

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

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

**December 31, 2022**

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

## 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 Subsidiary

Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the consolidated financial statements of X PRIZE Foundation, Inc. and Subsidiary (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2022, 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 the Foundation as of December 31, 2022, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *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 available to be issued.

### *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 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Los Angeles, California  
December 11, 2023

**X PRIZE Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Financial Position**  
**December 31, 2022**  
**With Summarized Totals at December 31, 2021**  
**(Dollars in Thousands)**

Assets

	2022	2021
Current assets		
Cash and cash equivalents	\$ 23,807	\$ 32,126
Pledges receivable, net	834	602
Sponsorships receivable, net	2,325	150
Other receivables, net	207	367
Employee retention credit receivable	-	1,017
Prepaid expenses and other	208	756
	<hr/>	<hr/>
Total current assets	27,381	35,018
Restricted investments for prize purses	38,233	57,233
Investments	11,848	11,347
Property and equipment, net	127	112
Other assets	18	18
	<hr/>	<hr/>
Total assets	<u>\$ 77,607</u>	<u>\$ 103,728</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 2,002	\$ 3,840
Deferred revenue, current portion	2,950	-
EID loan, current portion	-	3
	<hr/>	<hr/>
Total current liabilities	4,952	3,843
PPP loan	-	1,794
EID loan, net of current portion	-	147
Deferred revenue, noncurrent portion	9,823	8,021
Prize purses	38,233	57,233
	<hr/>	<hr/>
Total liabilities	53,008	71,038
	<hr/>	<hr/>
Commitments and contingencies		
Net assets		
Without donor restrictions	8,501	6,176
With donor restrictions	16,098	26,514
	<hr/>	<hr/>
Total net assets	24,599	32,690
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 77,607</u>	<u>\$ 103,728</u>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Activities**  
**Year Ended December 31, 2022**  
**With Summarized Totals for the Year Ended December 31, 2021**  
**(Dollars in Thousands)**

	Without donor restrictions	With donor restrictions	Total	2021
Revenue and support				
Sponsorships	\$ -	\$ 9,807	\$ 9,807	\$ 13,393
Contributions	4,688	788	5,476	3,647
Investment loss, net	(952)	-	(952)	(447)
Employee retention credit	-	-	-	1,017
PPP loan forgiveness	1,794	-	1,794	1,803
Loss on disposal of property and equipment	(41)	-	(41)	(1,996)
Gain on early lease termination	-	-	-	1,596
Net assets released from restriction	21,011	(21,011)	-	-
Total revenue and support	26,500	(10,416)	16,084	19,013
Expenses				
Program services	16,774	-	16,774	13,041
Management and general	2,764	-	2,764	5,990
Fundraising	4,637	-	4,637	4,417
Total expenses	24,175	-	24,175	23,448
Change in net assets	2,325	(10,416)	(8,091)	(4,435)
Net assets, beginning	6,176	26,514	32,690	37,125
Net assets, end	\$ 8,501	\$ 16,098	\$ 24,599	\$ 32,690

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2022  
With Summarized Totals for the Year Ended December 31, 2021  
(Dollars in Thousands)**

	Program services								Support services					
	Biodiversity & Conservation	Climate & Energy	Deep Tech & Quantum	Food, Water & Waste	Global Visioneering	Health	Learning & Society	Space & Exploration	Total program services	Management and general	Fundraising	Total support services	Total	2021
Personnel														
Salaries	\$ 933	\$ 1,306	\$ 1,120	\$ 801	\$ 949	\$ 220	\$ 1,599	\$ 232	\$ 7,160	\$ 1,795	\$ 1,727	\$ 3,522	\$ 10,682	\$ 11,203
Payroll taxes and employee benefits	172	210	186	131	182	33	271	40	1,225	264	331	595	1,820	1,888
Total personnel	1,105	1,516	1,306	932	1,131	253	1,870	272	8,385	2,059	2,058	4,117	12,502	13,091
Operations														
Bad debt	13	-	-	-	-	-	-	-	13	3	265	268	281	211
Communication and marketing	438	240	209	61	21	3	144	2	1,118	74	74	148	1,266	2,831
Computer and equipment	53	67	63	47	58	15	88	17	408	62	137	199	607	493
Consultant expenses	136	278	616	213	453	32	265	78	2,071	290	367	657	2,728	1,573
Depreciation and amortization	5	7	6	5	6	2	9	1	41	6	9	15	56	392
Special events expenses	16	18	323	4	220	1	7	1	590	7	1,231	1,238	1,828	1,019
Facilities	19	24	22	16	21	5	31	4	142	21	40	61	203	1,352
Other	46	50	54	33	48	10	63	8	312	85	85	170	482	340
Professional services	60	77	67	53	68	17	101	14	457	52	101	153	610	276
Team and testing activities	56	360	1,575	97	14	1	89	-	2,192	4	6	10	2,202	1,476
Travel and entertainment	358	87	251	81	189	4	72	3	1,045	101	264	365	1,410	394
Total operations	1,200	1,208	3,186	610	1,098	90	869	128	8,389	705	2,579	3,284	11,673	10,357
Total functional expenses	\$ 2,305	\$ 2,724	\$ 4,492	\$ 1,542	\$ 2,229	\$ 343	\$ 2,739	\$ 400	\$ 16,774	\$ 2,764	\$ 4,637	\$ 7,401	\$ 24,175	\$ 23,448

