



# RAZOO FOUNDATION

**RAZOO FOUNDATION**

**AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2014 AND 2013**

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## Independent Auditor's Report

Board of Directors  
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We have audited the accompanying financial statements of the **Razoo Foundation** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2014 and 2013, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditor's Report (continued)

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Razoo Foundation** as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Aronson LLC*

Rockville, Maryland  
March 25, 2015

# Razoo Foundation

## Statements of Financial Position

<i>December 31,</i>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (See Note 1)	\$ 7,515,239	\$ 10,138,505
Grants receivable	239,328	10,400
Prepaid expenses	1,746	18,109
<b>Total assets</b>	<b>\$ 7,756,313</b>	<b>\$ 10,167,014</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 510,548	\$ 403,837
<b>Total liabilities</b>	<b>510,548</b>	<b>403,837</b>
<b>Net assets</b>		
Unrestricted		
Donor-advised (See Note 1)	6,802,611	9,245,782
Board designed - educational initiatives	-	7,290
Undesignated	390,154	510,105
Temporarily restricted	53,000	-
<b>Total net assets</b>	<b>7,245,765</b>	<b>9,763,177</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,756,313</b>	<b>\$ 10,167,014</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Razoo Foundation

### Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2014</i>	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Contributions to donor-advised fund	\$ 50,650,089	\$ -	\$ 50,650,089
Corporate and foundation contributions	2,890	122,000	124,890
Donated services	53,861	-	53,861
<b>Revenue before release from restrictions</b>	<b>50,706,840</b>	<b>122,000</b>	<b>50,828,840</b>
<b>Net assets released from restrictions</b>	<b>69,000</b>	<b>(69,000)</b>	<b>-</b>
<b>Total revenues</b>	<b>50,775,840</b>	<b>53,000</b>	<b>50,828,840</b>
<b>Expenses</b>			
Program services	52,650,379	-	52,650,379
Management and general	504,931	-	504,931
Fundraising	190,942	-	190,942
<b>Total expenses</b>	<b>53,346,252</b>	<b>-</b>	<b>53,346,252</b>
<b>Change in net assets</b>	<b>(2,570,412)</b>	<b>53,000</b>	<b>(2,517,412)</b>
<b>Net assets, at beginning of period</b>	<b>9,763,177</b>	<b>-</b>	<b>9,763,177</b>
<b>Net assets, at end of period</b>	<b>\$ 7,192,765</b>	<b>\$ 53,000</b>	<b>\$ 7,245,765</b>

The accompanying Notes to Financial Statements are an integral part to these financial statements.

## Razoo Foundation

### Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2013</i>	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Contributions to donor-advised fund	\$ 60,874,043	\$ -	\$ 60,874,043
Corporate and foundation contributions	1,414	-	1,414
Donated website, office space, and other services	439,606	-	439,606
Contributed personnel	262,000	-	262,000
Other income	1,000	-	1,000
<b>Revenue before release from restrictions</b>	61,578,063	-	61,578,063
<b>Net assets released from restrictions</b>	20,209	(20,209)	-
<b>Total revenues</b>	61,598,272	(20,209)	61,578,063
<b>Expenses</b>			
Program services	59,167,765	-	59,167,765
Management and general	496,625	-	496,625
Fundraising	193,563	-	193,563
<b>Total expenses</b>	59,857,953	-	59,857,953
<b>Change in net assets</b>	1,740,319	(20,209)	1,720,110
<b>Net assets, at beginning of period</b>	8,022,858	20,209	8,043,067
<b>Net assets, at end of period</b>	\$ 9,763,177	\$ -	\$ 9,763,177

The accompanying Notes to Financial Statements are an integral part to these financial statements.

## Razoo Foundation

### Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (2,517,412)	\$ 1,720,110
<b>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities</b>		
<b>Increase (decrease) in assets</b>		
Grants receivable	(228,928)	13,780
Prepaid expenses	16,363	(16,664)
<b>(Decrease) increase in liabilities</b>		
Accounts payable and accrued expenses	106,711	278,814
<b>Net cash (used) provided by operating activities</b>	<b>(2,623,266)</b>	<b>1,996,040</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,623,266)</b>	<b>1,996,040</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>10,138,505</b>	<b>8,142,465</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 7,515,239</b>	<b>\$ 10,138,505</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Razoo Foundation

## Notes to Financial Statements

### 1. Organization and significant accounting policies

**Organization:** Razoo Foundation (the “Foundation”), a public charity operating a donor-advised fund, was established as a Delaware nonprofit corporation on April 19, 2010 to foster and promote e-philanthropy and accept charitable contributions from donors and receive donor advisements, maintain such contributions in a separately identified fund, and make distributions to tax-exempt or other qualifying organizations under the Internal Revenue Code of 1986, as amended (the “Code”). The Foundation has been approved by the Internal Revenue Service (“IRS”) as a tax-exempt organization described in Section 501(c)(3) of the Code.

