

Rethink Priorities

Financial Statements &

Independent Auditor's Report

for the Period from Inception (May 12, 2020) to

December 31, 2020

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Rethink Priorities
San Francisco, California

We have audited the accompanying financial statements of Rethink Priorities (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from inception (May 12, 2020) to December 31, 2020, 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 audit. We conducted our audit 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 an assessment of the risks of the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rethink Priorities, as of December 31, 2020, and the changes in its net assets and its cash flows for the period from inception (May 12, 2020) to December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Cook & Company

A Professional Accountancy Corporation
San Francisco, California
April 5, 2021

Rethink Priorities

Statement of Financial Position December 31, 2020

ASSETS

Cash and cash equivalents	\$ 1,183,834
Contributions receivable	<u>496,301</u>
Total assets	<u><u>\$ 1,680,135</u></u>

LIABILITIES & NET ASSETS

Accounts payable	<u>\$ -</u>
Total liabilities	-

Net Assets

Without donor restrictions	909,491
With donor restrictions (Note 3)	<u>770,644</u>
Total net assets	<u><u>1,680,135</u></u>
Total liabilities and net assets	<u><u>\$ 1,680,135</u></u>

See accompanying notes to financial statements and independent auditor's report.

Rethink Priorities

Statement of Activities & Changes in Net Assets for the Period from Inception (May 12, 2020) to December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,068,968	\$ 1,060,000	\$ 2,128,968
Program fees	36,247	-	36,247
Other income	135	-	135
Net assets released from restrictions	289,356	(289,356)	-
Total revenue and support	1,394,706	770,644	2,165,350
Expenses			
Program services	326,206	-	326,206
Management and general	125,251	-	125,251
Fundraising	33,758	-	33,758
Total expenses	485,215	-	485,215
Change in Net Assets	909,491	770,644	1,680,135
Net Assets, Beginning of Year	-	-	-
Net Assets, End of Year	\$ 909,491	\$ 770,644	\$ 1,680,135

See accompanying notes to financial statements and independent auditor's report.

Rethink Priorities

Statement of Functional Expenses for the Period from Inception (May 12, 2020) to December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 238,260	\$ 71,306	\$ 30,812	\$ 340,378
Payroll taxes	25,911	6,642	2,561	35,114
Employee benefits	11,622	10,064	-	21,686
Payroll & benefits administration	-	24,208	-	24,208
Human resource services	-	4,411	-	4,411
Legal fees	-	2,500	-	2,500
Other fees for services	2,988	-	-	2,988
Office supplies	-	193	-	193
Information technology	945	844	-	1,789
Insurance	175	554	-	729
Survey expenses	44,523	-	-	44,523
Compliance services	-	3,225	99	3,324
Other	1,782	1,304	286	3,372
Total Expenses	<u>\$ 326,206</u>	<u>\$ 125,251</u>	<u>\$ 33,758</u>	<u>\$ 485,215</u>

See accompanying notes to financial statements and independent auditor's report.

Rethink Priorities

Statement of Cash Flows for the Period from Inception (May 12, 2020) to December 31, 2020

Cash flows from operating activities:	
Cash received from grantors/contributors	\$ 1,632,667
Cash received from other sources	36,382
Cash generated from operating activities	<u>1,669,049</u>
Cash paid to, or for the benefit of, employees	(421,386)
Cash paid to contractors and suppliers	<u>(63,829)</u>
Cash disbursed for operating activities	<u>(485,215)</u>
Net cash flows generated from operating activities	1,183,834
NET INCREASE IN CASH	1,183,834
CASH & CASH EQUIVALENTS, beginning of year	-
CASH & CASH EQUIVALENTS, end of year	<u><u>\$ 1,183,834</u></u>

Supplemental information:

Reconciliation of change in net assets to cash flows generated from operating activities:

Change in net assets	\$ 1,680,135
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Changes in assets and liabilities:	
Contributions receivable	<u>(496,301)</u>
Net cash flows generated from operating activities	<u><u>\$ 1,183,834</u></u>

See accompanying notes to financial statements and independent auditor's report.

Rethink Priorities

Notes to Financial Statements December 31, 2020

1. The Organization

Nature of Activities

Rethink Priorities (the Organization) is a California nonprofit public benefit corporation formed to conduct research, mainly on improving the welfare and lives of nonhuman animals. The Organization also works to determine the best ways to improve the trajectory and quality of our future, such as minimizing the risk of civilization-ending events, like widespread nuclear war. Lastly, Rethink Priorities tries to find and develop other neglected but promising areas to improve the world and try to further build the community of people working on these issues.

The Organization uses evidence and careful analysis to find the best causes to work on. Rethink Priorities works analytically, trying to improve the efforts of others via policy and advocacy. Its research agenda and approach are still in the very early stages and may change significantly as the Organization grows and learns.

