



RAZOM, INC. AND AFFILIATE

**COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

RAZOM INC. AND AFFILIATE

Contents
December 31, 2022

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Independent Auditor's Report

To the Board of Directors of
Razom, Inc. and Affiliate:

Opinion

We have audited the combined financial statements of Razom, Inc. (a New Jersey nonprofit corporation) and Razom Dlia Ukrainy (a Ukrainian nonprofit, the Affiliate) (collectively, the Organization), 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, cash flows, and functional expenses for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Razom, Inc. and Affiliate as of December 31, 2022, and the 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 (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 Organization 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 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 the Organization's ability to continue as a going concern within one year after the date that the combined 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 combined 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 combined financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 combined 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 combined 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 Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

AAFCPA, Inc.

Boston, Massachusetts
October 18, 2023

RAZOM, INC. AND AFFILIATECombined Statement of Financial Position
December 31, 2022

Assets	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:			
Cash and cash equivalents	\$ 21,663,336	\$ 389,265	\$ 22,052,601
Pledges receivable	23,686	665,075	688,761
Funds held for others	173,797	-	173,797
Prepaid expenses	35,381	-	35,381
Total current assets	21,896,200	1,054,340	22,950,540
Inventory	812,580	-	812,580
Investments	3,531,410	-	3,531,410
Property and Equipment, net	64,453	-	64,453
Intangible Assets	95,756	-	95,756
Total assets	<u>\$ 26,400,399</u>	<u>\$ 1,054,340</u>	<u>\$ 27,454,739</u>
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 206,352	\$ -	\$ 206,352
Funds held for others	173,797	-	173,797
Total current liabilities	380,149	-	380,149
Net Assets:			
Without donor restrictions:			
Operating	18,650,928	-	18,650,928
Property and equipment	64,453	-	64,453
Board designated	7,304,869	-	7,304,869
Total without donor restrictions	26,020,250	-	26,020,250
With donor restrictions	-	1,054,340	1,054,340
Total net assets	26,020,250	1,054,340	27,074,590
Total liabilities and net assets	<u>\$ 26,400,399</u>	<u>\$ 1,054,340</u>	<u>\$ 27,454,739</u>

The accompanying notes are an integral part of these combined statements.

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RAZOM, INC. AND AFFILIATECombined Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue:			
Grants and contributions	\$ 76,013,744	\$ 1,054,340	\$ 77,068,084
Donated goods and services	10,646,618	-	10,646,618
Special events	327,118	-	327,118
	<u>86,987,480</u>	<u>1,054,340</u>	<u>88,041,820</u>
Operating Expenses:			
Emergency response	58,299,620	-	58,299,620
Other programs	1,059,724	-	1,059,724
General and administrative	1,615,970	-	1,615,970
Fundraising	163,547	-	163,547
	<u>61,138,861</u>	<u>-</u>	<u>61,138,861</u>
	<u>25,848,619</u>	<u>1,054,340</u>	<u>26,902,959</u>
Non-Operating Expenses:			
Impairment loss on intangible assets	(128,831)	-	(128,831)
Investment return, net	(109,112)	-	(109,112)
	<u>(237,943)</u>	<u>-</u>	<u>(237,943)</u>
	<u>25,610,676</u>	<u>1,054,340</u>	<u>26,665,016</u>
Net Assets:			
Beginning of year	<u>409,574</u>	<u>-</u>	<u>409,574</u>
End of year	<u>\$ 26,020,250</u>	<u>\$ 1,054,340</u>	<u>\$ 27,074,590</u>

RAZOM, INC. AND AFFILIATE

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

Cash Flows from Operating Activities:

Changes in net assets	\$ 26,665,016
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	14,494
Impairment loss on intangible assets	128,831
Net realized and unrealized losses on investments	161,982
Donated intangible assets	(224,587)
Donated investments	(3,693,392)
Changes in operating assets and liabilities:	
Pledges receivable	(688,761)
Prepaid expenses	(35,381)
Inventory	(812,580)
Accounts payable and accrued expenses	206,298
Refundable advances	(3,580)
	<hr/>
Net cash provided by operating activities	21,718,340

