

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

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

**December 31, 2021**

---

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

Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

*Opinion*

We have audited the consolidated financial statements of X PRIZE Foundation Inc. and Subsidiaries (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of X PRIZE Foundation Inc. and Subsidiaries as of December 31, 2021, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Report on Summarized Comparative Information*

We have previously audited the Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Los Angeles, California  
June 24, 2022

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

**Consolidated Statement of Financial Position  
December 31, 2021  
With Summarized Totals at December 31, 2020  
(Dollars in Thousands)**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 32,126	\$ 15,804
Pledges receivable, net	602	375
Sponsorships receivable, net	150	1,922
Other receivables, net	367	827
Employee retention credit receivable	1,017	-
Prepaid expenses and other	756	854
Total current assets	<u>35,018</u>	<u>19,782</u>
Restricted cash for lease deposit	-	400
Restricted investments for prize purses	57,233	20,804
Investments	11,347	30,515
Property and equipment, net	112	2,470
Other assets	18	18
Total assets	<u>\$ 103,728</u>	<u>\$ 73,989</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 3,840	\$ 3,649
EID loan, current portion	3	-
Total current liabilities	<u>3,843</u>	<u>3,649</u>
PPP loan	1,794	1,803
EID loan, net of current portion	147	150
Deferred rent	-	2,112
Deferred revenue	8,021	8,346
Prize purses	57,233	20,804
Total liabilities	<u>71,038</u>	<u>36,864</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	6,176	8,018
With donor restrictions	26,514	29,107
Total net assets	<u>32,690</u>	<u>37,125</u>
Total liabilities and net assets	<u>\$ 103,728</u>	<u>\$ 73,989</u>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Activities**  
**Year Ended December 31, 2021**  
**With Summarized Totals for the Year Ended December 31, 2020**  
**(Dollars in Thousands)**

	Without donor restrictions	With donor restrictions	Total	2020
Revenue and support				
Sponsorships	\$ -	\$ 13,393	\$ 13,393	\$ 20,611
Contributions	1,757	1,890	3,647	3,488
Investment income (loss), net	(447)	-	(447)	103
Employee retention credit	1,017	-	1,017	-
PPP loan forgiveness	1,803	-	1,803	-
Loss on disposal of property and equipment	(1,996)	-	(1,996)	-
Gain on early lease termination	1,596	-	1,596	-
Net assets released from restriction	17,876	(17,876)	-	-
<b>Total revenue and support</b>	<b>21,606</b>	<b>(2,593)</b>	<b>19,013</b>	<b>24,202</b>
Expenses				
Program services	13,041	-	13,041	18,878
Management and general	5,990	-	5,990	3,611
Fundraising	4,417	-	4,417	3,132
<b>Total expenses</b>	<b>23,448</b>	<b>-</b>	<b>23,448</b>	<b>25,621</b>
Change in net assets	(1,842)	(2,593)	(4,435)	(1,419)
Net assets, beginning	8,018	29,107	37,125	38,544
Net assets, end	\$ 6,176	\$ 26,514	\$ 32,690	\$ 37,125

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2021  
With Summarized Totals for the Year Ended December 31, 2020  
(Dollars in Thousands)**

