

**X PRIZE Foundation, Inc. and Subsidiaries**

**Consolidated Financial Statements  
and Independent Auditor's Report**

**December 31, 2020**

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# X PRIZE Foundation, Inc. and Subsidiaries

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## Independent Auditor's Report

To the Board of Directors  
X PRIZE Foundation, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of X PRIZE Foundation, Inc. and Subsidiaries (collectively, the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of X PRIZE Foundation, Inc. and Subsidiaries as of December 31, 2020, and the changes in 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 X PRIZE Foundation, Inc. and Subsidiaries 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated statements from which it has been derived.

*CohnReznick LLP*

Los Angeles, California  
April 19, 2021

**X PRIZE Foundation, Inc. and Subsidiaries**

**Consolidated Statement of Financial Position  
December 31, 2020  
With Summarized Totals at December 31, 2019  
(Dollars in Thousands)**

	<u>Assets</u>	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 15,804	\$ 34,041
Pledges receivable, net	375	3,873
Sponsorships receivable, net	1,922	3,087
Other receivables, net	827	902
Prepaid expenses and other	854	510
Total current assets	19,782	42,413
Restricted cash for prize purses	-	11,927
Restricted cash for lease deposit	400	400
Restricted investments for prize purses	20,804	-
Investments	30,515	-
Pledges receivable, net of current portion	-	275
Sponsorships receivable, net of current portion	-	1,500
Property and equipment, net	2,470	1,250
Investment in joint venture	10	10
Other assets	8	8
Total assets	\$ 73,989	\$ 57,783
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 3,649	\$ 3,914
Total current liabilities	3,649	3,914
PPP and EID loans	1,953	-
Deferred rent	2,112	475
Deferred revenue	8,346	2,923
Prize purses	20,804	11,927
Total liabilities	36,864	19,239
Commitments and contingencies		
Net assets		
Without donor restrictions	8,018	5,649
With donor restrictions	29,107	32,895
Total net assets	37,125	38,544
Total liabilities and net assets	\$ 73,989	\$ 57,783

See Notes to Consolidated Financial Statements.

**X PRIZE Foundation, Inc. and Subsidiaries**

**Consolidated Statement of Activities  
Year Ended December 31, 2020  
With Summarized Totals for the Year Ended December 31, 2019  
(Dollars in Thousands)**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>2019</u>
Revenue and support				
Sponsorships	\$ -	\$ 20,611	\$ 20,611	\$ 5,559
Contributions	3,488	-	3,488	10,457
Investment income, net	103	-	103	2,330
Net assets released from restriction	<u>24,399</u>	<u>(24,399)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>27,990</u>	<u>(3,788)</u>	<u>24,202</u>	<u>18,346</u>
Expenses				
Program services	18,878	-	18,878	24,342
Management and general	3,611	-	3,611	6,812
Fundraising	<u>3,132</u>	<u>-</u>	<u>3,132</u>	<u>2,097</u>
Total expenses	<u>25,621</u>	<u>-</u>	<u>25,621</u>	<u>33,251</u>
Change in net assets	2,369	(3,788)	(1,419)	(14,905)
Net assets, beginning	<u>5,649</u>	<u>32,895</u>	<u>38,544</u>	<u>53,449</u>
Net assets, end	<u>\$ 8,018</u>	<u>\$ 29,107</u>	<u>\$ 37,125</u>	<u>\$ 38,544</u>

See Notes to Consolidated Financial Statements.

**X PRIZE Foundation, Inc. and Subsidiaries**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2020  
With Summarized Totals for the Year Ended December 31, 2019  
(Dollars in Thousands)**