Rethink Priorities was originally a fiscally-sponsored project of Rethink Charity, and began operating as independent entity when it received tax-exempt status from the Internal Revenue Service in the spring of 2020.

Nature of Funding

Rethink Priorities receives the vast majority of its funding in the form of contributions from foundations and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenue is recognized when it is earned, support is recognized when it is awarded and expenses are recognized when they are incurred.

Cash & Cash Equivalents

Cash & cash equivalents include amounts held in bank checking and money market accounts.

Contributions Receivable

Contributions receivable consist of amounts awarded to the Organization prior to year-end and due in the subsequent year. Because all amounts were subsequently collected, there is no present value discount or bad debt allowance reflected in these financial statements.

Fair Value of Current Assets & Liabilities

The carrying amounts of cash and cash equivalents, contributions receivables and accounts payable approximate fair value because of the short maturity of these instruments.

Rethink Priorities

Notes to Financial Statements December 31, 2020

Net Assets

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

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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.

Revenue Recognized from Contracts with Customers

Revenue recognized from contracts with customers is included under the program fees caption of the statement of activities. These fees include amounts earned for short-term consulting, polling and analysis services provided to various nonprofit organizations. Such revenue is recognized at the point in time when deliverables are provided to the customer. Payments were collected during the year for all services rendered during the year, and there were no contract assets or contract liabilities as of December 31, 2020.

Functional Expenses

The Organization presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

During the course of the year, each expense transaction is charged to the appropriate natural categorical line item and functional cost center / class according to the definitions above.

Rethink Priorities

Notes to Financial Statements December 31, 2020

Personnel costs for staff who work in multiple functional areas are allocated according to percentage-of-effort estimates reported by employees each pay period.

The Organization operates virtually with a remote workforce, and does not maintain an office facility. Accordingly, there are no shared facility expenses reflected in the financial statements.

The preparation of functional expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, it is at least reasonably possible that the actual amounts differ from those reflected in the financial statements.

Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), Rethink Priorities is exempt from income taxes, except on activities unrelated to its mission. As management believes that all of the Organization's activities are related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax year ending in 2020 is subject to examination by the Internal Revenue Service, generally for three years after it is filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filing for the tax year ending in 2020 is subject to examination by the Franchise Tax Board, generally for four years after it was filed.

New Accounting Pronouncements

These financial statements reflect the provisions of Accounting Standards Update No. 2014-09—*Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) and Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08).

ASU 2014-09 was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond. This update supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

In response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations, the FASB enacted Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which was issued in June 2018 and effective for calendar years ending in 2019 and beyond. This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update is expected to result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. There is no effect on beginning net assets due to the enactment of these pronouncements.

Rethink Priorities

Notes to Financial Statements December 31, 2020

3. Net Assets with Donor Restrictions

The balance of *net assets with donor restrictions* at December 31, 2020, consists of funding earmarked by donors for the following:

To conduct research on farmed animal welfare	\$613,280
To conduct animal welfare research	71,100
To conduct research on COVID-19 and meatpacking plants	52,000
To support the cost of a development director	19,264
To support the insect welfare project	<u>15,000</u>
Total	\$770,644

4. Contingencies

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, any financial impact of this situation cannot be reasonably estimated at this time.

Compliance with Funding Source Restrictions

The Organization receives contributions that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor requirements have been met for contributions that have been recorded directly to *net assets without donor restrictions* or released from *net assets with donor restrictions*.

Cash Deposits in Excess of FDIC Insurance Limits

The Organization maintains all of its cash deposits with one financial institution, exceeding the \$250,000 per depositor per institution insurance limit set by the Federal Deposit Insurance Corporation.

Rethink Priorities

Notes to Financial Statements December 31, 2020

5. Liquidity & Availability

Rethink Priorities currently has two liquid asset accounts: a checking account and a money market savings account. Rethink Priorities currently has no certificates of deposit, stock holdings, or other short-term investments, and at no point in the year prior to the balance sheet date has the Organization held liquid assets in other accounts besides the checking account and money market savings account.

Rethink Priorities' policy is to maintain at least sixth months of budgeted expenses in the checking account or money market savings account, depending on the current interest rates available for each account. In practice, Rethink Priorities' available cash in its checking account has always met this threshold, so money has not been withdrawn from the money market account during the relevant period. Were Rethink Priorities to hold fewer than six months of budgeted expenses, it would move all available cash to the checking account to meet cash requirements for general expenditures.

As of December 31, 2020, and at all times during the year then ended, all of Rethink Priorities' financial assets were available to meet cash needs for general expenditures. The only technical limit on this availability is the monthly withdrawal limit on the money market account, which prevents Rethink Priorities from withdrawing money more than six times in a single month.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash & equivalents	\$1,183,834
Contributions receivable	<u>496,301</u>
Total	\$1,680,135

6. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through April 5, 2021, the date the financial statements were available to be issued.