

X PRIZE Foundation, Inc. and Subsidiaries

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

December 31, 2019

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited statements from which it has been derived.

CohnReznick LLP

Los Angeles, California
August 20, 2020

X PRIZE Foundation, Inc. and Subsidiaries

**Consolidated Statement of Financial Position
December 31, 2019
With Summarized Totals at December 31, 2018
(Dollars in Thousands)**

Assets

	2019	2018
Current assets		
Cash and cash equivalents	\$ 34,041	\$ 3,988
Current portion of pledges receivable, net	3,873	5,656
Current portion of sponsorships receivable, net	3,087	1,440
Other receivables, net	902	1,451
Prepaid expenses and other	510	430
Total current assets	42,413	12,965
Restricted cash for prize purses	11,927	-
Restricted cash for lease deposit	400	751
Restricted investments for prize purses	-	27,442
Investments	-	40,969
Pledges receivable, net of current portion	275	7,498
Sponsorships receivable, net of current portion	1,500	516
Property and equipment, net	1,250	1,139
Investment in joint venture	10	10
Other assets	8	8
Total assets	\$ 57,783	\$ 91,298

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 3,914	\$ 4,076
Total current liabilities	3,914	4,076
Deferred rent	475	956
Deferred revenue	2,923	5,375
Prize purses	11,927	27,442
Total liabilities	19,239	37,849
Commitments and contingencies		
Net assets		
Without donor restrictions	5,649	5,609
With donor restrictions	32,895	47,840
Total net assets	38,544	53,449
Total liabilities and net assets	\$ 57,783	\$ 91,298

See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

Consolidated Statement of Activities
Year Ended December 31, 2019
With Summarized Totals for the Year Ended December 31, 2018
(Dollars in Thousands)

	Without donor restrictions	With donor restrictions	Total	2018
Revenue and support				
Sponsorships	\$ -	\$ 5,559	\$ 5,559	\$ 3,988
Contributions	9,090	1,367	10,457	11,634
Investment income, net	2,330	-	2,330	1,463
Net assets released from restriction	21,871	(21,871)	-	-
Total revenue and support	33,291	(14,945)	18,346	17,085
Expenses				
Program services	24,342	-	24,342	26,397
Management and general	6,812	-	6,812	8,560
Fundraising	2,097	-	2,097	3,742
Total expenses	33,251	-	33,251	38,699
Change in net assets	40	(14,945)	(14,905)	(21,614)
Net assets, beginning of year	5,609	47,840	53,449	75,063
Net assets, end of year	\$ 5,649	\$ 32,895	\$ 38,544	\$ 53,449

See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
With Summarized Totals for the Year Ended December 31, 2018
(Dollars in Thousands)

	Program services								Support services				Total	2018
	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	\$ 761	\$ 101	\$ 1,279	\$ 331	\$ 518	\$ 2,373	\$ 416	\$ 1,294	\$ 7,073	\$ 2,713	\$ 1,402	\$ 4,115	\$ 11,188	\$ 10,520
Payroll taxes and employee benefits	150	11	213	59	87	438	68	177	1,203	427	179	606	1,809	2,095
Total personnel	911	112	1,492	390	605	2,811	484	1,471	8,276	3,140	1,581	4,721	12,997	12,615
Operations														
Bad debt	-	-	-	-	-	-	-	-	-	1,409	-	1,409	1,409	3,767
Communication and marketing	202	4	485	84	149	364	245	176	1,709	23	132	155	1,864	1,932
Computer and equipment	7	-	11	2	4	11	2	11	48	543	20	563	611	467
Consultant expenses	8	2	71	14	42	340	32	273	782	215	144	359	1,141	2,788
Depreciation and amortization	61	4	134	19	29	285	86	18	636	-	15	15	651	719
Special events expenses	82	1	289	2	17	121	159	4,307	4,978	5	19	24	5,002	4,954
Facilities	-	-	2	-	2	6	2	-	12	1,174	-	1,174	1,186	1,142
Other	146	9	321	45	71	684	205	42	1,523	-	35	35	1,558	1,457
Professional services	-	-	-	-	14	9	-	1	24	242	1	243	267	368
Team and testing activities	631	-	2,095	107	440	1,391	160	-	4,824	-	2	2	4,826	6,612
Travel and entertainment	82	18	675	34	89	362	125	145	1,530	61	148	209	1,739	1,878
Total operations	1,219	38	4,083	307	857	3,573	1,016	4,973	16,066	3,672	516	4,188	20,254	26,084
Total functional expenses	\$ 2,130	\$ 150	\$ 5,575	\$ 697	\$ 1,462	\$ 6,384	\$ 1,500	\$ 6,444	\$ 24,342	\$ 6,812	\$ 2,097	\$ 8,909	\$ 33,251	\$ 38,699