	Program services								Support services				Total	2019
	Learning	Energy	Exploration	Civil Society	Human Health and Longevity	Environment	Mobility	Grand Challenge Awareness	Total program services	Management and general	Fundraising	Total support services		
Personnel														
Salaries	\$ 812	\$ -	\$ 695	\$ 482	\$ 1,792	\$ 2,446	\$ 486	\$ 587	\$ 7,300	\$ 2,208	\$ 2,032	\$ 4,240	\$ 11,540	\$ 11,188
Payroll taxes and employee benefits	116	-	98	73	247	358	72	90	1,054	444	359	803	1,857	1,809
<b>Total personnel</b>	<b>928</b>	<b>-</b>	<b>793</b>	<b>555</b>	<b>2,039</b>	<b>2,804</b>	<b>558</b>	<b>677</b>	<b>8,354</b>	<b>2,652</b>	<b>2,391</b>	<b>5,043</b>	<b>13,397</b>	<b>12,997</b>
Operations														
Bad debt	114	-	153	58	374	532	165	43	1,439	383	182	565	2,004	1,409
Communication and marketing	584	-	397	30	833	629	815	27	3,315	2	212	214	3,529	1,864
Computer and equipment	274	-	-	-	-	119	-	-	393	-	-	-	393	611
Consultant expenses	2	-	13	1	220	6	96	120	458	14	36	50	508	1,141
Depreciation and amortization	34	-	46	17	112	160	50	13	432	115	55	170	602	651
Special events expenses	54	-	40	1	34	41	15	23	208	1	8	9	217	5,002
Facilities	71	-	96	36	234	334	104	27	902	241	114	355	1,257	1,186
Other	58	-	79	30	192	273	85	22	739	197	93	290	1,029	1,558
Professional services	84	-	-	-	-	37	-	-	121	-	-	-	121	267
Team and testing activities	77	3	263	79	333	1,284	180	1	2,220	-	3	3	2,223	4,826
Travel and entertainment	16	5	88	18	26	91	22	31	297	6	38	44	341	1,739
<b>Total operations</b>	<b>1,368</b>	<b>8</b>	<b>1,175</b>	<b>270</b>	<b>2,358</b>	<b>3,506</b>	<b>1,532</b>	<b>307</b>	<b>10,524</b>	<b>959</b>	<b>741</b>	<b>1,700</b>	<b>12,224</b>	<b>20,254</b>
<b>Total functional expenses</b>	<b>\$ 2,296</b>	<b>\$ 8</b>	<b>\$ 1,968</b>	<b>\$ 825</b>	<b>\$ 4,397</b>	<b>\$ 6,310</b>	<b>\$ 2,090</b>	<b>\$ 984</b>	<b>\$ 18,878</b>	<b>\$ 3,611</b>	<b>\$ 3,132</b>	<b>\$ 6,743</b>	<b>\$ 25,621</b>	<b>\$ 33,251</b>

See Notes to Consolidated Financial Statements.

**X PRIZE Foundation, Inc. and Subsidiaries**

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2020**  
**With Summarized Totals for the Year Ended December 31, 2019**  
**(Dollars in Thousands)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (1,419)	\$ (14,905)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	602	651
Loss on disposal of equipment	65	-
Realized and unrealized gain on investments	(63)	(476)
Provision for bad debt	2,004	1,409
Change in operating assets and liabilities		
Pledges receivable	1,769	7,597
Sponsorships receivable	2,665	(2,631)
Other receivables	75	549
Prepaid expenses and other	(344)	(80)
Accounts payable and accrued expenses	(265)	(162)
Deferred revenue	5,423	(2,452)
Deferred rent	1,637	(481)
Net cash provided by (used in) operating activities	<u>12,149</u>	<u>(10,981)</u>
Cash flows from investing activities		
Purchase of investments	(51,256)	(62,903)
Proceeds from sale of investments	-	131,314
Purchases of property and equipment	(1,887)	(762)
Net cash provided by (used in) by investing activities	<u>(53,143)</u>	<u>67,649</u>
Cash flows from financing activities		
Proceeds from PPP and EID loans	1,953	-
Payment of prize purses	(5,171)	(23,212)
Financing of prize purses	14,048	7,697
Net cash provided by (used by) financing activities	<u>10,830</u>	<u>(15,515)</u>
Net increase (decrease) in cash and cash equivalents	<u>(30,164)</u>	<u>41,629</u>
Cash and cash equivalents, beginning	<u>46,368</u>	<u>4,739</u>
Cash and cash equivalents, end	<u>\$ 16,204</u>	<u>\$ 46,368</u>
Cash and cash equivalents consist of the following		
Cash and cash equivalents	\$ 15,804	\$ 34,041
Restricted cash for prize purses	-	11,927
Restricted cash for lease deposit	400	400
	<u>\$ 16,204</u>	<u>\$ 46,368</u>

See Notes to Consolidated Financial Statements.