Cash Flows from Investing Activities:

Acquisition of property and equipment	<hr/> (78,947)
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Net Change in Cash and Cash Equivalents

21,639,393

Cash and Cash Equivalents:

Beginning of year	<hr/> 413,208
End of year	<hr/> <hr/> \$ 22,052,601

RAZOM, INC. AND AFFILIATE

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

	Program Services			Supporting Services			Total
	Emergency Response	Other Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Program aid	\$ 42,197,962	\$ 21,610	\$ 42,219,572	\$ 5,817	\$ -	\$ 5,817	\$ 42,225,389
Donated goods and services	9,832,687	-	9,832,687	752,881	61,050	813,931	10,646,618
Grants	5,120,139	438,519	5,558,658	106,200	500	106,700	5,665,358
Professional fees	732,548	91,121	823,669	164,572	-	164,572	988,241
Bank fees	150,736	8,917	159,653	369,889	5,142	375,031	534,684
Special events	43,652	195,690	239,342	40,989	65,348	106,337	345,679
Travel	69,885	262,636	332,521	3,896	8,644	12,540	345,061
Office expenses	31,634	19,961	51,595	74,555	22,235	96,790	148,385
Advertising and marketing	46,358	14,284	60,642	43,039	628	43,667	104,309
Occupancy	50,000	5,653	55,653	5,720	-	5,720	61,373
Information technology	748	1,333	2,081	41,776	-	41,776	43,857
Miscellaneous	8,777	-	8,777	6,636	-	6,636	15,413
Depreciation	14,494	-	14,494	-	-	-	14,494
Total expenses	\$ 58,299,620	\$ 1,059,724	\$ 59,359,344	\$ 1,615,970	\$ 163,547	\$ 1,779,517	\$ 61,138,861

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

1. OPERATIONS AND NONPROFIT STATUS

Operations

Razom, Inc. (Razom US), which means “together” in Ukrainian, was formed in 2014 to support human rights and democracy in Ukraine through programs in humanitarian aid, education, culture, and civic society. Razom US maintains a relentless focus on the needs on the ground in Ukraine and on the opportunities to amplify voices from Ukraine in conversations in the United States.

Razom Dlia Ukrainy (Razom For Ukraine), a Ukrainian nonprofit organization, was formed in 2016 for the purpose of assisting Razom US in meeting the needs of Ukrainian citizens by conducting charitable activities within Ukraine consistent with Ukrainian laws. Razom For Ukraine creates spaces where people meet, partner and work together to unlock the potential of Ukraine.

Razom US and Razom For Ukraine are related through common control and management, and are collectively referred to as the Organization (or Razom) throughout these combined financial statements.

In February 2022, the Organization responded immediately to the full-scale invasion of Ukraine with large-scale efforts to provide disaster relief. The majority of funds raised during 2022, approximately \$60 million, were deployed to provide humanitarian aid and to amplify voices of Ukrainians via emergency response effort on the ground. The main activities included the procurement of aid, comprising of tactical medicine, medical equipment, communication devices, evacuation vehicles, generators and other emergency supplies.

Three factors had a direct effect on the unprecedented conditions in which the Organization operated in 2022. First, the magnitude of the full-scale invasion of Ukraine by Russia came on with an unexpected degree of brutality as Russian troops swarmed across the borders. Second, the generosity of donors who discovered Razom and who contributed funds and in-kind donations caused an exponential rise in the volume of transactions. Third, volunteers from around the world mobilized quickly to respond and the teams continued working around the clock to deliver life-saving supplies.