The Foundation fosters the democratization of philanthropy, promoting high volume fundraising by providing cost-efficient e-solutions for charitable giving that widely benefits the charitable sector. By using state of the art technological advancements, the Foundation provides secure donation processing e-solutions to its donors.

As a cornerstone to fostering and facilitating fundraising and grant-making, the Foundation educates both the donor public and charitable sector about e-philanthropy and supports the growth and positive reputation of e-philanthropy. The Foundation’s educational services will span the globe through research, white papers, charity surveys, philanthropic compendiums, etc.

The Foundation maintains its headquarters in Washington, D.C.

As discussed in Note 2, the Foundation receives operational support from the Razoo Global Corporation (the “Corporation”). The Foundation currently receives donor advised contributions through the use of the Corporation’s website, i.e., Razoo.com.

**Operational data:** In 2014, the Foundation received a combined \$50.7 million in donor-advised contributions from more than 360,000 donors around the globe. The Foundation made over 52,000 grants to more than 14,000 charities and public schools. In 2013, the Foundation received a combined \$60.9 million in donor-advised contributions from more than 390,000 donors around the globe. The Foundation made over 50,000 grants to more than 15,000 charities and public schools.

**Basis of accounting:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *Not-for-Profit Organizations*.

# Razoo Foundation

## Notes to Financial Statements

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**Cash and cash equivalents:** For financial reporting purposes, the Foundation considers all highly liquid financial instruments with original maturities of three months or less when purchased to be cash equivalents. At times, cash and cash equivalents may exceed federally insured limits. However, management believes that the Foundation does not face a significant risk of loss on these accounts due to the failure of these financial institutions.

**Grants receivable:** Grants receivables represent unconditional promises to give and are recorded at the time the promise is received by the Foundation. Grants receivable, less an appropriate allowance, if needed, are recorded at their estimated fair value. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. At December 31, 2014 and 2013, the Foundation determined that no allowance was necessary. All amounts are expected to be received in less than one year.

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

**Unrestricted undesignated net assets:** Unrestricted undesignated net assets represent funds to be used for the furtherance of the Foundation's charitable objectives.

**Unrestricted donor-advised net assets:** Unrestricted donor-advised net assets represent donated funds earmarked by the Board of Directors for the purpose of issuing grants. The Razoo Foundation disbursed \$6,758,538 and \$9,148,029 of these funds to qualified, advised nonprofit organizations on January 9, 2015 and January 10, 2014 respectively. The remaining funds on these dates represent \$13,750 and \$44,944 in donor-advised gifts not yet advised and \$30,323 and \$52,809 in un-disbursable funds which occurs if an advised organization receives an advisement but is later deemed to have lost its tax-exempt, qualified status. Adjusted donor-advised fund grants as a percentage of donor-advised contributions were 94.87% for 2014 and 96.10% for 2013.

**Unrestricted board designed educational initiatives net assets:** Unrestricted board designed net asset represent funds designated by the board of directors for philanthropic education.

**Temporarily restricted net assets:** Temporary restricted net assets represent funds subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

# Razoo Foundation

## Notes to Financial Statements

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### Revenue recognition:

**Contributions to donor-advised fund:** Contributions are reported as revenue on the date received. All contributions represent completed and irrevocable charitable contributions and thus are not refundable. It is the Foundation's intent that donor-advised fund contributions made on its website be re-granted as per donor advisements to suggested U.S. 501(c)(3) or IRS Qualified tax-exempt organizations. The Foundation is not bound by such donor-advised fund contribution advisements, which are considered solely advisory. Re-granting decisions are made by the Foundation's staff only to qualified nonprofit organizations under delegated authority from the Board of Directors.

**Corporate and foundation contributions:** Corporate and foundation contributions are recognized as revenue in the period received or unconditionally promised. Contributions are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions.

**Donated website, office space, and other services:** Donated website, office space, and other services are reported at fair value when received and are subject to management estimates.

**Contributed personnel:** Contributed personnel services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would typically be purchased if not provided by donation.