See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2019
With Summarized Totals for the Year Ended December 31, 2018
(Dollars in Thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (14,905)	\$ (21,614)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	651	719
Deferred rent	(481)	(444)
Realized and unrealized loss on investments	476	226
Provision for bad debt	1,409	3,767
Change in operating assets and liabilities		
Pledges receivable	7,597	11,933
Sponsorships receivable	(2,631)	7,533
Other receivables	549	979
Prepaid expenses and other	(80)	(233)
Accounts payable and accrued expenses	(162)	(120)
Deferred revenue	(2,452)	(4,177)
Net cash used in operating activities	<u>(10,029)</u>	<u>(1,431)</u>
Cash flows from investing activities		
Purchase of investments	(63,379)	(55,379)
Proceeds from sale of investments	131,314	57,272
Purchases of property and equipment	(762)	(124)
Net cash provided by investing activities	<u>67,173</u>	<u>1,769</u>
Cash flows from financing activities		
Payment of prize purses	(23,212)	-
Financing of prize purses	7,697	-
Principal payments on capital lease obligation	-	(6)
Net cash used by financing activities	<u>(15,515)</u>	<u>(6)</u>
Net increase in cash and cash equivalents	41,629	332
Cash and cash equivalents, beginning of year	4,739	4,407
Cash and cash equivalents, end of year	<u>\$ 46,368</u>	<u>\$ 4,739</u>
Cash and cash equivalents consist of the following		
Cash and cash equivalents	\$ 34,041	\$ 3,988
Restricted cash for prize purses	11,927	-
Restricted cash for lease deposit	400	751
	<u>\$ 46,368</u>	<u>\$ 4,739</u>

See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

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 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 statements 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 restriction 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, 2019

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, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

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 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 8). The letter of credit is secured by cash held at a financial institution. As of December 31, 2019, the restricted cash balance was \$400,000.

The Foundation maintains restricted cash deposits on behalf of its prize purses (Note 9). As of December 31, 2019, the restricted cash balance was \$11,927,000.

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, 2019 and 2018 the Foundation had an allowance for doubtful accounts of \$850,000 and \$1,350,000 respectively.

Investments

Investments in securities are reported at their fair value in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements 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.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

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, 2019.

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.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

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 financial statements.

The Foundation has no unrecognized tax benefits at December 31, 2019. The Foundation's federal income tax returns for fiscal years 2018, 2017 and 2016 remain open. The Foundation's state income tax returns for fiscal years 2018, 2017, 2016 and 2015 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 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, 2019.

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 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.

Adoption of new accounting pronouncements

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Foundation adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method of transition for all contracts that were not completed as of that date.

The Foundation's revenue for reporting periods ended after December 31, 2018 is presented under the new guidance, while financial results for prior periods will continue to be reported in accordance with the prior guidance and the Foundation's historical accounting policy. The Foundation has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. The adoption of the new standard did not have a material impact on the Foundation's financial position, activities, net assets or cash flows as of the adoption date.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Subsequent events

The Foundation has evaluated the impact of subsequent events through August 20, 2020 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. The Foundation's revenues are sufficient to cover expenditures for at least 000,onths from the date of the consolidated statement of financial position.

As of December 31, 2019, 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	\$	34,041
Current portion of pledges receivable, net		3,873
Current portion of sponsorships receivable, net		3,087
Other receivables, net		<u>902</u>
Financial assets available within one year to meet cash needs for general expenditures	\$	<u><u>41,903</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.

At December 31, 2019, two sponsors accounted for approximately 100% of the Foundation's sponsorship receivables, and one donor accounted for 26% of pledges receivable. For the year ended December 31, 2019, one donor accounted for approximately 10% of the Foundation's contributions.

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2019**

Note 5 - Net assets with donor restriction

Movements in net assets with donor restrictions were as follows:

	(In thousands)			
	Available December 31, 2018	New revenue	Released from restriction	Available December 31, 2019
Adult Literacy XPRIZE	\$ 1,000	\$ -	\$ (1,000)	\$ -
AI Physician XPRIZE	250	-	(250)	-
Alumni Network	-	63	-	63
ANA Avatar XPRIZE	10,011	63	(1,244)	8,830
Autonomous Auto XPRIZE	191	-	(191)	-
Battery XPRIZE	515	-	(515)	-
Carbon Removal Prize Design	112	380	-	492
Carbon XPRIZE	7,405	-	-	7,405
Education XPRIZE	805	-	(805)	-
Energy and Environment XPRIZE	34	-	(34)	-
Forests Impact Roadmap	-	1,063	(210)	853
Future of Food Impact Roadmap	-	900	(636)	264
Gender Lens Initiative	-	437	(32)	405
General	94	-	(94)	-
GLEXP Storytelling	-	200	(200)	-
Global Learning XPRIZE	1,630	8	(1,638)	-
Go Deeper	568	-	-	568
Google Lunar XPRIZE	2,236	-	(2,236)	-
IBM AI XPRIZE	4,860	3	-	4,863
IDP Learning Hardware	-	(87)	-	(87)
Impact X	25	-	-	25
Iron Man	38	-	-	38
Longevity Impact Roadmap	-	800	-	800
Lost Children Prize Design	50	-	-	50
Lowes Housing Futures Roadmap	478	-	-	478
Nokia Sensing X Challenge	521	-	(521)	-
Ocean Discovery XPRIZE	3,009	-	-	3,009
Oil Cleanup X Challenge	24	-	-	24
Plastic X Challenge	28	-	-	28
Prize Development (Roddenberry)	2,400	-	-	2,400
Qualcomm Tricorder XPRIZE	174	-	(174)	-
Rainforest XPRIZE	-	1,187	(500)	687
Shell X-Prize	285	-	(285)	-
Tick Borne Disease Alliance (TBDA)	61	-	-	61
Time Restriction	8,945	-	(8,945)	-
Tuberculosis XPRIZE	9	-	-	9
Vision Restoration XPRIZE	284	-	-	284
Water XPRIZE	113	-	(113)	-
Wendy Schmidt Ocean Health XC	1,585	-	(1,585)	-
Wildfire Prize Design	-	400	-	400
Womens Safety	100	-	(100)	-
XPRIZE Connect	-	875	-	875
Zero Waste Mining Prize Design	-	634	(563)	71
Total	\$ 47,840	\$ 6,926	\$ (21,871)	\$ 32,895