	Program services								Support services			Total	2020	
	Learning	Energy	Exploration	Civil Society	Human Health and Longevity	Environment	Mobility	Grand Challenge Awareness	Total program services	Management and general	Fundraising			Total support services
<b>Personnel</b>														
Salaries	\$ 671	\$ 99	\$ 438	\$ 459	\$ 846	\$ 1,283	\$ 801	\$ 78	\$ 4,675	\$ 3,808	\$ 2,720	\$ 6,528	\$ 11,203	\$ 11,540
Payroll taxes and employee benefits	111	14	78	78	156	234	125	19	815	587	486	1,073	1,888	1,857
<b>Total personnel</b>	<b>782</b>	<b>113</b>	<b>516</b>	<b>537</b>	<b>1,002</b>	<b>1,517</b>	<b>926</b>	<b>97</b>	<b>5,490</b>	<b>4,395</b>	<b>3,206</b>	<b>7,601</b>	<b>13,091</b>	<b>13,397</b>
<b>Operations</b>														
Bad debt	-	-	-	-	-	-	-	-	-	211	-	211	211	2,004
Communication and marketing	143	-	590	50	293	1,314	222	7	2,619	105	107	212	2,831	3,529
Computer and equipment	-	-	-	-	284	209	-	-	493	-	-	-	493	393
Consultant expenses	15	15	9	33	300	5	247	54	678	522	373	895	1,573	508
Depreciation and amortization	23	-	31	12	74	104	31	8	283	74	35	109	392	602
Special events expenses	-	-	-	-	13	9	405	-	427	152	440	592	1,019	217
Facilities	76	-	103	38	250	357	111	29	964	266	122	388	1,352	1,257
Other	20	-	27	10	65	89	27	7	245	65	30	95	340	1,029
Professional services	16	2	11	11	23	35	18	3	119	86	71	157	276	121
Team and testing activities	17	-	23	20	591	422	399	-	1,472	4	-	4	1,476	2,223
Travel and entertainment	4	-	12	-	8	129	88	10	251	110	33	143	394	341
<b>Total operations</b>	<b>314</b>	<b>17</b>	<b>806</b>	<b>174</b>	<b>1,901</b>	<b>2,673</b>	<b>1,548</b>	<b>118</b>	<b>7,551</b>	<b>1,595</b>	<b>1,211</b>	<b>2,806</b>	<b>10,357</b>	<b>12,224</b>
<b>Total functional expenses</b>	<b>\$ 1,096</b>	<b>\$ 130</b>	<b>\$ 1,322</b>	<b>\$ 711</b>	<b>\$ 2,903</b>	<b>\$ 4,190</b>	<b>\$ 2,474</b>	<b>\$ 215</b>	<b>\$ 13,041</b>	<b>\$ 5,990</b>	<b>\$ 4,417</b>	<b>\$ 10,407</b>	<b>\$ 23,448</b>	<b>\$ 25,621</b>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2021**  
**With Summarized Totals for the Year Ended December 31, 2020**  
**(Dollars in Thousands)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (4,435)	\$ (1,419)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	392	602
Loss on disposal of property and equipment	1,996	65
Gain on early lease termination	(1,596)	-
Realized and unrealized loss (gain) on investments	447	(63)
PPP loan forgiveness	(1,803)	-
Provision for bad debt	211	2,004
Change in operating assets and liabilities		
Pledges receivable	(227)	1,769
Sponsorships receivable	1,772	2,665
Other receivables	249	75
Employee retention credit receivable	(1,017)	-
Prepaid expenses and other	98	(344)
Accounts payable and accrued expenses	191	(265)
Deferred revenue	(325)	5,423
Deferred rent	(516)	1,637
Net cash (used in) provided by operating activities	<u>(4,563)</u>	<u>12,149</u>
Cash flows from investing activities		
Purchase of investments	(25,722)	(51,256)
Proceeds from sale of investments	8,014	-
Purchases of property and equipment	(30)	(1,887)
Net cash (used in) by investing activities	<u>(17,738)</u>	<u>(53,143)</u>
Cash flows from financing activities		
Proceeds from PPP loan	1,794	1,803
Proceeds from EID loan	-	150
Payment of prize purses	(28,821)	(5,171)
Financing of prize purses	65,250	14,048
Net cash provided by financing activities	<u>38,223</u>	<u>10,830</u>
Net increase (decrease) in cash and cash equivalents	15,922	(30,164)
Cash and cash equivalents, beginning	<u>16,204</u>	<u>46,368</u>
Cash and cash equivalents, end	<u>\$ 32,126</u>	<u>\$ 16,204</u>
Cash and cash equivalents consist of the following		
Cash and cash equivalents	\$ 32,126	\$ 15,804
Restricted cash for lease deposit	-	400
	<u>\$ 32,126</u>	<u>\$ 16,204</u>

See Notes to Consolidated Financial Statements.