## **X PRIZE Foundation, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020**

#### **Note 1 - Business activity**

X PRIZE Foundation, Inc. ("X PRIZE") is a not-for-profit 501(c)(3) Delaware corporation fostering and sponsoring competition to create innovative breakthroughs for the benefit of humanity. The Foundation conducts competitions in seven prize groups: Learning & Human Potential; Energy & Resources; Space & New Frontiers; Civil Society; Health & Wellness; Planet & Environment; and Shelter & Infrastructure. In addition, the Foundation provides and operates education and outreach programs related to its mission. These activities consist of speeches, visual presentations and educational materials in partnership with key academic institutions, as well as research and publication of information in the general public interest. X PRIZE was incorporated in 1994 and is currently headquartered in Los Angeles, California.

X PRIZE Foundation India was incorporated in India on January 31, 2012 under Section 25 of the Companies Act, 1956 as a nonprofit entity, and is a wholly-owned subsidiary of X PRIZE.

X PRIZE further incorporated another entity in India, X PRIZE Foundation. The entity was incorporated on November 28, 2014 under Section 7 of the Companies Act, 2013 and Rule 8 of the Companies (Incorporation) Rules, 2014 as a nonprofit entity, and is a wholly-owned subsidiary of X PRIZE.

#### **Note 2 - Summary of significant accounting policies**

##### **Basis of presentation**

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

##### **Principles of consolidation**

The consolidated financial statements include the accounts of X Prize and its two wholly-owned subsidiaries (collectively, the "Foundation"). All intercompany transactions and balances have been eliminated in consolidation.

##### **Financial statement presentation**

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, which are described as follows:

*Net assets without donor restrictions* - Net assets that are not subject to explicit donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Foundation.

*Net assets with donor restrictions* - Net assets whose use by the Foundation is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Foundation or that expire by the passage of time.

##### **Contributions and sponsorships**

Contributions and sponsorships received are recorded as support with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. Contributions and sponsorships for which donors have imposed restrictions which limit the use of the donated assets are reported as support with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, support

## **X PRIZE Foundation, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020**

with donor restrictions are reclassified to support without donor restrictions and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as net assets with donor restrictions. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as support without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return to the donor, are not recognized until the conditions on which they depend have been substantially met.

#### **Functional allocation of expenses**

The costs of providing various program services, management and general, and fundraising expenses have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities that benefited based on estimates of employees' time incurred and on usage of resources.

#### **Cash and cash equivalents**

Cash and cash equivalents include demand deposits and highly liquid investments with an initial maturity at the date of purchase of three months or less.

#### **Restricted cash**

The Foundation's lease is secured by a letter of credit (see Note 10). The letter of credit is secured by cash held at a financial institution. As of December 31, 2020, the restricted cash balance was \$400,000.

#### **Receivables**

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances. It is the Foundation's policy to charge off uncollectible receivables when management determines the receivable will not be collected. A provision for uncollected pledges, sponsorships and other receivables has been provided, if necessary, based on management's judgment, including such factors as prior collection history, type of contribution and when contributions are anticipated to be received. As of December 31, 2020, and 2019, the Foundation had an allowance for doubtful accounts of \$350,000 and \$850,000, respectively.

#### **Investments**

Investments in securities including mutual funds are reported at their fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated statement of activities as investment income (loss) and change in net assets.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities, with performance measured against appropriate indices. The investments are generally managed by an investment advisor who is assigned by the finance committee. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the investment advisor.

The Foundation maintains restricted investments on behalf of its prize purses (Note 11). As of December 31, 2020, the restricted investments balance was \$20,804,000.

## **X PRIZE Foundation, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020**

#### **Property and equipment**

Property and equipment are stated at cost if purchased, or fair value on the date of donation if donated, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from three to seven years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

#### **Long-lived assets**

Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Foundation periodically reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. No impairments were recorded during the year ended December 31, 2020.

#### **Fair value measurements**

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

#### **Investment in joint venture**

The Foundation has an investment in a joint venture for which no quoted market prices are available. The units are not publicly traded and are carried at cost as the Foundation does not have substantial influence over the investment.

#### **Deferred revenue**

The Foundation records amounts received for events that have not yet occurred, amounts received which are subject to refund and other amounts which have not been earned as deferred revenue in the consolidated statement of financial position until such amounts have been earned.

#### **Deferred rent**

The Foundation records rent expense under its operating lease on a straight-line basis over the lease term. Deferred rent results from the difference between increasing monthly cash rent payments and the straight-line expense. In addition, the Foundation sometimes receives up-front tenant allowances upon entering certain lease agreements. Such allowances are recorded as a deferred rent liability in the accompanying statement of financial position, and amortized as a reduction to rent expense on a straight-line basis over the lease terms.

