

WILKE & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

TEAM RUBICON, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

Main Office: 510 Washington Avenue • Carnegie, PA • 15106-2848
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WILKE & ASSOCIATES

TEAM RUBICON, INC.

YEARS ENDED DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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

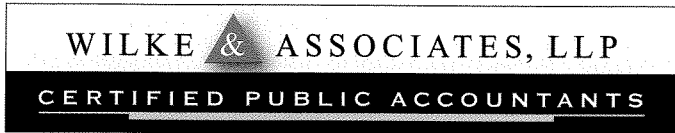
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

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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, 2014 and 2013, 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

October 23, 2015

TEAM RUBICON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS		
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 574,026	\$ 1,284,500
Pledges receivable	389,737	503,735
Miscellaneous receivable	-	3,432
Investments	2,020,575	1,977,036
Prepaid expenses	350,612	96,731
Inventory	5,231	2,840
TOTAL CURRENT ASSETS	3,340,181	3,868,274
PROPERTY AND EQUIPMENT		
Equipment	273,543	121,337
Furniture and fixtures	18,647	2,170
Software	16,616	16,616
Leasehold improvements	9,040	4,572
	317,846	144,695
Less accumulated depreciation	(67,951)	(31,325)
NET PROPERTY AND EQUIPMENT	249,895	113,370
OTHER ASSETS		
Due from affiliate	196,619	-
Security deposits	19,262	24,417
TOTAL OTHER ASSETS	215,881	24,417
TOTAL ASSETS	\$ 3,805,957	\$ 4,006,061
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 260,747	\$ 188,611
Accrued liabilities	65,163	64,306
TOTAL CURRENT LIABILITIES	325,910	252,917
OTHER LIABILITIES		
Deferred rent	15,262	-
NET ASSETS		
Unrestricted	2,121,697	3,522,303
Temporarily Restricted	1,343,088	230,841
TOTAL NET ASSETS	3,464,785	3,753,144
TOTAL LIABILITIES AND NET ASSETS	\$ 3,805,957	\$ 4,006,061

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 2,030,319	\$ 555,484	\$ 2,585,803
Grants	907,129	1,469,772	2,376,901
In-kind contributed services	2,546,888	-	2,546,888
Merchandise revenue	4,784	-	4,784
Investment income, net of fees	71,509	-	71,509
Net assets released from restrictions	913,009	(913,009)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	6,473,638	1,112,247	7,585,885
EXPENSES			
Program services	6,425,589	-	6,425,589
Development and fundraising	705,803	-	705,803
Management and general	742,852	-	742,852
TOTAL EXPENSES	7,874,244	-	7,874,244
 CHANGE IN NET ASSETS	 (1,400,606)	 1,112,247	 (288,359)
 NET ASSETS, BEGINNING OF THE YEAR	 3,522,303	 230,841	 3,753,144
 NET ASSETS, END OF THE YEAR	 \$ 2,121,697	 \$ 1,343,088	 \$ 3,464,785

See accompanying notes to the financial statements.

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

	Unrestricted	Temporarily Restricted	Total
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	6,969,159	135,841	7,105,000
EXPENSES			
Program services	4,645,452	-	4,645,452
Development and fundraising	290,769	-	290,769
Management and general	317,041	-	317,041
TOTAL EXPENSES	5,253,262	-	5,253,262
 CHANGE IN NET ASSETS	 1,715,897	 135,841	 1,851,738
 NET ASSETS, BEGINNING OF THE YEAR	 1,806,406	 95,000	 1,901,406
 NET ASSETS, END OF THE YEAR	 \$ 3,522,303	 \$ 230,841	 \$ 3,753,144

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM SERVICES	DEVELOPMENT AND FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Field expenses	\$ 3,345,149	\$ -	\$ -	\$ 3,345,149
Wages	1,171,323	303,196	410,321	1,884,840
Conferences and travel	468,674	80,977	5,100	554,751
Professional services	232,899	37,555	54,976	325,430
Employee benefits	151,597	29,645	48,800	230,042
Awards, fellowships and grants	216,750	-	-	216,750
Meals & entertainment	136,307	75,241	3,469	215,017
Rent, parking, utilities	140,311	26,257	46,044	212,612
Office expenses	126,386	14,582	54,581	195,549
Marketing materials	141,742	23,394	-	165,136
Payroll taxes	100,578	24,895	32,771	158,244
Insurance	121,797	6,758	17,842	146,397
Bank and merchant fees	2,965	43,565	22,907	69,437
Placement and hiring costs	1,629	31,230	3,829	36,688
Depreciation	19,904	-	16,722	36,626
Printing and copying	25,800	3,431	1,466	30,697
Telephone and internet	15,920	3,362	6,601	25,883
Fines and penalties	82	1,715	15,283	17,080
Miscellaneous	3,004	-	1,775	4,779
Membership, dues & licenses	2,772	-	365	3,137
	<u>\$ 6,425,589</u>	<u>\$ 705,803</u>	<u>\$ 742,852</u>	<u>\$ 7,874,244</u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	PROGRAM SERVICES	DEVELOPMENT AND FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Field expenses	\$ 3,304,437	\$ -	\$ -	\$ 3,304,437
Wages	551,320	87,548	119,486	758,354
Professional services	160,080	70,976	25,937	256,993
Conferences and travel	219,053	12,024	2,576	233,653
Rent, parking, utilities	32,423	-	55,887	88,310
Meals & entertainment	67,751	17,250	3,216	88,217
Bank and merchant fees	149	75,871	11,910	87,930
Office expenses	65,778	7,077	12,383	85,238
Employee benefits	34,999	-	35,394	70,393
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
Insurance	14,076	-	7,516	21,592
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	694	9,681	10,891
Membership, dues & licenses	5,598	-	1,835	7,433
Placement and hiring costs	375	-	2,747	3,122
Fees, fines and penalties	648	-	34	682
	<u>\$ 4,645,452</u>	<u>\$ 290,769</u>	<u>\$ 317,041</u>	<u>\$ 5,253,262</u>