The Organization’s activities under the umbrella of Emergency Response include the following:

Razom Heroes – delivery of life-saving aid to the first responders and front-line medics. The Organization established a delivery system throughout Ukraine where Razom for Ukraine’s drivers delivered over 500 tons of supplies totaling over \$40 million directly to the front lines and other hot spots. Razom’s volunteers and drivers packed and delivered over 90,000 first-aid kits, over 2,000 medical backpacks and 50,000 tourniquets. The Organization supplied over 15,000 two-way radios, over 2,000 tablets, 350 wood stoves, 250 generators and over 100 power stations to keep Ukrainians on the front lines warm and connected. As part of this program, over 2,000 quadcopters were delivered for safe passage and evacuation and 69 vehicles were sourced and serviced for the use of the front-line medics.

Razom Health – supporting Ukraine’s healthcare with the equipment, supplies and necessary skills training to serve Ukrainians now and after victory. The Organization delivered 23 hospital-grade generators and other equipment and supplies, including ultrasound and electrosurgery machines, wound vacs, orthopedic fixators and more to 419 medical facilities in Ukraine. Razom Health purchased 120 butterfly ultrasounds (portable, handheld devices that provide vital medical information in emergency situations) and launched a program of training and support for the doctors who will use them. Razom opened 2 mental health centers in Ukraine, which served 800 individuals during 2023. Free therapy was provided to people whose lives were most impacted by the war, including about 400 children.

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Operations (Continued)

Razom Relief – helping civilians rebuild and continue to strengthen civil society by investing in vetted grass-roots non-governmental organizations in Ukraine that supply aid to vulnerable communities. The Organization awarded approximately \$5.5 million in grants to a network of 123 volunteer organizations in Ukraine that help local communities. These organizations distributed 221,458 food packages to people in need, evacuated 9,640 people, renovated 91 buildings including 11 shelters, and supported 18 shelters that provided 2,375 sleeping places. They also delivered 90 generators and 50 charging stations to resilience points, shelters, and humanitarian hubs in Ukraine.

Razom Advocacy – advancing bipartisan policy and engaging constituents and community leaders in the U.S. in support of a secure and democratic Ukraine. Razom Advocacy organized more than 500 meetings with congressional offices to ask for critical support for Ukraine, cofounded the American Coalition for Ukraine uniting 57 diverse organizations and constituents from 50 states, held an inaugural Ukraine Action Summit in Washington, D.C., with over 250 participants from all over the U.S. In December 2022, Razom testified in a congressional hearing on crowdsourcing Ukraine’s victory, hosted by the Commission on Security and Cooperation in Europe.

The following programs of the Organization are shown under Other Programs in the accompanying combined statement of functional expenses:

Razom Culture, Community and Connections – amplifying voices from Ukraine in the U.S. and around the world through educational programs, volunteer opportunities, and the arts. The Organization created the Ukraine Response Initiative in March 2022 to connect newly arrived Ukrainian refugees with a supportive community in New York. This initiative helped more than 200 families gain access to legal advice and provided 378 families with humanitarian aid totaling approximately \$120,000. Razom US co-organized a sold-out concert at Carnegie Hall to commemorate the 100th anniversary of Shchedryk (Carol of the Bells) premiere with Ukrainian and Ukrainian -American artists and celebrity guests called “Notes from Ukraine”. The Organization supported several Ukrainian filmmakers, writers and talented Ukrainian youth by sponsoring their travel to international events and competitions. During the annual toy drive, Razom provided more than 1,000 children and teens in 23 regions of Ukraine with toys, treats, school supplies, warm coats and power banks to brighten their holidays.

The Organization’s administrative and fundraising costs, during 2022, were approximately \$1.8 million (including \$814,000 in pro-bono professional services), comprising just under 3% of total expenses. In 2022 Razom’s operations were supported largely by volunteer work, pro-bono professional services and minimal occupancy costs.

In 2023, the Organization continues to deploy the majority of its assets and funding toward emergency relief efforts, while cementing its reputation as a leading non-profit organization focused on supporting Ukraine.

Nonprofit Status

Razom US is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Razom US is also exempt from state income taxes. Donors may deduct contributions made to Razom US within IRC requirements.