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2022**  
**With Summarized Totals for the Year Ended December 31, 2021**  
**(Dollars in Thousands)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (8,091)	\$ (4,435)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	56	392
Loss on disposal of property and equipment	41	1,996
Gain on early lease termination	-	(1,596)
Realized and unrealized loss on investments	952	447
PPP loan forgiveness	(1,794)	(1,803)
Provision for bad debt	281	211
Change in operating assets and liabilities		
Pledges receivable	(468)	(227)
Sponsorships receivable	(2,220)	1,772
Other receivables	160	249
Employee retention credit receivable	1,017	(1,017)
Prepaid expenses and other	548	98
Accounts payable and accrued expenses	(1,838)	191
Deferred revenue	4,752	(325)
Deferred rent	-	(516)
Net used in operating activities	<u>(6,604)</u>	<u>(4,563)</u>
Cash flows from investing activities		
Purchase of investments	(9,951)	(25,722)
Proceeds from sale of investments	27,500	8,014
Purchases of property and equipment	<u>(114)</u>	<u>(30)</u>
Net cash provided by (used in) investing activities	<u>17,435</u>	<u>(17,738)</u>
Cash flows from financing activities		
Proceeds from PPP loan	-	1,794
Payment on EID loan	(150)	-
Payment of prize purses	(27,925)	(28,821)
Financing of prize purses	<u>8,925</u>	<u>65,250</u>
Net cash provided by (used in) financing activities	<u>(19,150)</u>	<u>38,223</u>
Net increase (decrease) in cash and cash equivalents	(8,319)	15,922
Cash and cash equivalents, beginning	<u>32,126</u>	<u>16,204</u>
Cash and cash equivalents, end	<u>\$ 23,807</u>	<u>\$ 32,126</u>

See Notes to Consolidated Financial Statements.



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

### **Notes to Consolidated Financial Statements December 31, 2022**

#### **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 eight prize groups: Biodiversity & Conservation; Climate & Energy; Deep Tech & Quantum; Food, Water & Waste; Global Visioneering; Health; Learning & Society; and Space & Exploration. 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.

#### **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 wholly-owned subsidiary (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 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.

**X PRIZE Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022**

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, 2022, the Foundation had an allowance for doubtful accounts of \$510,000.

**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).

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, 2022, the restricted investments balance was \$38,233,000.

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

### **Notes to Consolidated Financial Statements December 31, 2022**

#### **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, 2022.

#### **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.

#### **Prize purses**

Prize purses held by the Foundation are treated as a liability until a winner is determined at which point the award will be paid out. Prize purses have been recorded as restricted investments for prize purses 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, 2022. The Foundation's federal income tax returns for fiscal years 2021, 2020 and 2019 remain open. The Foundation's state

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

### **Notes to Consolidated Financial Statements December 31, 2022**

income tax returns for fiscal years 2021, 2020, 2019 and 2018 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. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of December 31, 2022 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

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, 2022.

#### **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 2021**

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, 2021, from which the summarized information was derived.

#### **New Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board 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 transactions, such as information about variable lease payments and options to renew and terminate leases. The Foundation has elected to apply the deferrals provided by ASU 2020-05, and therefore adopted 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 evaluated the potential impact of adoption, and due to the Foundation not having significant operating leases, the new standard will not impact the Foundation.

For the year ended December 31, 2022, the Foundation adopted Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the

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

### **Notes to Consolidated Financial Statements December 31, 2022**

contributed nonfinancial assets of the Foundation and will not change existing recognition and measurement requirements. The Foundation evaluated the potential impact of adoption, and due to the Foundation not having significantly contributed nonfinancial assets during the year ended December 31, 2022, there was no impact on the financial statements.

#### **Subsequent events**

The Foundation has evaluated the impact of subsequent events through December 11, 2023, 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, 2022, 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	\$ 23,807
Pledges receivable, net	834
Sponsorship receivables, net	2,325
Other receivables, net	<u>207</u>
	27,173
Less net assets with donor restriction	<u>(16,098)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 11,075</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, 2022.

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, 2022, one prize sponsor accounted for approximately 23% of the Foundation's revenue.

For the year ended December 31, 2022, three prize sponsors accounted for approximately 72% of the Foundation's receivable balance.

# X PRIZE Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2022

### Note 5 - Investments

At December 31, 2022, investments including assets whose use is limited or restricted are stated at fair value at December 31, 2022 and are classified in the table below in one of the three categories as described in Note 2 (dollars in thousands):

Investment securities	Level 1	Level 2	Level 3	Total
US treasury bonds	\$ -	\$ 50,081	\$ -	\$ 50,081
Total investments	\$ -	\$ 50,081	\$ -	\$ 50,081

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

Investments	\$ 11,848
Restricted investments for prize purse	38,233
	<u>\$ 50,081</u>

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, 2022, 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 pledges and sponsorships receivable consist of the following (dollars in thousands):

	Pledges	Sponsorships
Due in one year	\$ 1,070	\$ 2,599
Less allowance for uncollectible pledges	(236)	(274)
Total	<u>\$ 834</u>	<u>\$ 2,325</u>

At December 31, 2022, the Foundation has conditional pledges and conditional sponsorships totaling \$15,282,000 that will be recognized as revenue when the conditions are met.



