

X PRIZE Foundation, Inc. and Subsidiaries

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

December 31, 2017

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

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, 2017, 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, 2017, 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.



Los Angeles, California
April 9, 2019

X PRIZE Foundation, Inc. and Subsidiaries

**Consolidated Statement of Financial Position
December 31, 2017
(Dollars in Thousands)**

Assets

Current assets	
Cash and cash equivalents	\$ 3,656
Current portion of pledges receivable, net	16,045
Current portion of sponsorships receivable, net	7,683
Other receivables, net	2,577
Prepaid expenses and other	197
Total current assets	30,158
Restricted investments for prize purses	26,539
Restricted cash for lease deposit	751
Investments	44,408
Pledges receivable, net of current portion	11,192
Sponsorships receivable, net of current portion	1,956
Property and equipment, net	1,734
Investment in joint venture	10
Other assets	8
Total assets	\$ 116,756

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 4,196
Capital lease obligation	6
Total current liabilities	4,202
Deferred rent	1,400
Deferred revenue	9,552
Prize purses	26,539
Total liabilities	41,693
Commitments and contingencies	
Net assets	
Unrestricted	14,714
Temporarily restricted	60,349
Total net assets	75,063
Total liabilities and net assets	\$ 116,756

See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

**Consolidated Statement of Activities
Year Ended December 31, 2017
(Dollars in Thousands)**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue and support			
Sponsorships	\$ -	\$ 16,949	\$ 16,949
Contributions	9,087	-	9,087
Investment income, net	1,025	-	1,025
Net assets released from restriction	<u>25,937</u>	<u>(25,937)</u>	<u>-</u>
Total revenue and support	<u>36,049</u>	<u>(8,988)</u>	<u>27,061</u>
Expenses			
Program services	20,441	-	20,441
Management and general	12,582	-	12,582
Fundraising	<u>4,554</u>	<u>-</u>	<u>4,554</u>
Total expenses	<u>37,577</u>	<u>-</u>	<u>37,577</u>
Change in net assets	(1,528)	(8,988)	(10,516)
Net assets, beginning of year	<u>16,242</u>	<u>69,337</u>	<u>85,579</u>
Net assets, end of year	<u>\$ 14,714</u>	<u>\$ 60,349</u>	<u>\$ 75,063</u>

See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2017
(Dollars in Thousands)**

	Program services					Total program services	Support services			Total
	Exploration	Life Science	Energy and environment	Education	Prize development		Management and general	Fundraising	Total support services	
Personnel										
Salaries	\$ 853	\$ 394	\$ 1,098	\$ 1,249	\$ 766	\$ 4,360	\$ 4,880	\$ 1,710	\$ 6,590	\$ 10,950
Payroll taxes and employee benefits	151	69	194	220	135	769	861	302	1,163	1,932
Total personnel	1,004	463	1,292	1,469	901	5,129	5,741	2,012	7,753	12,882
Operations										
Bank charges	-	-	-	5	-	5	120	-	120	125
Bad debt	-	-	-	-	-	-	1,100	-	1,100	1,100
Communication and marketing	365	318	368	331	120	1,502	689	641	1,330	2,832
Computer and equipment repairs and maintenance	6	1	10	13	-	30	568	2	570	600
Depreciation and amortization	-	-	-	-	-	-	768	-	768	768
Facilities	-	-	-	1	-	1	1,080	-	1,080	1,081
Insurance	-	-	-	-	-	-	144	-	144	144
Interest expense	-	-	-	-	-	-	3	-	3	3
Office expenses	-	-	3	2	9	14	152	4	156	170
Other	17	5	15	14	4	55	22	222	244	299
Postage and delivery	13	1	2	36	2	54	6	9	15	69
Professional services - prizes	221	108	1,076	1,584	961	3,950	1,335	576	1,911	5,861
Special event expenses	551	318	1,094	3,989	2,441	8,393	15	595	610	9,003
Staff development	3	-	55	18	-	76	431	47	478	554
Taxes	-	-	-	-	-	-	20	-	20	20
Telephone and internet	-	-	1	9	3	13	58	3	61	74
Travel and entertainment	288	45	315	354	217	1,219	330	443	773	1,992
Total operations	1,464	796	2,939	6,356	3,757	15,312	6,841	2,542	9,383	24,695
Total functional expenses	\$ 2,468	\$ 1,259	\$ 4,231	\$ 7,825	\$ 4,658	\$ 20,441	\$ 12,582	\$ 4,554	\$ 17,136	\$ 37,577