Additional contributed personnel services for customer service representatives were received from Razoo Global Corporation (see Note 2) and are estimated to be valued at \$78,600 and \$302,613 for the years ended December 31, 2014 and 2013. The value of these contributed services does not meet the criteria for recognition and, accordingly, are not recognized in the accompanying financial statements.

# Razoo Foundation

## Notes to Financial Statements

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**Functional allocation of expenses:** Expenses are allocated into functional categories depending on the ultimate purpose of the expenditure. Expenses have been summarized in the accompanying financial statements as follows:

*Program services* include grants to charitable organizations and expenses incurred to educate the public on implementing a life style of generous living and grass roots philanthropy, disseminate information on charitable entities and activities, and facilitate the connection between generous living and doing good through grass roots philanthropy, through the Foundation's donor-advised fund, and other educational and philanthropic vehicles.

*Management and general* include expenses that are not directly related to a specific program function incurred by the Foundation in the accomplishment of its tax exempt purposes.

*Fundraising* includes expenses incurred to raise funds for the Foundation.

**Tax status:** The Foundation is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

**Uncertainty in income taxes:** The Foundation evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2014 and 2013, the Foundation accrued \$0 and \$7,072, respectively, for excise taxes on disbursements made to a private non-operating foundation which is included in accounts payable and accrued expenses on the accompanying Statement of Financial Position. If applicable, the Foundation records interest and penalties as a component of income tax expense. Tax years from 2011 through the current year remain open for examination by tax authorities.

**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 disclosure 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:** Management has evaluated subsequent events for disclosure in these financial statements through March 25, 2015, which is the date the financial statements were available to be issued.

# Razoo Foundation

## Notes to Financial Statements

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**New accounting standard adopted during 2014:** In October 2012 the Financial Accounting Standards Board issued Accounting Standards Update 2012-05 (“ASU 2012-05”) Statement of Cash Flows (Topic 230): *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. ASU 2012-05 requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets that upon receipt were converted nearly immediately into cash consistently with cash donations in the Statement of Cash Flows. Accordingly, cash receipts from the sale of donated securities with no donor-imposed restrictions should be included in the operating section of the Statement of Cash Flows, while cash receipts from the sale of donated securities with donor-imposed long-term restrictions should be classified as financing activities. Otherwise, receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This ASU is effective prospectively for fiscal years beginning after June 15, 2013. Retrospective application and early application are permitted, but not required.

The Foundation has elected to adopt ASU 2012-05 prospectively for the year ended December 31, 2014. There was no impact on the financial statements upon adoption of this standard.

### 2. Related party transactions

Razoo Global Corporation (formerly known as Razoo LLC) (the “Corporation”) is a venture-funded social enterprise committed to creating a more generous world through social fundraising. The Corporation seeks to affiliate with charities that share its charitable and philanthropic goals. Among those charities is one that the Corporation helped launch that is now an independent charity while sharing the Corporation’s charitable vision and name – the Razoo Foundation. In addition to shared space, the Corporation provides a part time executive and several administrative personnel, under the supervision of the Board of Directors, to assist the Foundation in day-to-day operations. The Foundation shared two, non-concurrent common board members with the Corporation during the year.

The Foundation maintains its educational website at [www.razoofoundation.org](http://www.razoofoundation.org). In addition, Razoo Global Corporation owns and maintains, at its expense, a website platform at [www.razoo.com](http://www.razoo.com) on which it permits the Foundation to receive donor-advised contributions.

# Razoo Foundation

## Notes to Financial Statements

Historically, no costs for developing or maintaining this website have been charged to the Foundation for using this platform. The Board of the Foundation had agreed that beginning in April 2013, Razoo Global Corporation will assess the Razoo Foundation a 2% fee, with certain caps, for grants received from the www.razoo.com website. Therefore, the Foundation increased the percentage retained on donor-advised contributions from 2.9% to 4.9% to offset these costs. In October 2014, the percentage was increased to 6.9% and \$0.30 cents per advisement and a new agreement was reached with the Corporation. The Foundation will pay the Corporation a fee between 4% and 5%, depending on the credit card fees associated with the donations and subject to certain caps. In addition, the Foundation will reimburse the Corporation for administrative and support services required for the Foundation's direct operations.

Historically, the Foundation has received donations of contributed personnel, web-based donation platform, office space and professional services without charge from Razoo Global Corporation. The estimated fair value of these donations is recorded, except as disclosed in Note 1, in the Statements of Activities and Changes in Net Assets and allocated to program services, management and general, and fundraising according to the nature of the items or services contributed.

