000	-	-	124,000	125,000
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 15,975,667</b>	<b>\$ 9,294,910</b>	<b>\$ 8,053,901</b>	<b>\$ 4,122,515</b>	<b>\$ 37,446,993</b>	<b>\$ 2,405,713</b>	<b>\$ 2,005,482</b>	<b>\$ 41,858,188</b>	
					89%	6%	5%	100%	
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>					<b>\$ 17,605,082</b>	<b>\$ 1,621,082</b>	<b>\$ 1,813,074</b>		<b>\$ 21,039,238</b>
					84%	8%	8%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

**TEAM RUBICON, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2018

With Summarized Totals for the Year Ended December 31, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 2,875,113	21,274,409
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	217,744	137,392
Amortization	53,503	-
Net Realized and Unrealized Loss on Investments	914,419	2,998
Contributed Stock	(108,142)	(106,129)
Proceeds from Sale of Stock	108,157	-
(Gain) Loss on Contributed Stock	(15)	-
Loss on Disposal of Property and Equipment	-	105,668
(Increase) Decrease in:		
Contributions and Pledges Receivable	240,454	(1,793,299)
Prepaid Expenses and Other Assets	92,984	79,596
Increase (Decrease) in:		
Accounts Payable	26,743	383,938
Accrued Liabilities	1,277,125	225,042
	<b>5,698,085</b>	<b>20,309,615</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(482,941)	(829,880)
Purchase of Software	(736,352)	-
Purchase of Investments	(34,001,509)	(33,927,183)
Interest and Dividends Reinvested	(700,841)	(78,963)
Proceeds on Sale of Investments	32,566,767	14,290,312
	<b>(3,354,876)</b>	<b>(20,545,714)</b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,343,209</b>	<b>(236,099)</b>
Cash and Cash Equivalents - Beginning of Year	1,128,116	1,364,215
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,471,325</b>	<b>\$ 1,128,116</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# **TEAM RUBICON, INC.**

## **NOTES TO FINANCIAL STATEMENTS** **December 31, 2018**

### **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 disaster relief and recovery to those affected by natural disasters, across the United States and around the world. By pairing the skills and experiences of military veterans with first responders 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 95,000 registered volunteers (70% military veterans) and has executed over 300 Disaster Operations in the field including large-scale events such as the 2010 Haiti earthquake, Superstorm Sandy (2012), Hurricane Harvey (2017), Hurricane Florence and Hurricane Michael (2018), 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 approximately \$25,000,000 in volunteer labor to communities affected by disaster.

Beginning in 2018, Team Rubicon launched a new capability, Rebuild Operations, aimed at providing construction services for communities affected by disasters. Rebuild Operations have launched in Houston, South Florida, and Puerto Rico, focusing on homeowners affected by Hurricanes Harvey, Irma, and Maria, respectively. Team Rubicon has rebuilt more than 50 homes in Houston and more than 30 in Collier County, Florida. In Puerto Rico, Team Rubicon provided 500 hurricane-resistant roofs and three full-home rebuilds, helping 1,364 family members in the process.

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 our Capabilities and Training efforts, Team Rubicon has provided more than 60,000 training opportunities to members, in skills such as incident command, chainsaw operations, heavy equipment usage, and expedient home repairs and construction, totaling approximately 88,000 hours dedicated to training in 2018 alone.

Recruitment efforts for Team Rubicon focus on metropolitan centers across the United States, primarily in cities with a population larger than 100,000. With teams located across the US, Team Rubicon is able to quickly project relief no matter the locale or scale of a disaster. This focus on city-level recruitment has the added benefit of increasing the resiliency of local communities, creating a framework for Team Rubicon members and their families and neighbors to prepare and respond to disasters together. The ability to continue to serve alongside like-minded individuals has substantial impact on Team Rubicon's veteran and civilian members alike, with 98% of members reporting a greater sense of purpose due to volunteering.

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, 2018

### 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.

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, 2018, approximates its fair value.

#### (d) INVESTMENTS

Investments in equity and debt securities with readily determinable fair 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. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

# TEAM RUBICON, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2018

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) INVESTMENTS (continued)

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.

Investments are made at the direction of Team Rubicon's Board of Directors. The investments are managed by outside investment managers contracted by Team Rubicon.

#### (e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions and grants, including pledges recorded at estimated fair value, are recognized as revenues in the period received. Team Rubicon reports unconditional contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. At December 31, 2018, Team Rubicon had received \$3,920,000 of conditional promises to give.

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, 2018, the Team Rubicon evaluated the collectability of pledges receivable and determined that no allowance for uncollectible pledges receivable was necessary.

#### (f) 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 the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense 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

#### (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 is three to five years.

# TEAM RUBICON, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2018

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(h) LONG-LIVED ASSETS**

Team Rubicon reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2018.

#### **(i) 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, 2018 Team Rubicon received in-kind contributions of \$12,751,563. 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, 2018, is reflected at fair market value of \$7,735,657. 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, 2018 as a result of this significant contribution. The balance of \$5,015,906 of in-kind contribution revenue includes donated software and consulting services, pro bono legal services, donated field materials for Rebuild Operations, and donated flights.