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (288,359)	\$ 1,851,738
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,626	18,141
Unrealized (gain) loss on investments	(2,403)	(2,348)
(Increase) decrease in:		
Pledges receivable	113,998	98,390
Miscellaneous receivable	3,432	(3,432)
Prepaid expense	(253,881)	(62,491)
Inventory	(2,391)	(2,840)
Security deposits	5,155	(20,517)
Due from affiliate	(196,619)	-
Increase (decrease) in:		
Accounts payable	72,136	64,756
Accrued liabilities	857	24,229
	(511,449)	1,965,626
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,624,507)	(3,844,049)
Proceeds from sales and maturities of investments	1,598,633	3,005,136
Purchases of property and equipment	(173,151)	(94,561)
	(199,025)	(933,474)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(710,474)	1,032,152
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	1,284,500	252,348
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 574,026	\$ 1,284,500

See accompanying notes to the financial statements.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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:

Leasehold improvements	2 – 3 years
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, 2014 and 2013 was \$36,626 and \$18,141 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.

Deferred Rent:

The Organization utilizes the straight-line method to recognize rent expense to account for rent escalations over the term of the lease agreements. As a result of this, there are differences between the amount of rent paid and the amount of rent expense recognized. As of December 31, 2014 and 2013, the amount of deferred rent was \$15,262 and \$0, 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.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

Reclassifications:

Certain reclassifications have been made to the December 31, 2013 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

Advertising:

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2014 and 2013 was \$165,136 and \$56,781, 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 2011. The open tax year for filing purposes is only for the year ended December 31, 2014.

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, 2014, marketable securities consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Appreciation (Depreciation)</u>
Corporate stocks and bonds	\$ 454,078	\$ 475,650	\$ 21,572
Money market funds	291,437	291,437	-
Mutual funds	<u>1,272,657</u>	<u>1,253,488</u>	<u>(19,169)</u>
	<u>\$ 2,018,172</u>	<u>\$ 2,020,575</u>	<u>\$ 2,403</u>

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE B – INVESTMENTS (CONTINUED)

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>

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 \$389,737 and \$503,735 as of December 31, 2014 and 2013, respectively.

NOTE D – RELATED PARTY TRANSACTIONS

Due from Affiliate:

During 2014, the Organization started a new affiliated organization in an effort to expand global outreach of its mission. The affiliated company is located and operates out of southern California. The Organization advanced funds for the startup expenses of the affiliated company. The balance outstanding was \$196,619 at December 31, 2014. Repayment of the balance outstanding will begin in even installments once the affiliate raises an aggregate of \$1,500,000.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE E – 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:

	2014	2013
Designated for:		
Clay Hunt Fellowship Program	\$ 418,113	\$ 230,841
Resiliency Program	250,000	-
Division II Development	189,837	-
International Field Operations	183,270	-
Training Program	146,646	-
Region X Development	45,180	-
Finance Team Development	32,717	-
Membership Team Development	30,000	-
Membership Database Development	25,000	-
Computers and Equipment	20,000	-
Region III Development	1,825	-
Region I Development	500	-
	\$ 1,343,088	\$ 230,841

There were no permanently restricted net assets as of December 31, 2014 and 2013.

NOTE F — 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, 2014 and 2013 was \$1,950 and \$23,400, 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 years ended December 31, 2014 and 2013 was \$81,054 and \$31,890, respectively.

TEAM RUBICON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE F — OPERATING LEASES (CONTINUED)

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. Rent expense under this lease agreement for the years ended December 31, 2014 and 2013 was \$77,282 and \$0, respectively.

Residential Apartment:

The Organization entered into a lease agreement in November 2013 which was cancelled in December 2013. The monthly payments on the lease were \$1,850. The lease was replaced by a month to month lease in January 2014. The monthly payments on the lease are \$1,400. Rent expense under these lease agreements for the years ended December 31, 2014 and 2013 was \$16,800 and \$3,700, respectively.

Total future minimum rental payments are as follows:

Year ending December 31, 2015	\$ 197,220
Year ending December 31, 2016	<u>8,504</u>
	<u><u>\$ 205,724</u></u>

NOTE G – 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 also the time they are placed in service or distributed.

NOTE H — SUBSEQUENT EVENT

Management has evaluated and determined there are no subsequent events necessary for disclosure as of the date of the independent auditors’ report.