

*Combined Financial Statements and
Independent Auditors' Report*



*As of and For the Year Ended December 31, 2022
(with Summarized Comparative Information as of
and for the Year Ended December 31, 2021)*

WEROBOTICS, INC. AND WEROBOTICS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
WeRobotics, Inc. and WeRobotics

Opinion

We have audited the accompanying combined financial statements of WeRobotics, Inc. (a United States-based not-for-profit organization) and WeRobotics (a Swiss not-for-profit) (collectively, "WeRobotics"), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of WeRobotics as of December 31, 2022, and the combined changes 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of WeRobotics 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 Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WeRobotics' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Combined Financial Statements (continued)

not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 financial statements.

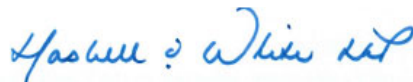
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity'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 WeRobotics 2021 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated June 27, 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 combined financial statements from which it has been derived.



HASKELL & WHITE LLP

Irvine, California
March 10, 2023

WEROBOTICS, INC. AND WEROBOTICS

**Combined Statement of Financial Position
As of December 31, 2022**

(with summarized comparative information as of December 31, 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,454,942	\$ 1,499,369
Receivables	518,331	86,900
Prepaid expenses	39,864	34,775
Total current assets	2,013,137	1,621,044
Fixed assets		
Equipment	156,585	173,069
Less: Accumulated depreciation	(156,585)	(165,315)
Net fixed assets	-	7,754
Security deposits		
	-	1,630
Total assets	\$ 2,013,137	\$ 1,630,428
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 20,385	\$ 96,683
Deferred revenue	1,264,176	582,507
Total current liabilities	1,284,561	679,190
Commitments (Note 3)		
Net assets		
Without donor restrictions	737,144	371,099
With donor restrictions	-	591,797
Accumulated other comprehensive loss	(8,568)	(11,658)
Total net assets	728,576	951,238
Total liabilities and net assets	\$ 2,013,137	\$ 1,630,428

See accompanying notes to combined financial statements
and Independent Auditors' Report.

WEROBOTICS, INC. AND WEROBOTICS

Combined Statement of Activities and Changes in Net Assets For The Year Ended December 31, 2022

(with summarized comparative information for the year ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Other Comprehensive Gain (Loss)	Total	2021
Support and revenues					
Grants and donations	\$ 443,623	\$ 457,839	\$ -	\$ 901,462	\$ 1,609,159
In-kind contributions	804,334	-	-	804,334	792,748
Program service fees	120,551	-	-	120,551	623,405
Consulting	305,340	-	-	305,340	331,465
Other program revenue	22,938	-	-	22,938	24,757
Other	13,060	-	-	13,060	13,988
Net assets released from donor restrictions	1,049,636	(1,049,636)	-	-	-
Total support and revenues	2,759,482	(591,797)	-	2,167,685	3,395,522
Expenses					
Program services	2,057,636	-	-	2,057,636	2,778,060
Supporting activities					
General and administrative	227,607	-	-	227,607	238,950
Fundraising	109,394	-	-	109,394	139,159
Total supporting activities	337,001	-	-	337,001	378,109
Total expenses	2,394,637	-	-	2,394,637	3,156,169
Changes in net assets from operations	364,845	(591,797)	-	(226,952)	239,353
Non-operating items					
Gain on sale of fixed assets	1,200	-	-	1,200	-
Changes in net assets before other items of comprehensive (loss) income	366,045	(591,797)	-	(225,752)	239,353
Other comprehensive gain (loss)	-	-	3,090	3,090	(2,058)
Changes in net assets	366,045	(591,797)	3,090	(222,662)	237,295
Net assets, beginning of year	371,099	591,797	(11,658)	951,238	713,943
Net assets, end of year	\$ 737,144	\$ -	\$ (8,568)	\$ 728,576	\$ 951,238

See accompanying notes to combined financial statements
and Independent Auditors' Report.

WEROBOTICS, INC. AND WEROBOTICS

Combined Statement of Functional Expenses For The Year Ended December 31, 2022

(with summarized comparative information for the year ended December 31, 2021)

	Supporting Activities			Total Supporting Activities	Total	2021
	Program Services	General and Administrative	Fundraising			
IT services and supplies	\$ 804,334	\$ -	\$ -	\$ -	\$ 804,334	\$ 792,748
Salaries and benefits	415,489	227,278	96,894	324,172	739,661	1,184,651
Consultants and contract services	673,255	-	12,500	12,500	685,755	860,761
Travel	40,715	-	-	-	40,715	59,876
Professional fees	39,631	-	-	-	39,631	20,791
Office expense and supplies	32,163	329	-	329	32,492	32,584
Marketing	23,331	-	-	-	23,331	30,970
Equipment	12,629	-	-	-	12,629	145,557
Occupancy	8,612	-	-	-	8,612	15,828
Depreciation	7,477	-	-	-	7,477	12,403
Total	\$ 2,057,636	\$ 227,607	\$ 109,394	\$ 337,001	\$ 2,394,637	\$ 3,156,169

See accompanying notes to combined financial statements
and Independent Auditors' Report.