See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2017
(Dollars in Thousands)

Cash flows from operating activities	
Change in net assets	\$ (10,516)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	768
Deferred rent	(407)
Realized and unrealized loss on investments	95
Provision for bad debt	1,100
Change in operating assets and liabilities	
Pledges receivable	(6,900)
Sponsorships receivable	9,287
Other receivables	(254)
Prepaid expenses and other	(108)
Accounts payable and accrued expenses	1,515
Deferred revenue	6,331
	<hr/>
Net cash used in operating activities	911
	<hr/>
Cash flows from investing activities	
Purchase of investments	(67,269)
Proceeds from sale of investments	67,732
Purchases of property and equipment	(139)
	<hr/>
Net cash provided by investing activities	324
	<hr/>
Cash flows from financing activities	
Principal payments on capital lease obligation	(35)
	<hr/>
Net increase in cash and cash equivalents	1,200
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Cash and cash equivalents, beginning of year	3,207
	<hr/>
Cash and cash equivalents, end of year	\$ 4,407
	<hr/> <hr/>
Cash and cash equivalents consist of the following	
Cash and cash equivalents	\$ 3,656
Restricted cash for lease deposit	751
	<hr/>
	\$ 4,407
	<hr/> <hr/>
Supplemental schedule of cash flow information	
Interest paid	\$ 3
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See Notes to Consolidated Financial Statements.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

Note 1 - Business activity

X PRIZE Foundation, Inc. ("X PRIZE") is a not-for-profit 501(c)(3) Maryland 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Foundation.

Temporarily restricted - 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.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Foundation and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law. At December 31, 2017, the Foundation does not have any permanently restricted net assets.

Contributions and sponsorships

Contributions and sponsorships received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

Contributions and sponsorships for which donors have imposed restrictions which limit the use of the donated assets are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. 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 unrestricted support.

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.

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, 2017, the restricted cash balance was \$751,000.

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.

Investments

Investments in securities 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.

X PRIZE Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

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, 2017.

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, 2017

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 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, 2017. The Foundation's federal income tax returns for fiscal years 2017, 2016 and 2015 remain open. The Foundation's state income tax returns for fiscal years 2017, 2016, 2015 and 2014 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, 2017.

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.

Subsequent events

The Foundation has evaluated the impact of subsequent events through April 9, 2019, which is the date the financial statements were available to be issued.

Note 3 - Concentrations

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

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

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017**

At December 31, 2017, four sponsors accounted for approximately 100% of the Foundation's sponsorship receivables, and one donor accounted for 29.2% of pledges receivable. For the year ended December 31, 2017, two donors accounted for approximately 31.2% of the Foundation's contributions, and two sponsors accounted for 92.7% of sponsorships.

Note 4 - Investments

At December 31, 2017, investments including assets whose use is limited or restricted are stated at fair value at December 31, 2017 are classified in the table below in Note 5 in one of the three categories described in Note 2 (dollars in thousands):

Corporate bonds	\$ 61,610
Treasury bonds	5,586
Mortgage backed securities	3,231
Money market funds	520
	<u>\$ 70,947</u>

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

Investments	\$ 42,908
Restricted investments for prize purse	28,039
	<u>\$ 70,947</u>

The investment income for the year ended December 31, 2017 is as follows (dollars in thousands):