For the years ended December 31, 2014 and 2013, the Foundation paid the Corporation approximately, \$1,331,000 and \$739,000, respectively, for personnel, web-based donation platform, office space and professional services. As of December 31, 2014 and 2013, the Foundation owed the Corporation a total amount of \$347,450 and \$200,044, respectively.

### 3. Temporarily restricted net assets

As of December 31, temporarily restricted net assets are available for the following purposes:

	2014	2013
Everyone's Kids Giving Event (EKEG)	\$ 3,000	\$ -
ValleyGives	50,000	-
<b>Net temporarily restricted net assets</b>	<b>\$ 53,000</b>	<b>\$ -</b>

For the years ended December 31, 2014 and 2013, temporarily restricted net asset releases by program were as follows:

	2014	2013
Give MN Flood Relief	\$ -	\$ 88
Colorado Wildfire Relief	-	121
Everyone's Kids Giving Event (EKEG)	69,000	-
W.K. Kellogg Foundation Cultures of Giving	-	20,000
<b>Total</b>	<b>\$ 69,000</b>	<b>\$ 20,209</b>



## Independent Auditor's Report on Supplementary Information

Board of Directors  
**Razoo Foundation**  
Washington, D.C.

We have audited the financial statements of the **Razoo Foundation** as of and for the years ended December 31, 2014 and December 31, 2013, and our report thereon dated March 25, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses and the Schedules of Donor-Advised Funds are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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Rockville, Maryland  
March 25, 2015

## Razoo Foundation

### Schedule of Functional Expenses

<i>Year Ended December 31, 2014</i>	Program Services	Management and General	Fundraising	Total
Grants - donor advisements	\$ 50,490,103	\$ -	\$ -	\$ 50,490,103
Grants - other	122,969	-	-	122,969
Personnel	109,731	156,758	47,028	313,517
Transaction costs	769,071	219,735	109,867	1,098,673
Website and database use	1,019,269	-	-	1,019,269
Legal and professional fees	50,504	72,148	21,645	144,297
Occupancy	16,308	23,298	6,989	46,595
Other expenses	11,288	16,126	4,838	32,252
Insurance expense	1,343	1,918	575	3,836
Training, education, conferences	59,793	14,948	-	74,741
<b>Total expenses</b>	<b>\$ 52,650,379</b>	<b>\$ 504,931</b>	<b>\$ 190,942</b>	<b>\$ 53,346,252</b>

See Independent Auditor's Report on Supplementary Information.

## Razoo Foundation

### Schedule of Functional Expenses

<i>Year Ended December 31, 2013</i>	Program Services	Management and General	Fundraising	Total
Grants - donor advisements	\$ 56,861,902	\$ -	\$ -	\$ 56,861,902
Grants - other	163,209	-	-	163,209
Personnel	91,700	131,000	39,300	262,000
Transaction costs	862,189	246,340	123,170	1,231,699
Website and database use	1,053,660	-	-	1,053,660
Legal and professional fees	44,397	63,424	19,027	126,848
Occupancy	16,800	24,000	7,200	48,000
Other expenses	10,395	14,851	4,455	29,701
Insurance expense	959	1,371	411	2,741
Training, education, conferences	62,554	15,639	-	78,193
<b>Total expenses</b>	<b>\$ 59,167,765</b>	<b>\$ 496,625</b>	<b>\$ 193,563</b>	<b>\$ 59,857,953</b>

See Independent Auditor's Report on Supplementary Information.

## Razoo Foundation

### Schedules of Donor-Advised Funds

<i>Years Ended December 31,</i>	<b>2014</b>	2013
Contributions to donor-advised fund	\$ 50,650,089	\$ 60,874,043
The change in the amount of contributions received or promised but not yet advised (giving cards and grants receivable)	53,680	(17,169)
<b>Contributions to donor-advised fund with advisement</b>	<b>\$ 50,703,769</b>	<b>\$ 60,856,874</b>
Regrants of donor-advised contributions made in current year	\$ 50,490,103	\$ 56,861,902
Regrant adjustments due timing of grants		
Less: Prior year donor-advised contributions paid in current year	(9,148,029)	(7,527,030)
Add: Current year donor-advised contributions paid in following year	6,758,538	9,148,029
<b>Regranted donor advisements as adjusted</b>	<b>\$ 48,100,612</b>	<b>\$ 58,482,901</b>
<b>Donor-Advised fund regrants as a percentage of contributions</b>	<b>94.87%</b>	<b>96.10%</b>

See Independent Auditor's Report on Supplementary Information.