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

### **Notes to Consolidated Financial Statements December 31, 2022**

#### **Note 7 - Property and equipment**

At December 31, 2022, property and equipment consist of the following (dollars in thousands):

Office and computer equipment	\$	288
Equipment and software		<u>126</u>
		414
Less accumulated depreciation and amortization		<u>(287)</u>
Total	\$	<u><u>127</u></u>

Depreciation and amortization expense was \$56,000 for the year ended December 31, 2022.

#### **Note 8 - Debt**

##### **PPP loan**

In February 2021, the Small Business Administration ("SBA") approved a second draw Paycheck Protection Program ("PPP") 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. The Foundation submitted its application for loan forgiveness on the second draw PPP loan 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 ended December 31, 2022, the Foundation derecognized \$1,794,000 of the PPP loan and recognized a corresponding gain on loan forgiveness.

##### **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 EID loan was paid in full on June 23, 2022. As of December 31, 2022, the balance of the EID loan was \$0.

**X PRIZE Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022**

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

Movements in net assets with donor restrictions were as follows:

	(In thousands)			
	Available December 31, 2021	New revenue	Released from restriction	Available December 31, 2022
Biodiversity & Conservation	\$ 5,884	\$ 3,766	\$ (4,620)	\$ 5,030
Climate & Energy	3,629	2,944	(2,344)	4,229
Deep Tech & Quantum	4,979	6	(4,394)	591
Food, Water & Waste	2,150	1,215	(1,654)	1,711
Health	5,176	-	(1,731)	3,445
Learning & Society	3,340	1,631	(3,879)	1,092
Space & Exploration	419	1,024	(1,443)	-
Other	937	9	(946)	-
Total	<u>\$ 26,514</u>	<u>\$ 10,595</u>	<u>\$ (21,011)</u>	<u>\$ 16,098</u>

**Note 10 - Commitments and contingencies**

**Operating lease**

The Foundation rents office space and other space on a month to month basis. Total rent expense for the operating lease was approximately \$118,000 for the year ended December 31, 2022.

**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.

**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.

At the end of December 31, 2021, the Foundation had an unawarded prize purse of \$6,533,000 related to XPRIZE Feed the Next Billion. During the year ended December 31, 2022, the Foundation received an additional \$8,000 of contributions related to this prize purse and \$33,000 was awarded. At December 31, 2022, the Foundation has \$6,508,000 recorded as restricted investments and a liability in prize purses.

At the end of December 31, 2021, the Foundation had an unawarded prize purse of \$354,000 related to the XPRIZE Rapid Covid Testing. During the year ended December 31, 2022, the total prize purse was awarded. At December 31, 2022 the prize competition was completed.

At the end of December 31, 2021, the Foundation had an unawarded prize purse of \$1,500,000 related to the XPRIZE Rapid Reskilling. During the year ended December 31, 2022, the milestone prize purse payments were awarded. At December 31, 2022, the prize competition was completed.



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

### **Notes to Consolidated Financial Statements December 31, 2022**

At the end of December 31, 2021, the Foundation had an unawarded prize purse of \$48,525,000 related to XPRIZE Carbon Removal. During the year ended December 31, 2022, the Foundation awarded \$17,475,000. At December 31, 2022, the Foundation has \$31,050,000 recorded as restricted investments and a liability in prize purses.

At the end of December 31, 2021, the Foundation had an unawarded prize purse of \$267,000 related to XPRIZE ANA Avatar. During the year ended December 31, 2022, the Foundation received an additional \$8,000,000 of contributions related to this prize purse and \$8,267,000 was awarded. At December 31, 2022 the prize competition was completed.

During the year ended December 31, 2022, the Foundation has an unawarded prize purse contribution related to the XPRIZE Wildfire for \$625,000. At December 31, 2022, the Foundation has \$625,000 recorded as restricted investments and a liability in prize purses.

During the year ended December 31, 2022, the Foundation has an unawarded prize purse contribution related to the XPRIZE Rainforest for \$250,000 and \$200,000 was awarded. At December 31, 2022, the Foundation has \$50,000 recorded as restricted investments and a liability in prize purses.

At the end of December 31, 2021, the Foundation had an unawarded prize purse of \$54,000 related other prizes. During the year ended December 31, 2022, the Foundation received a contribution \$50,000 and \$61,000 was awarded. At December 31, 2022, the prize competition was completed.

As of December 31, 2022, the Foundation had a total prize purse of \$38,233,000. In addition, they have committed prize purses not funded totaling \$64,000,000 as of December 31, 2022.

#### **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 \$175,000 during the year ended December 31, 2022.



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