Interest and dividend income	\$ 1,120
Net realized losses	(78)
Net unrealized losses	(17)
	<u>(17)</u>
Total	<u>\$ 1,025</u>

Note 5 - Fair value measurements

Financial assets carried at fair value at December 31, 2017 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
Corporate bonds	\$ -	\$ 61,610	\$ -	\$ 61,610
Treasury bonds	-	5,586	-	5,586
Mortgage backed securities	-	3,231	-	3,231
Money market funds	-	520	-	520
	<u>-</u>	<u>520</u>	<u>-</u>	<u>520</u>
Total assets	<u>\$ -</u>	<u>\$ 70,947</u>	<u>\$ -</u>	<u>\$ 70,947</u>

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017**

Note 6 - Pledges and sponsorships receivable

At December 31, 2017, pledges and sponsorships receivable consist of unconditional promises to give and have been recorded at their present values. Those receivables that are due in future payments have been discounted to their present values, using a discount rate range of .76% to 1.65%. The receivables are recorded as follows (dollars in thousands):

	<u>Pledges</u>	<u>Sponsorships</u>
Due in one year	\$ 16,045	\$ 7,683
Due in two to five years	<u>12,350</u>	<u>2,190</u>
Total	28,395	9,873
Less discount to net present value	(358)	(234)
Less allowance for uncollectible pledges	<u>(800)</u>	<u>-</u>
	27,237	9,639
Less current portion	<u>(16,045)</u>	<u>(7,683)</u>
Total long term portion	<u>\$ 11,192</u>	<u>\$ 1,956</u>

Note 7 - Property and equipment

At December 31, 2017, property and equipment consist of the following (dollars in thousands):

Furniture and fixtures	\$ 729
Office and computer equipment	1,068
Leasehold improvements	2,717
Mock Up-Spaceship One	94
Equipment and software	<u>626</u>
	5,234
Less accumulated depreciation and amortization	<u>(3,500)</u>
Total	<u>\$ 1,734</u>

Depreciation and amortization expense was approximately, \$768,000 for the year ended December 31, 2017.

Note 8 - Commitments and contingencies

Operating lease

The Foundation leases office space under a noncancelable operating lease that expires on November 30, 2020. Total rent expense for office facilities and storage was approximately \$870,000 for the year ended December 31, 2017.

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017**

The following is a schedule of future minimum rental payments required under the noncancelable operating lease as of December 31, 2017 (dollars in thousands):

2018	\$	1,277
2019		1,315
2020		<u>1,239</u>
	\$	<u><u>3,831</u></u>

The lease agreement requires the Foundation to maintain a bank standby letter of credit with the lessor as the beneficiary. At December 31, 2017, the standby letter of credit was \$751,000 (see Note 2)

Capital leases

The Foundation leases electronic disc storage which is included in property and equipment. The equipment leased under the agreement qualifies as a capital lease that expires in 2018. The net balance of the equipment under capital lease as of December 31, 2017 is as followings (dollars in thousands):

Gross amount of equipment under capital lease	\$	100
Less accumulated depreciation		<u>94</u>
Net balance of equipment under capital lease	\$	<u><u>6</u></u>

The net balance of the equipment under capital lease is recorded as a short-term liability and recorded on the consolidated statement of financial position as the lease expires in 2018.

Amortization of the asset held under capital lease is recorded in depreciation and amortization expense.