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

### **Notes to Consolidated Financial Statements December 31, 2021**

#### **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 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 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

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

### **Notes to Consolidated Financial Statements December 31, 2021**

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.

#### **Employee retention credit**

The Foundation has elected to follow the guidance regarding contributions found in Financial Accounting Standards Board Accounting Standards Codification 958-605, Not-for-Profit Entities - Revenue Recognition – Contributions, to account for its income from the Employee Retention Credit ("ERC").

#### **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.

#### **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, 2021, and 2020, the Foundation had an allowance for doubtful accounts of \$236,000 and \$350,000, 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, 2021, the restricted investments balance was \$57,233,000.

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

### **Notes to Consolidated Financial Statements December 31, 2021**

#### **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, 2021.

#### **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.

#### **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. In October 2021, the lease was terminated (see Note 10).

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

### **Notes to Consolidated Financial Statements December 31, 2021**

#### **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, 2021. The Foundation's federal income tax returns for fiscal years 2020, 2019 and 2018 remain open. The Foundation's state income tax returns for fiscal years 2020, 2019, 2018 and 2017 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, 2021.

#### **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.

#### **Summarized financial information for 2020**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. In addition, the consolidated financial statements do not include full consolidated financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

#### **New Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This guidance results in a more faithful representation of the rights and obligations arising from operating and capital leases in the statement of financial position and to disclose qualitative and quantitative information about lease transaction, such as information about variable lease

## X PRIZE Foundation, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2021

payments and options to renew and terminate leases. The Foundation has elected to apply the deferrals provided by ASU 2020-05, and therefore expects to adopt Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis with a cumulative effect transition adjustment as of the beginning of the period that includes initial adoption of the standard. The Foundation is currently evaluating the potential impacts of adopting Topic 842 on its consolidated financial statements.

#### Subsequent events

The Foundation has evaluated the impact of subsequent events through June 24, 2022, 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, 2021, 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	\$	32,126
Pledges receivable, net		602
Sponsorships receivable, net		150
Other receivables, net		367
Employee retention credit receivable		<u>1,017</u>
Financial assets available within one year to meet cash needs for general expenditures	\$	<u>34,262</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. The Foundation had cash and cash equivalents which exceeded FDIC insured limits at certain financial institutions as of December 31, 2021.

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.

For the year ended December 31, 2021, two prize sponsors accounted for approximately 37% of the Foundation's revenue.

## X PRIZE Foundation, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2021

#### Note 5 - Investments

At December 31, 2021, investments including assets whose use is limited or restricted are stated at fair value at December 31, 2021 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	\$ 1,734	\$ -	\$ -	\$ 1,734
US treasury bonds	<u>-</u>	<u>66,846</u>	<u>-</u>	<u>66,846</u>
Total investments	<u>\$ 1,734</u>	<u>\$ 66,846</u>	<u>\$ -</u>	<u>\$ 68,580</u>

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

Investments	\$ 11,347
Restricted investments for prize purse	<u>57,233</u>
	<u>\$ 68,580</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, 2021, 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, 2021

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

	<u>Pledges</u>	<u>Sponsorships</u>
Due in one year	\$ 838	\$ 150
Less allowance for uncollectible pledges	<u>(236)</u>	<u>-</u>
Total	<u>\$ 602</u>	<u>\$ 150</u>

At December 31, 2021, the Foundation has no conditional pledges and conditional sponsorships totaling \$21,088,000 that will be recognized as revenue when the conditions are met.

#### Note 7 - Property and equipment

At December 31, 2021, property and equipment consist of the following (dollars in thousands):

Furniture and fixtures	\$ 35
Office and computer equipment	417
Leasehold improvements	72
Equipment and software	<u>195</u>
	719
Less accumulated depreciation and amortization	<u>(607)</u>
Total	<u>\$ 112</u>

Depreciation and amortization expense was approximately \$392,000 for the year ended December 31, 2021.

As part of the lease termination occurring in October 2021 (see Note 10), the Foundation disposed of fixed assets with a book value of \$5,071,000 and accumulated depreciation of \$3,075,000 for \$0. The Foundation realized a loss on disposal of \$1,996,000.