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.

#### **(j) INCOME TAXES**

Team Rubicon is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. Team Rubicon currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. Team Rubicon is also exempt under California Revenue and Taxation Code Section 23701d.

#### **(k) 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, 2018

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) 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, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### (m) 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 generally accepted principles. Accordingly, such information should be read in conjunction with Team Rubicon's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

#### (n) RECLASSIFICATIONS

For comparability, certain December 31, 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2018.

#### (o) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce the complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in the financial statements that is useful in assessing a nonprofit's liquidity, financial performance and cash flows. Team Rubicon implemented this ASU during the year ended December 31, 2018.

In May 2014, FASB issued 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. For Team Rubicon, the ASU and subsequent amendments will be effective for the year ending December 31, 2019.

## TEAM RUBICON, INC.

### NOTES TO FINANCIAL STATEMENTS December 31, 2018

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (o) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For Team Rubicon, the ASU will be effective for the year ending December 31, 2019.

In February 2016, the Financial Accounting Standards Board (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 providing additional information about the amounts recorded in the financial statements. For Team Rubicon, the ASU will be effective for the year ending December 31, 2020.

##### (p) SUBSEQUENT EVENTS

Team Rubicon has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 24, 2019, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

#### 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, 2018

**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, 2018, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2018	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 Equity Funds and Common Stock	\$ 22,303,692	\$ 22,303,692	\$ -	\$ -
	37,014	37,014	-	-
<b>TOTAL</b>	<b>\$ 22,340,706</b>	<b>\$ 22,340,706</b>	<b>\$ -</b>	<b>\$ -</b>

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.

Team Rubicon recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended December 31, 2018.

**NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE**

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

Within One Year	<u>\$ 3,225,359</u>
<b>TOTAL CONTRIBUTIONS AND PLEDGES RECEIVABLE</b>	<u><b>\$ 3,225,359</b></u>

**TEAM RUBICON, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2018 consist of the following:

Field Equipment	\$	1,571,936
Field Communication Equipment		104,345
Computer Equipment		21,559
Furniture and Office Equipment		57,925
Leasehold Improvements		96,352
Audiovisual and Media Equipment		72,506
<b>TOTAL</b>		<b>1,924,623</b>
Less: Accumulated Depreciation		(500,644)
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b>\$</b>	<b>1,423,979</b>

Depreciation expense for the year ended December 31, 2018, was \$217,744.

**NOTE 6 - CAPITALIZED SOFTWARE**

Capitalized software consists of the following at December 31, 2018:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized Software Development Costs	\$ 820,431	\$ (53,503)	\$ 766,928
<b>Years Ending December 31</b>			
2019	\$ 256,515		
2020	267,025		
2021	229,032		
2022	14,356		
<b>TOTAL</b>	<b>\$ 766,928</b>		

The software was placed into service in November 2018. Amortization expense for the year ended December 31, 2018, was \$53,503.

# TEAM RUBICON, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2018

### NOTE 7 - COMMITMENTS AND CONTINGENCIES

#### (a) OPERATING UNDER OPERATING LEASES

Team Rubicon leases its space, including its Los Angeles office space, under non-cancelable operating lease agreements which expire through February 2023. As of December 31, 2018, future minimum lease payments under these leases are as follows:

#### Years Ending December 31

2019	\$	499,454
2020		434,501
2021		347,853
2022		349,487
2023		59,532
<b>TOTAL</b>	\$	<b>1,690,827</b>

Rent expense for the year ended December 31, 2018, was \$484,486.

#### (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.

### NOTE 8 - LINE OF CREDIT FACILITY

Team Rubicon has a line of credit facility with a bank with available financing of \$1,000,000. The facility, which is secured by Team Rubicon's investments, expires on November 1, 2019 and any draws on the line of credit bear interest at LIBOR (the one-month LIBOR rate was 2.4582 at December 31, 2018) plus 2.70%. At December 31, 2018, there was no outstanding balance on the line of credit.

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Rebuild Operations	\$	4,926,914
Disaster Operations		1,825,291
Capabilities and Training		1,690,111
Equipment		25,000
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	\$	<b>8,467,316</b>

# TEAM RUBICON, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Rebuild Operations	\$ 8,055,859
Disaster Operations	5,361,604
Capabilities and Training	4,712,836
Equipment	<u>317,961</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 18,448,260</u></b>

### NOTE 10 - 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, 2018, amounted to \$213,413.

### NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by Team Rubicon at December 31, 2018 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, 2018	
Cash and Cash Equivalents	\$ 3,471,325
Investments	22,340,706
Contributions and Pledges Receivable	<u>3,225,359</u>
<b>TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2018</b>	<b>29,037,390</b>
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	(6,249,316)
Purpose Restricted Contributions and Pledges Receivable	<u>(2,218,000)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 20,570,074</u></b>

**TEAM RUBICON, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES** (continued)

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 a 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 \$1,000,000. 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.