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization's combined financial statements have been prepared in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the accounts of Razom US and Razom For Ukraine. All significant intercompany transactions and balances have been eliminated. Razom For Ukraine prepares separate financial statements, which are combined with the Organization's financial statements. Razom For Ukraine's financial statements include total net assets in U.S. dollars of \$945,132 as of December 31, 2022.

Accounting Standards Adoption

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The update requires a lessee to recognize a liability to make lease payments and a right-of-use (ROU) asset representing a right to use the underlying asset for the lease term on the combined statement of financial position. Additionally, this guidance expanded related disclosure requirements. On January 1, 2022, the Organization adopted the new standard and elected the optional transition method, as allowed by ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to apply the new standard as of the effective date. The Organization elected the package of practical expedients for the leases existing at the date of adoption, which allowed the Organization to skip the reassessment of whether a contract is or contains a lease, the treatment of initial direct costs and lease classification. The impact on the combined statements of activities and changes in net assets and cash flows was immaterial. Furthermore, the Organization expects the impact of adoption to be immaterial to the combined statements of activities and changes in net assets and cash flows on an ongoing basis.

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*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended December 31, 2022.

Foreign Currency Translation

All cash balances in foreign accounts, other foreign assets, except for property and equipment, and liabilities have been translated at foreign exchange rates in effect at December 31, 2022. Foreign property and equipment have been translated at historical foreign exchange rates. All of Razom For Ukraine's revenue and expense amounts are converted from Ukrainian hryvna to U.S. dollars at the average exchange rate for the year.

Use of Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded in the combined financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Donated securities are recorded at fair value at the time of donation. Investments are not insured and are subject to ongoing market fluctuations. Investments have been classified as long-term in the accompanying combined statement of financial position based on management's intent.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings and money market accounts, excluding cash in the investment portfolio. For the purpose of the combined statement of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable are recorded as unconditionally committed and are stated at unpaid balances, less an allowance for doubtful accounts, if any. The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There was no allowance for doubtful accounts as of December 31, 2022. Pledges receivable that are promised to be received more than one year after the combined statement of financial position date, if any, are discounted at an appropriate discount rate commensurate with the risks involved.

Property and Equipment and Depreciation

Property and equipment are recorded at cost. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Generator equipment	5 years
Computer equipment	2 - 4 years

Leases

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) and determines lease classification as operating, sales-type and direct financing at inception. The Organization only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with terms, including renewal options, of twelve months or less are treated as short-term leases.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Intangible Assets

The Organization accounts for intangible assets in accordance with ASC 350, *Intangibles - Goodwill and Other*. Intangible assets consist of the Organization's digital assets (primarily Bitcoin and Ethereum). The Organization accounts for its digital assets as indefinite-lived intangible assets, which are initially recorded at market value on the date of donation, or cost on the date of purchase. Subsequently, they are measured at cost, net of any impairment losses incurred since the date of acquisition. The Organization determines the value of its digital assets based on quoted prices on the active exchange that the Organization has determined is its principal market for these digital assets. The Organization considers the lowest price of each digital asset quoted on the active exchange at any time since acquiring the specific digital asset.

During 2022, the Organization received donations of 1.27 units of Bitcoin and 64.18 units of Ethereum valued approximately at \$21,000 and \$64,000, respectively, at December 31, 2022. If the carrying value of a digital asset exceeds that lowest price, an impairment loss is recognized. The Organization recognized \$128,831 of impairment reflected in the accompanying combined statement of activities and changes in net assets.

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

- *Operating* - represents net resources that bear no external restrictions and are generally available for operations.
- *Board designated* - represents funds set aside by the Board of Directors for strategic growth and capacity building. Any use of these funds requires Board approval.
- *Property and equipment* - represent amounts expended and resources available for property and equipment.

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) and amounts for operating use in future periods (time restricted).