#### Note 8 - Debt

##### First draw 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"). During the year ended December 31, 2021, the Foundation submitted its application for loan forgiveness and received notice from the SBA in June 2021 that the SBA approved forgiveness of the full amount of the first draw PPP loan and the related interest thereon. Accordingly, the Foundation derecognized \$1,803,000 of the first draw PPP loan and recognized a corresponding gain on loan forgiveness on the consolidated statement of activities.

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

**Notes to Consolidated Financial Statements  
December 31, 2021**

**Second draw PPP loan**

In February 2021, the SBA approved a second draw PPP loan for an aggregate principal amount of approximately \$1,794,000. 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.

Subsequent to year end, the Foundation received full loan forgiveness of \$1,794,000 (See Note 14).

**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. Payments will first be applied to accrued interest and then to principal. 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, 2021. As of December 31, 2021 the balance of the EID loan was \$150,000.

Principal payments for each of the next five years and thereafter at December 31, 2021 are as follows:

2022	\$	3,000
2023		4,000
2024		4,000
2025		4,000
2026		4,000
Thereafter		<u>131,000</u>
	\$	<u><u>150,000</u></u>

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

**Notes to Consolidated Financial Statements  
December 31, 2021**

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

Movements in net assets with donor restrictions were as follows:

	(In thousands)			
	Available December 31, 2020	New revenue	Released from restriction	Available December 31, 2021
Abundant Energy Alliance	\$ -	\$ 1,098	\$ (215)	\$ 883
Alternative Sugar Prize Design	-	200	-	200
Alumni Network	139	319	(130)	328
ANA Avatar XPRIZE	7,248	-	(2,502)	4,746
Carbon Removal XPRIZE	-	3,597	(1,373)	2,224
Carbon XPRIZE	2,149	13	(1,660)	502
Data Collaborative	-	250	(210)	40
Digital Learning Challenge	-	577	(398)	179
Energy Domain	154	-	(154)	-
Environment Domain	147	-	(147)	-
Equity Domain	47	-	-	47
Exploration Domain	1,044	-	(625)	419
Feed the Next Billion XPRIZE	1,176	1,711	(1,218)	1,669
Frontline Health Prize Design	-	250	(12)	238
Future of Food Impact Roadmap	281	-	-	281
Gender Lens Initiative	233	-	-	233
General Alliances	-	237	-	237
GLEXP Storytelling	69	-	(8)	61
Global Visioneering	-	2,017	(1,684)	333
Human Health/ Longevity Domain	120	-	(120)	-
IBM AI XPRIZE	1,698	-	(1,465)	233
IEEE Legacy Prize Design	-	500	(480)	20
Learning Domain	638	-	(7)	631
Longevity Impact Roadmap	272	-	-	272
Oceans Domain	1,550	-	(629)	921
Pandemic Response Challenge	678	-	(403)	275
Prize Development (Roddenberry)	547	-	-	547
Racial Equity Alliance	1,249	290	(1,010)	529
Rainforest XPRIZE	3,384	3,000	(1,421)	4,963
Rapid Covid Testing Challenge	4,557	50	(1,008)	3,599
Rapid Reskilling XPRIZE	1,106	924	(964)	1,066
Roddenberry Mozambique	245	-	-	245
XPRIZE Connect	376	250	(33)	593
	<u>\$ 29,107</u>	<u>\$ 15,283</u>	<u>\$ (17,876)</u>	<u>\$ 26,514</u>
Total	<u>\$ 29,107</u>	<u>\$ 15,283</u>	<u>\$ (17,876)</u>	<u>\$ 26,514</u>

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

**Notes to Consolidated Financial Statements  
December 31, 2021**

**Note 10 - Commitments and contingencies**

**Operating lease**

The Foundation leases office space under a noncancelable operating lease that expires in May 2027. In October 2021, the Foundation entered into a termination and settlement agreement for the Foundation's leased office space, which required the Foundation to pay a termination fee in the amount of \$1,913,000. As part of the lease termination the Foundation wrote off the deferred rent liability and rent abatements of \$3,509,000. The Foundation recognized a gain on early lease termination in the amount of \$1,596,000 on the statement of activities. Total rent expense for the operating lease was approximately \$1,355,000 for the year ended December 31, 2021.

