



RAZOO FOUNDATION

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2012 AND 2011

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Audited Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
Supplementary Information	
Independent Auditor's Report on Supplementary Information	13
Schedules of Functional Expenses	14 - 15
Schedules of Donor-Advised Funds	16



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Independent Auditor's Report

Board of Directors
Razoo Foundation
Washington, D.C.

We have audited the accompanying financial statements of the **Razoo Foundation** (the "Foundation"), which comprise the Statements of Financial Position as of December 31, 2012 and 2011, 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 of 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.

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, 2012 and 2011, 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

April 26, 2013

Razoo Foundation

Statements of Financial Position

<i>December 31,</i>	2012	2011
Assets		
Current assets		
Cash and cash equivalents (See Note 1)	\$ 8,142,465	\$ 4,877,208
Grants receivable	24,180	-
Prepaid expenses	1,445	2,289
Total assets	\$ 8,168,090	\$ 4,879,497
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 125,023	\$ 78,299
Total liabilities	125,023	78,299
Net assets		
Unrestricted		
Donor-advised (See Note 1)	7,607,613	4,616,217
Board designed - educational initiatives	48,000	-
Undesignated	367,245	159,981
Temporarily restricted	20,209	25,000
Total net assets	8,043,067	4,801,198
Total liabilities and net assets	\$ 8,168,090	\$ 4,879,497

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, 2012</i>	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions to donor-advised fund	\$ 50,817,540	\$ -	\$ 50,817,540
Corporate and foundation contributions	1,082	915,209	916,291
Donated website, office space, and other services	737,324	-	737,324
Contributed personnel	206,127	-	206,127
Other income	1,400	-	1,400
Revenue before release from restrictions	51,763,473	915,209	52,678,682
Net assets released from restrictions	920,000	(920,000)	-
Total revenues	52,683,473	(4,791)	52,678,682
Expenses			
Program services	48,837,205	-	48,837,205
Management and general	430,829	-	430,829
Fundraising	168,779	-	168,779
Total expenses	49,436,813	-	49,436,813
Change in net assets	3,246,660	(4,791)	3,241,869
Net assets, at beginning of period	4,776,198	25,000	4,801,198
Net assets, at end of period	\$ 8,022,858	\$ 20,209	\$ 8,043,067

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, 2011</i>	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions to donor-advised fund	\$ 30,100,951	\$ -	\$ 30,100,951
Corporate and foundation contributions	56,357	181,805	238,162
Donated website, office space, and other services	530,671	-	530,671
Contributed personnel	273,263	-	273,263
Revenue before release from restrictions	30,961,242	181,805	31,143,047
Net assets released from restrictions	156,805	(156,805)	-
Total revenues	31,118,047	25,000	31,143,047
Expenses			
Program services	28,975,474	-	28,975,474
Management and general	428,222	-	428,222
Fundraising	153,539	-	153,539
Total expenses	29,557,235	-	29,557,235
Change in net assets	1,560,812	25,000	1,585,812
Net assets, at beginning of period	3,215,386	-	3,215,386
Net assets, at end of period	\$ 4,776,198	\$ 25,000	\$ 4,801,198

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

Razoo Foundation

Statements of Cash Flows

<i>Years Ended December 31,</i>	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 3,241,869	\$ 1,585,812
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase (decrease) in assets		
Grants receivable	(24,180)	-
Prepaid expenses	844	(136)
(Decrease) increase in liabilities		
Accounts payable and accrued expenses	46,724	(17,758)
Net cash provided by operating activities	3,265,257	1,567,918
Net increase in cash and cash equivalents	3,265,257	1,567,918
Cash and cash equivalents, beginning of period	4,877,208	3,309,290
Cash and cash equivalents, end of period	\$ 8,142,465	\$ 4,877,208

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.

Operational data (unaudited): In 2012, the Foundation received a combined \$50.8 million in donor-advised contributions from more than 280,000 donors around the globe. The Foundation made over 34,000 grants to more than 11,000 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*.

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.

Razoo Foundation

Notes to Financial Statements

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, 2012, 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 for the purpose of issuing grants. The increase in unrestricted donor-advised net assets from 2012 to 2011 of \$2,991,396 was due to an increase in year-end giving during the month of December 2012. On January 10, 2013, the Razoo Foundation disbursed \$7,527,030 of these funds to qualified, advised nonprofit organizations per its monthly disbursement cycle. The remaining funds represent \$69,025 in donor-advised gifts not yet advised and \$11,558 in undisbursable 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 97.26% for 2012 and 96.98% for 2011.

