Berkeley Existential Risk Initiative

FINANCIAL STATEMENTS

December 31, 2017

Crosby & Kaneda
Certified Public Accountants
Dedicated to Nonprofit Organizations

BERKELEY EXISTENTIAL RISK INITIATIVE

Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Berkeley Existential Risk Initiative
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Berkeley Existential Risk Initiative, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditors' 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley Existential Risk Initiative as of December 31, 2017, 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.

Crosby + Kaneda CPAs LLP

Oakland, California
October 16, 2018

BERKELEY EXISTENTIAL RISK INITIATIVE

Statement of Financial Position
December 31, 2017

Assets	
Current Assets	
Cash and cash equivalents	$ 6,186,653
Certificates of deposit	10,000
Accounts receivable	106,445
Prepaid expenses	600
Total Current Assets	6,303,698
Cryptocurrency (Note 5)	1,374,384
Total Assets	$ 7,678,082
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 67,964
Total Liabilities	67,964
Contingencies (Note 3)	
Net Assets	
Unrestricted	333,389
Temporarily restricted (Note 4)	7,276,729
Total Net Assets	7,610,118
Total Liabilities and Net Assets	$ 7,678,082

See Notes to the Financial Statements

BERKELEY EXISTENTIAL RISK INITIATIVE

Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Contributions	$ 10,550	$	$ 10,550
Corporate and foundation grants	313,168	341,400	654,568
In-kind contributions (Note 6)	121,000	6,787,447	6,908,447
Total Support	444,718	7,128,847	7,573,565
Revenue			
Realized gains		726,106	726,106
Interest	109		109
Total Revenue	109	726,106	726,215
Net assets released from donor restriction (Note 4)	578,224	(578,224)	
Total Support and Revenue	1,023,051	7,276,729	8,299,780
Expenses			
Program	607,256		607,256
Management and general	76,948		76,948
Fundraising	5,458		5,458
Total Expenses	689,662	-	689,662
Change in Net Assets	333,389	7,276,729	7,610,118
Net Assets, beginning of year	-	-	-
Net Assets, end of year	$ 333,389	$ 7,276,729	$ 7,610,118

BERKELEY EXISTENTIAL RISK INITIATIVE

Statement of Cash Flows
For the Year Ended December 31, 2017

	2017
Cash flows from operating activities:	
Change in net assets	$ 7,610,118
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities	
In-kind contributions	(6,887,447)
Investment activity	(726,106)
Change in assets and liabilities:	
Accounts receivable	(106,445)
Prepaid expenses	(600)
Accounts payable and accrued expenses	67,964
Net cash provided (used) by operating activities	(42,516)
Cash flows from investing activities	
Purchase of certificates of deposit	(10,000)
Proceeds from sale of cryptocurrency	6,239,169
Net cash provided (used) by investing activities	6,229,169
Net change in cash and cash equivalents	6,186,653
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ 6,186,653

BERKELEY EXISTENTIAL RISK INITIATIVE

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program	Management and General	Fundraising	Total
Salaries	$ 7,362	$ 23,106	$ 260	$ 30,728
Employee benefits	188	590	6	784
Payroll taxes	749	2,352	26	3,127
Total Personnel	8,299	26,048	292	34,639
Grants	552,623	-	-	552,623
Legal fees	9,079	15,235	2,590	26,904
Accounting fees	-	2,900	-	2,900
Other fees for service	20,467	12,971	476	33,914
Office expenses	86	2,978	-	3,064
Information technology	450	1,992	-	2,442
Dues, licenses, service fees	25	229	-	254
Occupancy	-	650	-	650
Travel and meals	3,345	1,035	-	4,380
Conferences and meetings	6,582	310	-	6,892
In-kind services	6,300	12,600	2,100	21,000
Total Expenses	$ 607,256	$ 76,948	$ 5,458	$ 689,662