Net assets with donor restrictions are as follows as of December 31, 2022:

Purpose restricted	\$ 1,029,340
Time restricted	<u>25,000</u>
	<u>\$ 1,054,340</u>

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. ASC Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional. Assets received before the barrier is overcome are accounted for as refundable advances in the accompanying combined statement of financial position.

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally committed. Grants and contributions with donor restrictions are recorded as net assets with donor restrictions when received or unconditionally committed. Transfers are made to net assets without donor restrictions as costs are incurred, program restrictions have been met, or time restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

Special events revenue is from the Organization's ability to host fundraising events, in which revenues are recognized at the time of the event. Special event revenue consists of both contributions and sales. The contribution portion of the special event revenue is recognized as revenue when unconditionally committed or received. The sales portion of the special event revenue is derived from various components, including registration fees, sponsorships and program ads, in which the transaction price is determined before each event.

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Interest and dividends are recognized when earned. Realized gains and losses are recognized at the time of sale. Unrealized gains and losses are recorded based on changes in the fair value of investments during the year.

Donated Goods and Services

Donated goods and services are reflected as contributions at their fair value at date of donation and are reported as operating support and revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Individuals and other organizations contribute goods and services to the Organization in support of various aspects of its programs and these contributions are not monetized. There were no donor-restricted donated goods and services during 2022.

Donated goods and services are reflected in the accompanying combined financial statements at the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Donated goods are recorded at approximate market value. Legal and other professional services are reported using current rates for similar services.

The estimated value of these contributions is as follows for the year ended December 31, 2022:

Medical supplies	\$ 7,467,879
Supplies for first responders	2,117,762
Legal services	752,881
Vehicles	247,046
Fundraising event donations	<u>61,050</u>
	<u>\$ 10,646,618</u>

The Organization also receives services from volunteers in the various aspects of its programs. The value of these services is not reflected in the accompanying combined financial statements since the value assigned to these services by the donating volunteers do not meet the recognition criteria under U.S. GAAP.

Grant Expense

The Organization recognizes grant expenses when grants are approved to be issued.

Expense Allocation

The combined financial statements present expenses by functional classification in accordance with the overall service mission of the Organization. Each functional classification presents all expenses related to the underlying operations by natural classification. The combined financial statements report certain categories of expenses that are attributable to more than one program or supporting function and require an allocation on a reasonable basis that is consistently applied. The expenses that are allocated include certain professional fees, which are based on an estimate of time and effort, and communications and in-kind goods and services, which are allocated on an estimate of usage.

RAZOM INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of donated and purchased medical and humanitarian supplies that have not been given out to the intended recipients in Ukraine as of December 31, 2022. This inventory is accounted for at the fair value at the time of donation or at cost if purchased.

Combined Statement of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying combined statement of activities and changes in net assets. Non-operating revenue (expenses) include investment activity (see Note 4) and impairment loss recognized on intangible assets (see page 10).

Marketing and Advertising Costs

The Organization expenses marketing and advertising costs as they are incurred.

Income Taxes

Razom US accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. Razom US has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at December 31, 2022. The information returns for Razom US are subject to examination by the Federal and state jurisdictions.

Razom For Ukraine is exempt from income taxes under Ukrainian law.

Subsequent Events

Subsequent events have been evaluated through October 18, 2023, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Computer equipment	\$ 65,478
Generators	<u>13,469</u>
	78,947
Less - accumulated depreciation	<u>14,494</u>
	<u>\$ 64,453</u>

RAZOM INC. AND AFFILIATE

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4. INVESTMENTS

The underlying assets within the Organization's investment portfolio are all valued using Level 1 inputs and are summarized as follows as of December 31, 2022:

Money market accounts	\$ 3,495
Texas Pacific Land Corp common stock	2,461,442
Other common stock	122,330
Mutual funds:	
500 Index	939,352
Domestic Stock – IT Sector	<u>4,791</u>
Total	<u>\$ 3,531,410</u>

Investments are not insured and are subject to ongoing market fluctuations.