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

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. 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 \$148,771 and \$144,000 for the periods ended December 31, 2012 and 2011, respectively. The value of these contributed services does not meet the criteria for recognition and, accordingly, is not recognized in the accompanying financial statements.

Razoo Foundation

Notes to Financial Statements

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 includes 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, 2012 and 2011, there are no accruals for uncertain tax positions. If applicable, the Foundation records interest and penalties as a component of income tax expense. Tax years from 2010 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 April 26, 2013, which is the date the financial statements were available to be issued.

Razoo Foundation

Notes to Financial Statements

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. The Foundation shares space, executive and administrative personnel, and had one common board member with the Corporation during the year.

The Foundation maintains its educational website at www.razoofoundation.org. In addition, Razoo Global Corporation owns and maintains, at its expense, a website platform at www.razoo.com on which it permits the Foundation to receive donor-advised contributions. Historically, no costs for developing or maintaining this website have been charged to the Foundation for using this platform. The Board of the Foundation has 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 will increase the percentage retained on donor-advised contributions from 2.9% to 4.9% to offset these costs.

The Foundation 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.

3. Temporarily restricted net assets

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

	<u>2012</u>	<u>2011</u>
Sweaterizer Fundraiser	\$ 88	\$ -
Colorado Wildfire Relief	121	-
Give to the Max Day D.C. 2011	-	25,000
W.K. Kellogg Foundation Cultures of Giving	20,000	-
Net temporarily restricted net assets	\$ 20,209	\$ 25,000

Razoo Foundation

Notes to Financial Statements

For the years ended December 31, 2012 and 2011, temporarily restricted net asset releases by program were as follows:

	2012	2011
Give MN Flood Relief	\$ -	\$ 8,805
Give to the Max Day D.C. 2011	25,000	148,000
W.K. Kellogg Foundation Cultures of Giving	895,000	-
Total	\$ 920,000	\$ 156,805



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, 2012 and December 31, 2011, and our report thereon dated April 26, 2013, 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.

Rockville, Maryland
April 26, 2013

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Razoo Foundation

Schedule of Functional Expenses

<i>Year Ended December 31, 2012</i>	Program Services	Management and General	Fundraising	Total
Grants - donor advisements	\$ 46,435,857	\$ -	\$ -	\$ 46,435,857
Grants - other	920,000	-	-	920,000
Personnel	72,144	103,064	30,919	206,127
Transaction costs	708,585	202,453	101,226	1,012,264
Website and database use	602,352	-	-	602,352
Legal and professional fees	68,740	98,200	29,460	196,400
Occupancy	11,900	17,000	5,100	34,000
Other expenses	3,420	4,886	1,466	9,772
Insurance expense	1,420	2,029	608	4,057
Training, education, conferences	12,787	3,197	-	15,984
Total expenses	\$ 48,837,205	\$ 430,829	\$ 168,779	\$ 49,436,813

See Independent Auditor's Report on Supplementary Information.

Razoo Foundation

Schedule of Functional Expenses

<i>Year Ended December 31, 2011</i>	Program Services	Management and General	Fundraising	Total
Grants - donor advisements	\$ 27,723,233	\$ -	\$ -	\$ 27,723,233
Grants - other	148,409	-	-	148,409
Personnel	95,642	136,632	40,989	273,263
Transaction costs	470,243	134,355	67,178	671,776
Website and database use	408,106	-	-	408,106
Legal and professional fees	88,682	126,690	38,007	253,379
Occupancy	12,407	17,724	5,317	35,448
Other expenses	3,223	4,606	1,382	9,211
Insurance expense	1,555	2,221	666	4,442
Training, education, conferences	23,974	5,994	-	29,968
Total expenses	\$ 28,975,474	\$ 428,222	\$ 153,539	\$ 29,557,235

See Independent Auditor's Report on Supplementary Information.

Razoo Foundation

Schedules of Donor-Advised Funds

<i>Years Ended December 31,</i>	2012	2011
Contributions to donor-advised fund	\$ 50,817,540	\$ 30,100,951
Less: Contributions received or promised in current year but not yet advised (giving cards and grants receivable)	(7,468)	(73,115)
Contributions to donor-advised fund with advisement	50,810,072	30,027,836
Regrants of donor-advised contributions made in current year	46,435,857	27,723,233
Regrant adjustments due timing of grants		
Less: Prior year donor-advised contributions paid in current year	(4,543,102)	(3,146,500)
Add: Current year donor-advised contributions paid in following year	7,527,030	4,543,102
Regranted donor advisements as adjusted	\$ 49,419,785	\$ 29,119,835
Donor-Advised fund regrants as a percentage of contributions	97.26%	96.98%

See Independent Auditor's Report on Supplementary Information.