## **X PRIZE Foundation, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020**

#### **Prize purses**

Prize purses held by the Foundation are treated as conditional promises and thus are accounted for as refundable advances until the required conditions have been substantially met or explicitly waived by the donor. Prize purses have been recorded as restricted cash and investments and long-term liabilities in the consolidated statement of financial position.

#### **Income taxes**

The Foundation is a not-for profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California and is not required to file a tax return. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

The Foundation has no unrecognized tax benefits at December 31, 2020. The Foundation's federal income tax returns for fiscal years 2019, 2018 and 2017 remain open. The Foundation's state income tax returns for fiscal years 2019, 2018, 2017 and 2016 remain open. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If applicable, the Foundation recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accounts payable and accrued expenses in the consolidated statement of financial position.

The Foundation is subject to income taxes on any net income that is derived from trade or business, regularly carried on and not in the furtherance of the purposes for which it was granted exemption. The Foundation receives various corporate sponsorships, which it carefully evaluates as to whether the income is subject to unrelated business income tax. The Foundation was not subject to any unrelated business income tax for the year ended December 31, 2020.

#### **Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

#### **New Accounting Pronouncements**

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13 Fair Value Measurement (Topic 820) that modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. This standard is effective for X PRIZE for its current fiscal year. The updated standard impacts the disclosure requirements of transfers between different levels in the fair value hierarchy, valuation processes for level 3 fair value investments, and how unrealized gains and losses related to level 3 investments are disclosed. This standard did not have a material impact on the financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07 Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 enhances that enhances the presentation and disclosure requirements for contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. This standard will be effective for XPRIZE for its fiscal year 2022. Management is currently evaluating the impact ASU 2020-07 will have on the financial statements and related disclosures.

## X PRIZE Foundation, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020

#### Subsequent events

The Foundation has evaluated the impact of subsequent events through April 19, 2021, which is the date the financial statements were available to be issued.

#### Note 3 - Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual requirements.

As of December 31, 2020, the following table shows the total financial assets available to meet general expenditures over the next 12 months (dollars in thousands):

Cash and cash equivalents	\$	15,804
Pledges receivable, net		375
Sponsorships receivable, net		1,922
Other receivables, net		<u>827</u>
Financial assets available within one year to meet cash needs for general expenditures	\$	<u><u>18,928</u></u>

#### Note 4 - Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk include cash and cash equivalents. The Foundation maintains its cash and cash equivalents and investments with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Foundation's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

At December 31, 2020, two sponsors accounted for approximately 94% of the Foundation's sponsorship receivables. For the year ended December 31, 2020, one donor accounted for approximately 15% of the Foundation's contributions.

## X PRIZE Foundation, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020

#### Note 5 - Investments

At December 31, 2020, investments including assets whose use is limited or restricted are stated at fair value at December 31, 2020 and are classified in the table below in one of the three categories as described in Note 2 (dollars in thousands):

<u>Investment securities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - treasury obligation	\$ 23,334	\$ -	\$ -	\$ 23,334
US treasury bonds	-	27,985	-	27,985
Total investments	<u>\$ 23,334</u>	<u>\$ 27,985</u>	<u>\$ -</u>	<u>\$ 51,319</u>

These investments are disclosed in the accompanying consolidated statement of financial position as follows (dollars in thousands):

Investments	\$ 30,515
Restricted investments for prize purse	<u>20,804</u>
	<u>\$ 51,319</u>

The Foundation has investments in various mutual funds – treasury obligations. The fair value of these investments are based on a market approach valuation technique and are exposed to price fluctuations. The fair value measurements for these investments are valued based upon the quoted price in active markets multiplied by the number of securities owned, exclusive of any transaction costs and without any adjustments to reflect discounts that may be applied to selling a large block of securities at one time.

The Foundation has investments in various government bonds. The fair value of government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross currency basis index spreads and sovereign credit spreads similar to the bond in terms of issuer, maturity, and seniority. Government bonds are generally categorized in Level 2 of the Foundation's fair value hierarchy.

#### Note 6 - Pledges and sponsorships receivable

At December 31, 2020, pledges and sponsorships receivable consist of unconditional promises to give. The Foundation has not recorded a discount on these receivables as the amount is not considered material.