5. FUNDS HELD FOR OTHERS

The Organization acts as a fiscal agent for several small nonprofit organizations with similar missions and earns revenue equal to 15% of total funds raised on behalf of these nonprofits. During 2022, the Organization earned approximately \$45,000, which is included in grants and contributions in the accompanying combined statement of activities and changes in net assets. As of December 31, 2022, the Organization held \$173,797 for ten nonprofits, which is shown as funds held for others in current assets and current liabilities in the accompanying combined statement of financial position.

6. LEASES

The Organization has a lease for office space in New York under a tenant-at-will agreement that commenced in May 2022. This lease agreement is considered short-term as there is no certain likelihood that the Organization will use the underlying asset for longer than a year. Monthly payments for the lease were \$400 throughout 2022.

The Organization also has a lease for office space in Washington D.C. that commenced in May 2022 and expires in April 2023. Under the agreement, there are no renewal options to extend the lease beyond the expiration date. Monthly payments for the lease are \$5,500 through the end of the lease term. Future minimum lease payments under the agreements are \$22,000 for 2023.

Subsequent to year-end, the Organization entered into a new lease agreement for three months, requiring monthly payments of \$3,500.

7. CONCENTRATIONS

Credit Risk

Razom US maintains its cash balances in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation at each bank up to a certain threshold. At various times during the year, the cash balances exceeded the insured amount. Razom US monitors the financial condition of the banks on a regular basis to keep this concentration of credit risk to a minimum. Funds held in Ukraine, totaling \$119,310 as of December 31, 2022, are not insured.

Concentrations

Approximately 89% of pledges receivable were due from one foundation as of December 31, 2022.

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8. CONDITIONAL GRANTS

During 2022, the Organization received three grants from two funders totaling \$880,000, of which \$340,000 has been recorded as net assets with donor restrictions at December 31, 2022. The balance of \$540,000 is conditional upon the Organization achieving adequate progress on each of the grants' goals as determined by the funders at the end of the grant period. As such, this balance is not reflected in the accompanying combined financial statements at December 31, 2022.

9. LIQUIDITY

Financial assets available for use by the Organization within one year from the combined statement of financial position date are as follows as of December 31, 2022:

Cash and cash equivalents	\$ 22,052,601
Pledges receivable	<u>688,761</u>
	22,741,362
Less - amounts with purpose restrictions	<u>1,029,340</u>
Total liquid resources available	<u>\$ 21,712,022</u>

The Organization has a policy to structure its financial assets to be available as its obligations become due. As of December 31, 2022, the Organization had financial assets equal to approximately five months of operating expenses. In addition, the Organization has approximately \$3,531,000 as of December 31, 2022, in investments, which are being held for long-term purposes, that could otherwise be liquidated in the short-term to provide additional liquid resources as needed.

10. CONTINGENCY

In February 2022, a full-scale invasion of Ukraine began prompting world-wide support for Ukrainians and organizations that support them. The ongoing armed conflict and political instability in Ukraine have created significant uncertainties that may impact the combined financial statements of the Organization. The situation in Ukraine has led to economic disruptions, including volatile exchange rates, trade restrictions, and heightened geopolitical risks. These factors, combined with the potential for further escalation of the conflict, create a level of uncertainty that could affect the Organization's financial performance, liquidity, and overall operations. While the Organization received and continues to receive significant donations to be able to send humanitarian and medical aid to Ukraine, the war is also bringing death and destruction to the country and Razom For Ukraine is not immune to its dangers. The potential financial effects cannot be reasonably estimated at this time, as these circumstances may have adverse effects on the Organization, its operations and future combined financial statements. The accompanying combined financial statements have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management, along with the Board of Directors of the Organization, has been closely monitoring the situation and is implementing appropriate measures to mitigate potential risks and adapt to the changing business environment. As of the date of this report, the Organization is unable to accurately predict how the war will affect the results of its operations because the unpredictability of the severity and the duration of the invasion are uncertain.