NOTE 1: NATURE OF ACTIVITIES

Berkeley Existential Risk Initiative (the Organization or BERI) is a California non-profit organization founded in 2017. BERI's mission is to improve human civilization's long-term prospects for survival and flourishing. Currently, the Organization's main strategy is to take on ethical and legal responsibility, as a grant-maker and collaborator, for projects deemed to be important for reducing existential risk. These projects revolve around reducing risk from technologies that may pose significant civilization-scale dangers, as determined by research collaborators who have adopted existential risk reduction as both their primary career ambition and their primary area of intellectual focus.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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 (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets **–** consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of December 31, 2017.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts and Grants Receivable

The Organization considers all accounts and grants receivable to be fully collectible at December 31, 2017. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2017 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization’s tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on December 31, 2017.

Cryptocurrency

Beneficial interests in Cryptocurrency-based assets are recognized based on cost, if assets are purchased, or an estimate of fair market value on the date of donation if donated. The Organization recognizes decreases in the value of these assets caused by market declines. Subsequent increases in the value of these assets through market price recoveries may not exceed the total previously recognized decreases in value. Gains are only recorded when such gains are realized and the cryptocurrency based assets are converted to cash.

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board has begun research on the appropriate accounting approach with respect to cryptocurrency based assets. The results of the research may result in a different approach to accounting for such assets in the future, such as a fair market value approach based on trading data available from cryptocurrency exchanges.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Property and Equipment

All acquisitions of property and equipment in excess of $2,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Organization had no property and equipment that met this capitalization policy at December 31, 2017.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3: CONTINGENCIES

Compliance with Donor Restrictions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2017:

First Grants Fund	$ 6,578,730
Existential risk ecosystem grants	672,999
Computing	25,000
Total	$ 7,276,729

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows for the year ended December 31, 2017:

First Grants Fund	$ 559,823
Existential risk ecosystem grants	18,401
Total	$ 578,224

NOTE 5: CRYPTOCURRENCY

Beneficial Interests in Cryptocurrency

The Organization maintains a beneficial interest in cryptocurrency-denominated assets such as Ethereum.

As of December 31, 2017, the Organization held $1,374,384 in Ethereum cryptocurrency holdings, valued based on the lower of the value at date of donation, cost or estimate of fair market value at year end. Given the current accounting treatment for such holdings unrealized gains are not recognized in the financial statements.

The Organization does not maintain direct signing key access to cryptocurrency balances, and its ability to control such balances depends on the third parties which maintain custody of such amounts on the Organization's behalf.

Investment and Sale Policy

To limit the Organization's total exposure to particular markets and exchanges, the impact on market pricing of large sales, and to minimize certain liquidity related fees the Organization has adopted an investment policy with respect to cryptocurrency. The policy calls for the liquidation of cryptocurrency donations into US Dollars, with liquidation of larger donations to begin within 30 days of the date of donation, and to proceed based on certain board approved criteria.

NOTE 6: IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following during the year ended December 31, 2017:

Ethereum cryptocurrency	$ 6,887,447
Executive Director services	21,000
Total	$ 6,908,447

NOTE 7: CONCENTRATIONS

Cryptocurrency

100% of cryptocurrency holdings are in one type, Ethereum.

Credit Risk

At times, the Organization may have deposits in excess of federally insured limits.

Revenue and Support

Approximately 83% of total revenue and support for the year ended December 31, 2017 was from one donor.

NOTE 8: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of October 16, 2018 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose other than the following:

Related Party

The Organization founded a related entity called the BERI Support Fund which became independent and incorporated subsequent to December 31, 2017.

Cryptocurrency Gains and Losses

Investments in cryptocurrency are subject to significant change in market value. The Organization completed the sale of its cryptocurrency holdings received prior to December 31, 2017 by the end of January 2018 and realized approximately $951,000 in gains in that process. Such gains are not recognized on the financial statements until realized.

NOTE 9: FUNDRAISING EFFORT

The Organization raised $8,299,780 in revenue and support, and spent $5,458 on fundraising expenses because the majority of the funds raised were from one donor, and board members, serving without compensation, were liaisons with foundation funders.