## X PRIZE Foundation, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020

The Foundation's pledges and sponsorships receivable consist of the following (dollars in thousands):

	<u>Pledges</u>	<u>Sponsorships</u>
Due in one year	\$ 725	\$ 1,922
Less allowance for uncollectible pledges	<u>(350)</u>	<u>-</u>
Total	<u>\$ 375</u>	<u>\$ 1,922</u>

At December 31, 2020, the Foundation has conditional pledges totaling \$1,438,000 that will be recognized as revenue when the conditions are met. At December 31, 2020, the Foundation has conditional sponsorships totaling \$10,189,000 that will be recognized as revenue when the conditions are met.

#### Note 7 - Property and equipment

At December 31, 2020, property and equipment consist of the following (dollars in thousands):

Furniture and fixtures	\$ 429
Office and computer equipment	401
Leasehold improvements	4,735
Equipment and software	<u>195</u>
	5,760
Less accumulated depreciation and amortization	<u>(3,290)</u>
Total	<u>\$ 2,470</u>

Depreciation and amortization expense was approximately \$602,000 for the year ended December 31, 2020.

#### Note 8 - Debt

##### PPP Loan

In April 2020, the Foundation entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately \$1,803,000 pursuant to the Paycheck Protection Program (the "PPP Loan") which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against the Foundation.

Under the CARES Act, PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. In April 2021, the Foundation applied for total loan forgiveness through the sponsoring bank and the Small Business Administration ("SBA"). The Foundation expects the entire principal and accrued interest on the loan balance to be forgiven during the next fiscal year. When the notice of forgiveness is received from the SBA, the Foundation will record the relief as revenue on the statement of activities.

## X PRIZE Foundation, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020

#### EID Loan

On May 25, 2020, the Foundation received a \$150,000 loan (the “EID Loan”) from the SBA under the SBA’s Economic Injury Disaster Loan program. The EID Loan has a 30-year term and bears interest at a rate of 2.75% per annum. Monthly principal and interest payments of \$641 per month are deferred for 12 months, and commence in May 2021. The EID Loan may be prepaid at any time prior to maturity with no prepayment penalties. The proceeds from the EID Loan must be used for working capital. The EID Loan contains customary events of default and other provisions customary for a loan of this type. The Foundation was in compliance with the terms of the EID Loan as of December 31, 2020.

#### Note 9 - Net assets with donor restriction

Movements in net assets with donor restrictions were as follows:

	Available December 31, 2019	New revenue	Released from restriction	Available December 31, 2020
Age Reversal Prize Design	\$ -	\$ 200	\$ (200)	\$ -
Alumni Network	63	116	(40)	139
ANA Avatar XPRIZE	8,830	-	(1,582)	7,248
Carbon Removal Prize Design	492	-	(492)	-
Carbon XPRIZE	7,405	128	(5,384)	2,149
Corals Restoration XPRIZE Fundraising	-	180	(180)	-
Data Collaborative	-	214	(214)	-
Energy Domain	-	154	-	154
Environment Domain	-	147	-	147
Equity Domain	-	47	-	47
Exploration Domain	-	1,044	-	1,044
Feed the Next Billion XPRIZE	-	1,661	(485)	1,176
Forests Impact Roadmap	853	-	(853)	-
Future of Food Impact Roadmap	264	100	(83)	281
Gender Lens Initiative	405	-	(172)	233
GLEXP Storytelling	-	69	-	69
Go Deeper/ Ocean Initiative	568	-	(568)	-
Human Health/ Longevity Domain	-	120	-	120
IBM AI XPRIZE	4,863	-	(3,165)	1,698
IDP Learning Hardware	(87)	87	-	-
Impact X	25	-	(25)	-
Iron Man	38	-	(38)	-
Learning Domain	-	638	-	638
Longevity Impact Roadmap	800	-	(528)	272
Lost Children Prize Design	50	395	(445)	-
Lowes Housing Futures Roadmap	478	-	(478)	-
Next Generation Mask Challenge	-	500	(500)	-
Ocean Discovery XPRIZE	3,009	-	(3,009)	-
Oceans Domain	-	1,550	-	1,550
Oil Cleanup X Challenge	24	-	(24)	-
Pandemic Alliance	-	400	(400)	-
Pandemic Response Challenge	-	837	(159)	678
Plastic X Challenge	28	-	(28)	-
Prize Development (Roddenberry)	2,400	-	(1,853)	547