**Legal matters**

The Foundation is subject to certain legal matters arising in the normal course of business, none of which in the opinion of the Foundation's legal counsel and management will have a material adverse effect on the Foundation's consolidated financial statements.

**Coronavirus**

On March 11, 2020, the coronavirus ("COVID-19") outbreak was declared a global pandemic by the World Health Organization resulting in the disruption in operations of businesses domestically and globally. 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.

During the year ended December 31, 2021, the Foundation received an unawarded prize purse of \$6,750,000 related to XPRIZE Feed the Next Billion. During the year ended December 31, 2021, the Foundation received an additional \$250,000 of contributions related to this prize purse and \$467,000 was awarded. At December 31, 2021, the Foundation has \$6,533,000 recorded as restricted investments and a liability in prize purses.

At the end of December 31, 2020, the Foundation had an unawarded prize purse of \$1,005,000 related to the Next Gen Mask Challenge. During the year ended December 31, 2021, \$1,000,000 of the prize purse was awarded. At December 31, 2021, the Foundation has \$5,000 recorded as restricted investments and a liability in prize purses.

At the end of December 31, 2020, the Foundation had an unawarded prize purse of \$5,000,000 related to the XPRIZE Rapid Covid Testing. During the year ended December 31, 2021, \$4,646,000 of the prize purse was awarded. At December 31, 2021, the Foundation has \$354,000 recorded as restricted investments and a liability in prize purses.

At the end of December 31, 2020, the Foundation had an unawarded prize purse of \$7,500,000 related to XPRIZE Carbon. During the year ended December 31, 2021, the Foundation received an additional \$7,500,000 of contributions related to this prize and the total prize purse was awarded. At December 31, 2021, the prize competition was completed.

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

### **Notes to Consolidated Financial Statements December 31, 2021**

During the year ended December 31, 2021, the Foundation received a conditional prize purse contribution related to the XPRIZE Rapid Reskilling for \$2,500,000 of which \$1,000,000 was awarded. At December 31, 2021, the Foundation has \$1,500,000 recorded as restricted investments and a liability in prize purses.

During the year ended December 31, 2021, the Foundation received a conditional prize purse contribution related to the XPRIZE Carbon Removal for \$50,000,000 of which \$1,475,000 was awarded. At December 31, 2021, the Foundation has \$48,525,000 recorded as restricted investments and a liability in prize purses.

As of December 31, 2021, the Foundation had other prize purses totaling \$316,000 recorded as restricted investments and a liability in prize purses.

As of December 31, 2021, the Foundation had a total prize purse of approximately \$57,233,000. In addition, they have committed prize purses not funded totaling \$68,000,000 as of December 31, 2021.

#### **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 \$152,000 during the year ended December 31, 2021.

#### **Note 13 - Employee retention credit**

Under the provisions of the CARES Act, the ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during calendar year 2021 for a maximum credit of \$7,000 per employee for each calendar quarter through December 31, 2021. At December 31, 2021, the Foundation has an employee retention credit receivable balance of approximately \$1,017,000 related to the ERC on the Foundation's consolidated statement of financial position. During the year ended December 31, 2021, the Foundation recognized approximately \$1,017,000 of ERC related revenue on the consolidated statement of activities for credits related to the fourth quarter of 2020 and the first quarter of 2021.

#### **Note 14 - Subsequent events**

The Foundation submitted its application for loan forgiveness on the second draw PPP loan after December 31, 2021 and received notice from the SBA in March 2022 that the SBA approved forgiveness of the full amount of the PPP Loan and the related interest thereon. For the year ending December 31, 2022, the Foundation will derecognize \$1,794,000 of the second draw PPP Loan and recognize a corresponding gain on loan forgiveness.



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**