Project N95 Inc.

Audited Financial Statements

Year Ended December 31, 2021
## CONTENTS

<table>
<thead>
<tr>
<th>Financial Statements</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor's Report</td>
<td>1 - 2</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>5</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>7 - 12</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
of Project N95 Inc.

Opinion

We have audited the accompanying financial statements of Project N95 Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project N95 Inc. as of December 31, 2021, and the changes in its net assets and its 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Project N95 Inc. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Project N95 Inc.’s ability to continue as a going concern within one year after the date that the 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 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 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 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 Project N95 Inc.’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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project N95 Inc.’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.

PKF Mueller

Chicago, Illinois
May 11, 2022
PROJECT N95 INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

**ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,962,652</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>52,428</td>
</tr>
<tr>
<td>Inventory</td>
<td>661,269</td>
</tr>
<tr>
<td>Prepaid inventory</td>
<td>163,976</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>49,153</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$3,889,478</strong></td>
</tr>
</tbody>
</table>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$874,794</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>427,382</td>
</tr>
<tr>
<td>Sales tax payable</td>
<td>333,983</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>883,388</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$2,519,547</strong></td>
</tr>
</tbody>
</table>

**Net assets:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td>1,369,931</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$3,889,478</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
Revenue and support:
- Personal protective equipment sales: $5,866,787
- Cost of goods sold: (4,936,256)
- Net personal protective equipment sales: 930,531
- Marketplace fees: 650,366
- Consultant services: 1,337,093
- Contributions and grants: 236,129
- In-kind contributions: 383,719
- Total support and revenue: 3,537,838

Expenses:
- Program services: 2,408,588
- Supporting services:
  - Management and general: 273,147
  - Fundraising: 146,341
- Total supporting services: 419,488
- Total expenses: 2,828,076

Change in net assets: 709,762

Net assets without donor restrictions, beginning of year: 660,169

Net assets without donor restrictions, end of year: $1,369,931

The accompanying notes are an integral part of the financial statements.
### SUPPORTING SERVICES

<table>
<thead>
<tr>
<th></th>
<th>PROGRAM SERVICES</th>
<th>MANAGEMENT AND GENERAL</th>
<th>FUNDRAISING</th>
<th>TOTAL SUPPORTING SERVICES</th>
<th>TOTAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$235,133</td>
<td>47,027</td>
<td>31,351</td>
<td>78,378</td>
<td>313,511</td>
</tr>
<tr>
<td>Benefits</td>
<td>82,213</td>
<td>16,443</td>
<td>10,962</td>
<td>27,405</td>
<td>109,618</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>20,737</td>
<td>4,147</td>
<td>2,765</td>
<td>6,912</td>
<td>27,649</td>
</tr>
<tr>
<td>Professional fees</td>
<td>216,994</td>
<td>131,733</td>
<td>3,694</td>
<td>135,427</td>
<td>352,421</td>
</tr>
<tr>
<td>Contractors</td>
<td>1,180,204</td>
<td>65,567</td>
<td>65,567</td>
<td>131,134</td>
<td>1,311,338</td>
</tr>
<tr>
<td>Charitable contributions</td>
<td>135,435</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>135,435</td>
</tr>
<tr>
<td>Office supplies</td>
<td>5,984</td>
<td>1,197</td>
<td>798</td>
<td>1,995</td>
<td>7,979</td>
</tr>
<tr>
<td>Information technology</td>
<td>117,421</td>
<td>6,362</td>
<td>13,571</td>
<td>19,933</td>
<td>137,354</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>4,936,256</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,936,256</td>
</tr>
<tr>
<td>Payment processing fees</td>
<td>409,326</td>
<td>-</td>
<td>16,211</td>
<td>16,211</td>
<td>425,537</td>
</tr>
<tr>
<td>Bank charges and fees</td>
<td>2,547</td>
<td>-</td>
<td>885</td>
<td>885</td>
<td>3,432</td>
</tr>
<tr>
<td>Meals and entertainment</td>
<td>269</td>
<td>270</td>
<td>269</td>
<td>539</td>
<td>808</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,157</td>
<td>401</td>
<td>268</td>
<td>669</td>
<td>2,826</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>168</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>7,344,844</strong></td>
<td><strong>273,147</strong></td>
<td><strong>146,341</strong></td>
<td><strong>419,488</strong></td>
<td><strong>7,764,332</strong></td>
</tr>
</tbody>
</table>

Less expenses included with support and revenue on the statement of activities:

| Cost of goods sold     | (4,936,256)      | -                      | -           | -                         | (4,936,256)   |

Total expenses included in the expense section on the statement of activities $2,408,588  273,147  146,341  419,488  2,828,076

The accompanying notes are an integral part of the financial statements.
PROJECT N95 INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash provided (used) by operating activities:

Change in net assets $ 709,762

Adjustments to reconcile change in net assets to net cash provided by operating activities:

Changes in:

Accounts receivable 41,156
Unconditional promises to give 120,000
Inventory (548,103)
Prepaid inventory 134,742
Prepaid expenses (49,153)
Accounts payable 822,711
Accrued expenses 397,923
Sales tax payable (71,982)
Deferred revenue (76,309)

Net cash provided by operating activities 1,480,747

Net increase in cash and cash equivalents 1,480,747

Cash and cash equivalents, beginning of year 1,481,905

Cash and cash equivalents, end of year $ 2,962,652

The accompanying notes are an integral part of the financial statements.
NOTE 1 - NATURE OF OPERATIONS

Project N95 Inc. (Organization) is a not-for-profit organization established on March 30, 2020 to provide access to personal protective equipment (PPE) and rapid diagnostic tests. The Organization’s mission is to provide access to PPE to those who are unable to gain access to vetted PPE and rapid diagnostic tests at low order minimums or at fair prices, and leverage the marketplace to drive health equity in the global response to the COVID-19 pandemic.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains its cash balances at several financial institutions located in the United States of America. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the Organization’s cash deposits were in excess of the FDIC limit. The Organization believes it is not exposed to significant credit risk on these accounts.