**X PRIZE Foundation, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2020**

Racial Equity Alliance	-	1,255	(6)	1,249
Rainforest XPRIZE	687	3,500	(803)	3,384
Rapid Covid Testing Challenge	-	5,150	(593)	4,557
Rapid Reskilling XPRIZE	-	1,624	(518)	1,106
Roddenberry Mozambique	-	245	-	245
Tick Borne Disease Alliance (TBDA)	61	-	(61)	-
Tuberculosis XPRIZE	9	-	(9)	-
Vision Restoration XPRIZE	284	-	(284)	-
Wildfire Prize Design	400	-	(400)	-
XPRIZE Connect	875	250	(749)	376
Zero Waste Mining Prize Design	71	-	(71)	-
		<hr/>	<hr/>	<hr/>
Total	<u>\$ 32,895</u>	<u>\$ 20,611</u>	<u>\$ (24,399)</u>	<u>\$ 29,107</u>

**Note 10 - Commitments and contingencies**

**Operating lease**

The Foundation leases office space under a noncancelable operating lease that expires on May 31, 2027. Total rent expense for office facilities and storage was approximately \$1,079,000 for the year ended December 31, 2020.

The following is a schedule of future minimum rental payments required under the noncancelable operating lease as of December 31, 2020 (dollars in thousands):

2021	\$ 2,675
2022	1,688
2023	1,718
2024	1,770
2025	1,823
Thereafter	<u>2,681</u>
	<u>\$ 12,355</u>

The lease agreement requires the Foundation to maintain a bank standby letter of credit with the lessor as the beneficiary. At December 31, 2020, the standby letter of credit was \$400,000 (see Note 2).

The Foundation entered into a rent deferral agreement on June 2, 2020 to defer rental payments. The original rent deferral agreement was from April 1, 2020 through June 30, 2020. The Foundation extended this agreement to August 31, 2020. The Foundation is currently in negotiations with the landlord to further extend the rent deferral agreement. At December 31, 2020, the Foundation recorded a liability of \$1,055,541, which is included in deferred rent, for rental payments that have been deferred as a result of the rent deferral agreement.

**Legal matters**

The Foundation is subject to certain legal matters arising in the normal course of business. In the opinion of the Foundation's legal counsel, such legal matters are without substantial merit and should not result in judgments which, in the aggregate, would have a material adverse effect on the Foundation's consolidated financial statements.

## **X PRIZE Foundation, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020**

#### **Coronavirus**

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closures. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while the Foundation expects this matter to continue to temporarily impact the Foundation's financial condition, the extent of the financial impact and duration cannot be reasonably estimated at this time.

#### **Note 11 - Prize purses**

The Foundation enters into an agreement with the prize sponsor that specifies how funds are held and the terms of the prize award.

Beginning in December 31, 2013, the Foundation has received approximately \$11,892,000 designated for the prize purse for an X PRIZE to be determined at a later date. At December 31, 2020, the Foundation has recorded this amount as restricted investments and a liability in prize purses. During the year ended December 31, 2020, \$6,750,000 has been designated to the Feed the Next Billion prize purse, with the remaining amount designated for operations of the prize.

During the year ended December 31, 2020, the Foundation received a conditional contribution related to the Next Gen Mask Challenge for \$1,005,000. At December 31, 2020, the Foundation has recorded this amount as restricted investments and a liability in prize purses.

During the year ended December 31, 2020, the Foundation received a conditional contribution related to the XPRIZE Rapid Covid Testing for \$5,000,000. At December 31, 2020, the Foundation recorded the \$5,000,000 as restricted investments and a liability in prize purses.

During the year ended December 31, 2020, the Foundation received a conditional contribution related to XPRIZE Carbon for \$7,500,000. The money was provided to XPRIZE before year end but was not distributed to prize winner until 2021.

As of December 31, 2020, the Foundation had other prize purses totaling \$549,000.

As of December 31, 2020, the Foundation had a total prize purse of approximately \$20,804,000. In addition, they have committed prize purses not funded totalling \$32,000,000 as of December 31, 2020.

#### **Note 12 - Employee benefit plans**

The Foundation sponsors a 401(k) Plan that covers substantially all eligible employees, as defined in the 401(k) Plan agreement. Under the 401(k) Plan, employees may contribute and defer taxes on compensation contributed. The Foundation contributed approximately \$191,000 during the year ended December 31, 2020.



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