WEROBOTICS, INC. AND WEROBOTICS

Combined Statement of Cash Flows For The Year Ended December 31, 2022

(with summarized comparative information for the year ended December 31, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (222,662)	\$ 237,295
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	7,477	12,403
Gain on sale of fixed assets	(1,200)	-
Changes in:		
Accounts receivable	(431,431)	(44,113)
Prepaid expenses	(5,089)	(23,757)
Security deposits	1,630	(505)
Accounts payable and accrued expenses	(76,298)	34,651
Deferred revenue	681,669	(402,844)
Net cash used in operating activities	(45,904)	(186,870)
Cash flows from investing activities		
Purchases of fixed assets	-	(4,100)
Proceeds from sale of fixed assets	1,477	-
Net cash provided by (used in) investing activities	1,477	(4,100)
Net decrease in cash and cash equivalents	(44,427)	(190,970)
Cash and cash equivalents, beginning of year	1,499,369	1,690,339
Cash and cash equivalents, end of year	\$ 1,454,942	\$ 1,499,369

See accompanying notes to combined financial statements
and Independent Auditors' Report.

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements For The Year Ended December 31, 2022

1. Purpose and Summary of Significant Accounting Policies

Organization

WeRobotics, Inc. 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. The two entities are under common control and thereby are presented collectively 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. WeRobotics 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 combined financial statements of WeRobotics have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP).

Comparative Financial Information

The accompanying combined statement of activities and changes in net assets includes prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with WeRobotics December 31, 2021 combined financial statements from which the summarized information was derived.

Net Assets

The financial statements of the two entities have been combined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities, Consolidation*. All material intercompany accounts and transactions have been eliminated in combination. The accompanying combined financial statements are presented in accordance with FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements (continued) For The Year Ended December 31, 2022

1. Purpose and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 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 contribution 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 statement of activities 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 contributions without donor restrictions when the assets are placed in service.

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 per depositor. 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 \$290,096 of cash and cash equivalents at financial institutions in foreign countries at December 31, 2022. The Swiss Financial Market Supervisory Authority (FINMA) provides protection of up to CHF 100,000 (\$108,176 at December 31, 2022); deposits held by a Swiss branch of a bank are protected by the Depositor Protection Scheme.

Receivables

Grants and donations receivable are recorded at their net realizable value, which approximates fair value. There was \$500,000 of such receivables at December 31, 2022, and there were no such receivables at December 31, 2021.

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements (continued) For The Year Ended December 31, 2022

1. Purpose and Summary of Significant Accounting Policies (continued)

Receivables (continued)

Accounts receivable include amounts of \$18,331 due under contractual obligations and are also recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed Assets

Fixed assets consist primarily of robotic equipment and purchases in excess of \$2,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful life, generally two to three years (certain robotic equipment have a limited service life, and accordingly are depreciated on an accelerated basis). The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$7,477 and \$12,403, respectively.

Income Taxes

WeRobotics, Inc. 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, Inc. is not a private foundation. WeRobotics is a Swiss not-for-profit public charity organized in accordance with Art. 60 et seqq. of the Swiss Civil Code.

Uncertain Tax Positions

For the year ended December 31, 2022, WeRobotics has analyzed 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.

Contributions and Revenue Recognition

The majority of WeRobotics' revenue is received through awards from foundations, international organizations and other entities. WeRobotics performs an analysis of each award to determine whether to apply the contributions guidance or exchange transaction guidance depending on whether the transaction is reciprocal or nonreciprocal. This process requires significant management judgment.

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements (continued) For The Year Ended December 31, 2022

1. Purpose and Summary of Significant Accounting Policies (continued)

Contributions and Revenue Recognition (continued)

For awards deemed to be contributions, management determines whether the contribution is unconditional or conditional. Unconditional contributions, including promises to give, are recognized when received and are reported as either without donor restrictions or with donor restrictions.

Conditional contributions contain a right of return or release and a barrier. Revenue is recognized when the condition or conditions are satisfied. Typically, these agreements also contain a right of return, or a right of release from obligation, and the recipient has limited discretion over how funds transferred should be spent. As such, WeRobotics recognizes revenue for conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received, or contract assets received, in advance of the incurrence of qualifying expenditures are deferred. As of December 31, 2022 and 2021, WeRobotics recorded \$1,184,176 and \$466,797, respectively, of deferred revenue under such agreements (Note 2).