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2019**

Note 6 - Pledges and sponsorships receivable

At December 31, 2019, 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. The Foundation's pledge and sponsorship receivable consist of the following (dollars in thousands):

	<u>Pledges</u>	<u>Sponsorships</u>
Due in one year	\$ 4,723	\$ 3,087
Due in two to five years	<u>275</u>	<u>1,500</u>
Total	4,998	4,587
Less allowance for uncollectible pledges	<u>(850)</u>	<u>-</u>
	4,148	4,587
Less current portion	<u>(3,873)</u>	<u>(3,087)</u>
Total long-term portion	<u>\$ 275</u>	<u>\$ 1,500</u>

At December 31, 2019, the Foundation has conditional pledges totaling \$2,400,000 and will be recognized as revenue when the conditions are met. At December 31, 2019, the Foundation has conditional sponsorships totaling \$12,000,000 and will be recognized as revenue when the conditions are met.

Note 7 - Property and equipment

At December 31, 2019, property and equipment consist of the following (dollars in thousands):

Furniture and fixtures	\$ 607
Office and computer equipment	364
Leasehold improvements	2,806
Equipment and software	146
Construction in process	<u>543</u>
	4,466
Less accumulated depreciation and amortization	<u>(3,216)</u>
Total	<u>\$ 1,250</u>

Depreciation and amortization expense was approximately \$651,000 for the year ended December 31, 2019.

Note 8 - 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 \$980,000 for the year ended December 31, 2019.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

The following is a schedule of future minimum rental payments required under the noncancelable operating lease as of December 31, 2019, (dollars in thousands):

2020	\$	1,370
2021		1,620
2022		1,668
2023		1,718
2024		1,770
Thereafter		4,665
	\$	<u>12,811</u>

The lease agreement requires the Foundation to maintain a bank standby letter of credit with the lessor as the beneficiary. At December 31, 2019, the standby letter of credit was \$400,000 (see Note 2).

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.

Note 9 - Prize purses

For most competitions, custody of prize purses is maintained by the prize sponsor until the time a prize is won. 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 recieved of approximately \$11,892,000 designated for the prize purse for an X PRIZE to be determined at a later date. At December 31, 2019, the Foundation has recorded this amount as restricted cash and a liability in prize purses.

During each of the years ended December 31, 2017, 2016, 2015 and 2014, the Foundation had a conditional contribution of \$3,750,000 designated for the prize purse for Global Learning X PRIZE for a total prize purse of \$15,000,000. During the year ended December 31, 2017, \$5,000,000 of the prize purse was awarded. During the year ended December 31, 2019 the final \$10,000,000 of the prize purse was awarded and the prize competition was completed.

At the end of December 31, 2018, the Foundation had an unawarded prize purse of \$5,500,000 related to the Adult Literacy XPrize. During the year ended the Foundation received an additional \$1,500,000 of contributions related to this prize. During the year ended December 31, 2019, the prize purse was awarded. At December 31, 2019, the prize competition was completed.

During the year ended December 31, 2019, the Foundation received a conditional contribution related to the Ocean Discovery Xprize for \$6,200,000. This amount was fully distributed during the year ended December 31, 2019.

As of December 31, 2019, the Foundation had other prize purses outstanding totaling \$35,000.

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2019**

Note 10 - 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 \$284,000 during the year ended December 31, 2019.

Note 11 - Subsequent events

In December 2019 and early 2020, the coronavirus that causes (COVID-19) was reported to have surfaced in China. The spread of this virus globally including in early 2020 has caused business disruption domestically in the United States, the area in which the Foundation primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the Foundation expects this matter to negatively impact the Foundation's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

On April 8, 2020 the Foundation obtained a loan under the Small Business Administration's Paycheck Protection Program for a total of \$1,803,338. The note has an interest rate of 0.98% and is due on March 31, 2022. Per the terms of the Paycheck Protection Program a portion of the loan's principal may be forgiven depending on how the Foundation uses the funds.



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