Legal matters

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

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017**

Note 9 - Temporarily restricted net assets

Movements in temporarily restricted net assets were as follows:

	(In thousands)			
	Available December 31, 2016	New revenue	Released from restriction	Available December 31, 2017
Adult Literacy	\$ 6,319	\$ -	\$ (3,539)	\$ 2,780
AI Physician X PRIZE	250	-	-	250
Autonomous Auto X PRIZE	191	-	-	191
Carl Victor Page Foundation Battery X PRIZE	183	-	-	183
Battery X PRIZE	332	-	-	332
Carbon X PRIZE	13,057	32	(3,248)	9,841
Go Deeper	1,132	-	(259)	873
Global Learning X PRIZE Education Prize	8,216	-	(4,168)	4,048
Education Prize Development	955	-	(150)	805
Energy and environment group	34	-	-	34
Google Lunar X PRIZE	611	3,620	(1,459)	2,772
IBM AI-Human Collaboration	6,638	-	(1,217)	5,421
Impact X	25	-	-	25
Nokia Sensing X PRIZE	714	-	(72)	642
Ocean Discovery	7,510	-	(1,621)	5,889
Plastics X PRIZE	28	-	-	28
Prize Development	2,400	-	-	2,400
Shell	38	-	(2)	36
Qualcomm Tricorder X PRIZE	891	-	(891)	-
Tick-Borne Disease Alliance	61	-	-	61
TB Diagnostics X PRIZE	9	-	-	9
Vision Restoration	284	-	-	284
Wendy Schmidt Ocean Health X PRIZE	1,670	-	(5)	1,665
Wendy Schmidt Oil Cleanup X CHALLENGE	24	-	-	24
Water XPRIZE	1,421	-	(378)	1,043
ANA Avatar X Prize	-	12,000	(431)	11,569
Conquering Cancer	-	70	(70)	-
Lowes Housing Futures Roadmap	-	1,063	(899)	164
Alzheimer Refresh	-	65	(30)	35
Time restrictions	16,344	-	(7,399)	8,945
Total	\$ 69,337	\$ 16,850	\$ (25,838)	\$ 60,349

X PRIZE Foundation, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017**

Note 10 - 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.

During the year ended December 31, 2011, a portion of the Wendy Schmidt Oil Cleanup X CHALLENGE prize purse was awarded. As a result, \$1,300,000 of the \$1,400,000 conditional contribution designated for the prize purse was recognized as revenue. At December 31, 2017, the unpaid portion of the prize purse for the Wendy Schmidt Oil Cleanup X CHALLENGE totaling \$100,000 was recorded as restricted investment and a liability in prize purses to be used for a future prize based on the donor's designation.

During the year ended December 31, 2012, the Foundation had a conditional contribution of \$1,500,000 designated for the prize purse for a future Education & Global Development X PRIZE. At December 31, 2017, the Foundation has recorded this amount as restricted investment and a liability in prize purses.

During the year ended December 31, 2013, the Foundation had a conditional contribution of approximately \$11,892,000 designated for the prize purse for an X PRIZE to be determined at a later date. At December 31, 2017, the Foundation has recorded this amount as restricted investment and a liability in prize purses.

During each of the years ended December 31, 2017, 2016 and 2015, 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. At December 31, 2017, the balance of \$10,000,000 was remaining, which is recorded as restricted investment and a liability in prize purses.

During the year ended December 31, 2016, the Foundation had a conditional contribution of approximately \$1,000,000 designated for the prize purse for GLXP Milestone X PRIZE. During the year ended December 31, 2016 and 2017, \$938,000 and \$20,000, respectively, of the GLXP Milestone prize purse was awarded. At December 31, 2017, the unpaid portion of the prize purse for GLXP Milestone X PRIZE totaling \$43,000 was recorded as restricted investment and a liability in prize purses to be used for a future prize based on the donor's designation.

During the year ended December 31, 2017, the Foundation received a conditional contribution of \$3,000,000 designated for the prize purse for Adult Literacy. At December 31, 2017, this amount is recorded as restricted investment and a liability in prize purse.

During the year ended December 31, 2017, the Foundation received a conditional contribution of \$30,000 designated for the prize purse for IBM Artificial Intelligence Human. During the year ended December 31, 2017, \$26,000, of the prize purse was awarded. At December 31, 2017, the unpaid portion of the prize purse totaling \$4,000 is recorded as restricted investment and a liability in prize purse.

Note 11 - 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 \$84,000 during the year ended December 31, 2017.

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