Revenues derived from exchange transactions follow FASB ASU 2014-09, *Revenue from Contracts With Customers*, and are recognized as related distinct performance obligations are completed. WeRobotics has identified Training, Program Service Fees, and Consulting as exchange transactions that are subject to FASB ASU 2014-09. Substantially all revenues are recognized over time, as services are provided to customers. As of December 31, 2022 and 2021, WeRobotics recorded \$80,000 and \$115,710, respectively, of deferred revenue (contract liabilities) under such agreements.

In-kind Contributions

In-kind contributions consist of donated information technology services and short-term software licenses. In-kind contributions are recorded at their estimated fair value as of the date of the gift (short-term licenses have been recorded at the donor's "commercial" value).

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 statement of financial position.

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements (continued) For The Year Ended December 31, 2022

1. Purpose and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing programs and other supporting activities have been summarized on a functional basis in the accompanying Combined Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the program services and supporting activities 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 economic bases. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred.

Economic Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The continued spread of COVID-19, and related variants, has caused significant volatility in U.S. and international markets. There continues to be significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, management is unable to determine if it will have a material impact on future operations.

Use of Estimates

The preparation of 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.

New Accounting Pronouncements

FASB issued ASU 2016-02, *Leases (Topic 842)*, and related amendments, which 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 statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for non-public entities beginning after December 15, 2021. There was no impact on the accompanying combined financial statements upon adoption because WeRobotics is not a party to any significant lease contracts at December 31, 2022.

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements (continued) For The Year Ended December 31, 2022

1. Purpose and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a non-for-profit entity to present contributed nonfinancial assets in the statement of activities and changes in net assets as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance was effective for fiscal years beginning after June 15, 2021. There was no significant impact on the accompanying combined financial statements upon adoption.

2. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Program Services	\$ -	\$ 591,797

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 during the year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
Program Services	\$ 1,049,636	\$ 692,182

3. Commitments

WeRobotics leased office space for its engineering team in Bern, Switzerland under three separate contracts. Monthly rent required under the leases totaled \$1,536. One lease was terminated in April 2022 and the two remaining leases were terminated in July 2022. Occupancy expense for the years ended December 31, 2022 and 2021 totaled \$8,612 and \$15,828, respectively.

In June 2021, WeRobotics entered into a nine-month agreement with an organization to assist with fundraising efforts. WeRobotics paid \$12,500 and \$25,000 under this agreement during the years ended December 31, 2022 and 2021, respectively.

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements (continued) For The Year Ended December 31, 2022

3. Commitments (continued)

WeRobotics provides retirement benefits to its Swiss employees through the Mandatory LPP Retirement Plan covering all employees that have provided three months of service and have a minimum annual salary of CHF 22,050 (\$23,853) and CHF 21,510 (\$23,531) during the years ended December 31, 2022 and 2021, respectively. WeRobotics' contributions to the plan during the years ended December 31, 2022 and 2021 totaled CHF 46,074 (\$48,266) and CHF 58,143 (\$63,607).

4. 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:

Cash and cash equivalents	\$ 1,454,942
Accounts receivable	518,331
Less: Deferred revenue	<u>(1,264,176)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 709,097</u></u>
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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, 2022, WeRobotics has financial assets available for general operating expenses for the next twelve months.

The accompanying combined financial statements have been prepared assuming that the Organization will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of activities. As of December 31, 2022, the Organization had cash and cash equivalents of \$1,454,942. The Organization also had a reduction in net assets during the year ended December 31, 2022 of \$222,662. Based on the cash and cash equivalents on hand as of December 31, 2022, the Organization anticipates having sufficient cash to fund planned programs through at least the next twelve months. However, the acceleration or reduction of cash outflows by Organization management can significantly impact the timing for the need to seek additional grants and donations to continue its program activities. Although historically the Organization has been successful at securing grants and donations, such additional funds may not be available, if at all. Accordingly, no assurances can be given that Organization management will succeed in these endeavors. The accompanying combined financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Organization be unable to continue as a going concern.

WEROBOTICS, INC. AND WEROBOTICS

Notes to Combined Financial Statements (continued) For The Year Ended December 31, 2022

5. Out of Period Adjustment

During the preparation of the current year combined financial statements, it was determined that there were immaterial errors in the timing of recognition of certain revenue items during the year ended December 31, 2021. As such, an out of period adjustment of \$125,000 was recorded to decrease deferred revenue as of December 31, 2021, grants and donations increased by \$125,000. Additionally, program revenue was reduced by \$12,812 for the year ended December 31, 2021 and net assets were reduced as of December 31, 2021.

6. Subsequent Events

In preparing these combined financial statements, WeRobotics has evaluated events and transactions for potential recognition or disclosure through March 10, 2023, the date the combined financial statements were available to be issued.