

**COMBINED FINANCIAL STATEMENTS**

**WEROBOTICS INC.**

**AND WEROBOTICS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

# WE ROBOTICS INC. AND WE ROBOTICS

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2
EXHIBIT A - Combined Statement of Financial Position, as of December 31, 2018	3
EXHIBIT B - Combined Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2018	4
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended December 31, 2018	5
EXHIBIT D - Combined Statement of Cash Flows, for the Year Ended December 31, 2018	6
NOTES TO COMBINED FINANCIAL STATEMENTS	7 - 11

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
WeRobotics Inc.  
Washington, D.C.

We have reviewed the accompanying combined financial statements of WeRobotics Inc. and WeRobotics (a Swiss not-for-profit), together, "WeRobotics", which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement whether due to fraud or error.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the combined financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

July 23, 2019

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**WeROBOTICS INC. AND WeROBOTICS**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,274,564
Prepaid expenses and other assets	<u>55,980</u>
Total current assets	<u>1,330,544</u>

**FIXED ASSETS**

Equipment	142,267
Less: Accumulated depreciation and amortization	<u>(91,634)</u>
Net fixed assets	<u>50,633</u>

**TOTAL ASSETS** **\$ 1,381,177**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ <u>26,290</u>
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**NET ASSETS**

Without donor restrictions	226,887
With donor restrictions	<u>1,128,000</u>
Total net assets	<u>1,354,887</u>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 1,381,177**

## WEROBOTICS INC. AND WEROBOTICS

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contracts	\$ 26,298	\$ 2,188,525	\$ 2,214,823
Contributed services and materials	443,468	-	443,468
Other revenue	43,934	-	43,934
Net assets released from donor restrictions	<u>1,566,998</u>	<u>(1,566,998)</u>	<u>-</u>
Total support and revenue	<u>2,080,698</u>	<u>621,527</u>	<u>2,702,225</u>
<b>EXPENSES</b>			
Program Services	<u>1,609,414</u>	<u>-</u>	<u>1,609,414</u>
Supporting Services:			
General and Administrative	180,177	-	180,177
Fundraising	<u>116,136</u>	<u>-</u>	<u>116,136</u>
Total supporting services	<u>296,313</u>	<u>-</u>	<u>296,313</u>
Total expenses	<u>1,905,727</u>	<u>-</u>	<u>1,905,727</u>
Change in net assets	174,971	621,527	796,498
Net assets at beginning of year	<u>51,916</u>	<u>506,473</u>	<u>558,389</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 226,887</u></b>	<b><u>\$ 1,128,000</u></b>	<b><u>\$ 1,354,887</u></b>

**WEROBOTICS INC. AND WEROBOTICS**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and benefits	\$ 563,741	\$ 129,088	\$ 108,159	\$ 237,247	\$ 800,988
Consultants and contract services	234,515	10,224	-	10,224	244,739
Equipment	71,593	321	-	321	71,914
Depreciation	48,511	-	-	-	48,511
Travel	151,238	1,309	7,643	8,952	160,190
Professional fees	2,656	26,728	-	26,728	29,384
Marketing	840	162	285	447	1,287
Occupancy	19,004	-	-	-	19,004
Donated IT services and supplies	443,468	-	-	-	443,468
Office expense and supplies	73,848	12,345	49	12,394	86,242
<b>TOTAL</b>	<b><u>\$ 1,609,414</u></b>	<b><u>\$ 180,177</u></b>	<b><u>\$ 116,136</u></b>	<b><u>\$ 296,313</u></b>	<b><u>\$ 1,905,727</u></b>

**WEROBOTICS INC. AND WEROBOTICS**  
**COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 796,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	48,511
Decrease (increase) in:	
Grants receivable	153,940
Prepaid expenses and other assets	(10,143)
Decrease in:	
Accounts payable and accrued liabilities	<u>(40,816)</u>
Net cash provided by operating activities	<u>947,990</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of fixed assets	<u>(42,451)</u>
Net cash used by investing activities	<u>(42,451)</u>
Net increase in cash and cash equivalents	905,539
Cash and cash equivalents at beginning of year	<u>369,025</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,274,564</u></b>

**WEROBOTICS INC. AND WEROBOTICS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

WeRobotics Inc. (WeRobotics) is a not-for-profit organization organized under the laws of the State of Delaware, with principal operations in California.