Accounts Receivable

Accounts receivable from contracts with customers are stated at unpaid balances, less an adjustment for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. As of December 31, 2021, no allowance for doubtful accounts was considered necessary.

Unconditional Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at the present value of estimated future cash flows. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The Organization did not have any unconditional promises to give as of December 31, 2021.
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory

Inventory is carried at the lower of cost or net realizable value with cost being determined by the first-in, first-out (FIFO) method. Inventory in-transit consists of purchases from suppliers for which title has passed to the Organization. No valuation allowance was considered necessary for the year ended December 31, 2021.

Prepaid Inventory

Prepaid inventory consists of inventory that has been paid for, but ownership has not yet transferred to the Organization.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, 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 restrictions.

Revenue and Support Recognition

Revenue from Contracts with Customers

The Organization derives a significant portion of its revenue from revenue sources that involve contracts with customers. The Organization’s primary revenue arrangements involve the sale of PPE and other products to customers via the Organization’s e-commerce marketplace. Each contract consists of a single performance obligation to transfer promised goods to the end customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods.

The Organization has elected to use the portfolio approach practical expedient when assessing revenue from contracts with customers. The Organization’s contracts with customers contain similar terms and as a result, the Organization has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Organization does not expect the results of doing so to differ materially from applying the guidance to individual contracts.
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue and Support Recognition, Continued

Revenue from product sales, inclusive of shipping and handling fees, is recognized when control of these goods is transferred to the Organization's customers, which is at the point in time that shipment occurs. Because the Organization is the principal in these transactions and obtains control of the goods before they are transferred to customers, revenue is recorded at the gross amount. Sales and other taxes are not included in the Organization's revenue from contracts with customers because the Organization is a pass-through conduit for collecting and remitting any such taxes. Payments received in advance are recorded as deferred revenue on the statement of financial position.

In addition to revenue derived from product sales, the Organization facilitates sales between buyers and third-party sellers using the Organization's online marketplace for a specified commission in the form of marketplace fees. The Organization functions as the agent in these transactions and recognizes revenue at the point in time it satisfies its performance obligation by facilitating the sale.

The Organization also derives revenue from contracts that involve providing consulting services to its customers. These contracts primarily consist of a single performance obligation and revenue is recognized over time as the services are delivered based on the amount of time consultants charge to the projects.

Promises to Give

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization did not have any conditional promises to give as of December 31, 2021.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization’s program services, administration, fundraising, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors (see Note 4).

Advertising

Advertising costs are expensed as incurred. Advertising expense was $2,675 for the year ended December 31, 2021, and is included with miscellaneous expenses in the statement of functional expenses.
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, professional fees, contractors, office supplies, information technology, payment processing fees, bank charges and fees, meals and entertainment, and miscellaneous, which are allocated based on management's estimate of time and effort.

Income Taxes

The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for either federal or state income taxes.

The Organization has evaluated the tax positions taken for the current tax year. Currently, there are no tax years open and subject to examination by the Internal Revenue Service as this is the first year of operations.

Based on the evaluation of the Organization’s tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2021.

Accounting Estimates

The preparation of financial statements in accordance 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, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standard – Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The key provisions of ASU No. 2020-07 are 1) a requirement to present contributed nonfinancial assets as a separate line item in the statement of activities and 2) disclosure of contributed nonfinancial assets disaggregated by type, which includes information about monetization and utilization, donor restrictions, and the valuation techniques used. ASU No. 2020-07 should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effect that adoption is expected to have on its financial statements.
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases in the statement of financial position. The ASUs are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the methods of adoption allowed and the effect that adoption is expected to have on its financial statements.

Management Evaluation of Going Concern

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Organization’s ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management’s evaluation did not identify any conditions or events that raise substantial doubt about the Organization’s ability to continue as a going concern for the period from May 11, 2022 to May 11, 2023.

Subsequent Events

Subsequent events have been evaluated through May 11, 2022, the date that the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,962,652</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>52,428</td>
</tr>
<tr>
<td><strong>Financial assets available to meet cash needs for general expenditures within one year</strong></td>
<td><strong>$3,015,080</strong></td>
</tr>
</tbody>
</table>

The Organization’s goal is to maintain available financial assets sufficient to meet six months of general operating expenditures.

NOTE 4 - IN-KIND CONTRIBUTIONS

The Organization received services including legal services and software consulting services totaling $383,719 during the year ended December 31, 2021. These amounts have been recognized as revenue in the statement of activities and as expenses in professional fees and contractors in the statement of functional expenses.
NOTE 5 - SIGNIFICANT VENDORS

The Organization had one vendor in 2021, which accounted for a significant portion of total purchases. Purchases from this vendor was approximately 22% of total purchases for 2021. Accounts payable due to this vendor was approximately 48% of total accounts payable as of December 31, 2021.

NOTE 6 - IMPACT OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America and the world. To date, the impact on the Organization’s operations and results has been positive. As the Organization operates in the COVID-19 PPE sector it has found increased demand for PPE and expects this to continue. Management continues to actively monitor the global situation in order to mitigate any potential future impact on the Organization’s changes in net assets and financial performance.