WeRobotics is an independent association organized under Article 60 of the Switzerland civil code. Collectively, the organizations are referred to as "WeRobotics".

WeRobotics is an international organization that invests in local experts and entrepreneurs to create opportunity around the use of robotics for positive social impact. The organization achieves its mission through the growing network of "Flying Labs" which are knowledge hubs led entirely by local professionals who scale humanitarian aid, global development, public health and environmental protection efforts through the use of autonomous robotics.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018.

The accompanying combined financial statements represent the activity of WeRobotics Inc. and WeRobotics. The financial statements of the two entities have been combined in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. All material intercompany accounts and transactions have been eliminated in combination.

Cash and cash equivalents -

WeRobotics considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, WeRobotics maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

WeRobotics maintained \$62,546 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2018. The majority of funds invested in foreign countries are uninsured.

Fixed assets -

Fixed assets in excess of \$2,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over two years. Fixed assets acquired in conjunction with grants are depreciated over the life of the grant. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense for the year ended December 31, 2018 totaled \$48,511.

Income taxes -

WeRobotics is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. WeRobotics is not a private foundation. WeRobotics is a Swiss not-for-profit organization organized in accordance with Art. 60 et seqq. of the Swiss Civil Code.



**WeROBOTICS INC. AND WeROBOTICS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Uncertain tax positions -

For the year ended December 31, 2018, WeRobotics has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Revenue recognition -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements.

WeRobotics receives awards from funders that are considered to be contracts, as payments are based on the completion of milestones and other deliverables. Accordingly, such awards are recorded as revenue "without donor restrictions" to the extent that WeRobotics has performed in accordance with the criteria outlined in the agreements.

Contributed services and materials -

Contributed services and materials consist of donated supplies and information technology services. Contributed services and materials are recorded at their fair value as of the date of the gift.

# WEROBOTICS INC. AND WEROBOTICS

## NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### Foreign currency translation -

The U. S. Dollar is the functional currency for WeRobotics' worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Combined Statement of Financial Position.

#### Use of estimates -

The preparation of the combined 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 at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits) as well as square footage ( such as depreciation, office and occupancy) or other reasonable basis.

#### New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. WeRobotics is currently in process of establishing a transition method.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. WeRobotics is currently in process of establishing a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

**WeROBOTICS INC. AND WeROBOTICS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

WeRobotics plans to adopt the new ASUs at the respective required implementation dates.

**2. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2018:

<b>Subject to Expenditure for Specified Purpose:</b>	
<b>Program Services</b>	<b>\$ <u>1,128,000</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

<b>Purpose Restrictions Accomplished:</b>	
<b>Program Services</b>	<b>\$ <u>1,566,998</u></b>

**3. CONTRIBUTED SERVICES AND MATERIALS**

During the year ended December 31, 2018, WeRobotics was the beneficiary of donated goods and services which allowed WeRobotics to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2018:

Supplies	\$ 6,668
Services	30,000
Software licenses (short-term)	<u>406,800</u>
<b>TOTAL IT SERVICES AND SUPPLIES</b>	<b>\$ <u>443,468</u></b>

The following functional categorization has been assigned for the aforementioned contributions

<b>Program Services</b>	<b>\$ <u>443,468</u></b>
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**4. LEASE COMMITMENTS**

WeRobotics leases temporary office space for their engineering team in Bern, Switzerland. The space is for specific engineering projects. Monthly rent is \$1,536. The lease may be terminated by giving three months notice, effective at the end of the month. Occupancy expense for the year ended December 31, 2018 totaled \$19,004.

**WEROBOTICS INC. AND WEROBOTICS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**5. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 1,274,564
Less: Donor restricted funds	<u>(1,128,000)</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ <u>146,564</u></b>
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WeRobotics has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, WeRobotics has financial assets equal to approximately one month of operating expenses.

**6. SUBSEQUENT EVENTS**

In preparing these combined financial statements, WeRobotics has evaluated events and transactions for potential recognition or disclosure through July 23, 2019, the date the combined financial statements were issued.