

RF Catalytic Capital, Inc.

Financial Statements

December 31, 2020

Independent Auditors' Report

**To the Board of Trustees of
RF Catalytic Capital, Inc.**

We have audited the accompanying financial statements of RF Catalytic Capital, Inc. ("RFCC") which comprise the statement of financial position as of December 31, 2020 and the related statement of activities and cash flows for the period July 10, 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 the 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 the 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 auditors' 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.

**To the Board of Trustees of
RF Catalytic Capital, Inc.**

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RF Catalytic Capital, Inc. as of December 31, 2020, the changes in its net assets and its cash flows for the period July 10, 2020 to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 7, 2021

RF Catalytic Capital, Inc.

Statement of Financial Position
December 31, 2020

ASSETS

Cash \$ 7,251,286

LIABILITIES AND NET ASSETS

Liabilities

Rescinded grant payable \$ 500,000

Net Assets

Net assets, without donor restriction 1,286

Net assets, with donor restriction 6,750,000

Total Net Assets 6,751,286

Total Liabilities and Net Assets \$ 7,251,286

See notes to financial statements

RF Catalytic Capital, Inc.

Statement of Activities July 10, 2020 to December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions of cash and other financial assets	\$ -	\$ 6,750,000	\$ 6,750,000
Contributions of nonfinancial assets	1,190,272	-	1,190,272
Interest income	1,286	-	1,286
	<u>1,191,558</u>	<u>6,750,000</u>	<u>7,941,558</u>
EXPENSES			
Program costs	209,881	-	209,881
Operations and governance	980,391	-	980,391
Total Expenses	<u>1,190,272</u>	<u>-</u>	<u>1,190,272</u>
Change in Net Assets	1,286	6,750,000	6,751,286
NET ASSETS			
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ 1,286</u>	<u>\$ 6,750,000</u>	<u>\$ 6,751,286</u>

See notes to financial statements

RF Catalytic Capital Inc.

Statement of Cash Flows
July 10, 2020 to December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 6,751,286
Adjustments to reconcile change in net assets to net cash from operating activities	
Changes in operating assets and liabilities	
Rescinded grant payable	<u>500,000</u>
Net Cash from Operating Activities	<u>7,251,286</u>

CASH

Beginning of period	<u>-</u>
End of period	<u>\$ 7,251,286</u>

See notes to financial statements

RF Catalytic Capital, Inc.

Notes to Financial Statements
December 31, 2020

1. Organization

RF Catalytic Capital, Inc. (“RFCC”) is a public charity incorporated under the laws of the state of Delaware on July 10, 2020. RFCC was created by The Rockefeller Foundation (“RF”) and is affiliated with RF through common management. RFCC’s head office is located in New York City.

RFCC aims to foster and promote the general wellbeing of humanity throughout the world. Specifically, RFCC will work to develop, support and/or apply innovative solutions to address the world’s most intractable social and environmental problems impacting vulnerable people, communities and ecosystems, and aggregate, manage and deploy capital to fund activities consistent with the foregoing and which build on or otherwise strengthen or expand the charitable programs and initiatives of RF and other like-minded institutions, as those may be articulated from time to time, including without limitation in the areas of public health, food sustainability and security, ending energy poverty and promoting renewable clean energy and expanding equity and economic opportunity.

RFCC is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, (US GAAP) which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

During 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides new guidance on characterizing grants and similar contracts as either reciprocal or nonreciprocal transactions, and it provides a framework for distinguishing between conditional and unconditional contributions.

During 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update provides new guidance on the measurement of contributed nonfinancial assets received by not-for-profits (NFPs) and the amount of those contributed assets used in an NFP’s program and other activities resulting in greater transparency of contributed nonfinancial assets.

RF Catalytic Capital, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

RFCC reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

Without donor restrictions – Consist of resources available for the general support of RFCC operations. Net assets without donor restrictions may be used at the discretion of RFCC's management and Board of Directors.

With donor restrictions – Represent amounts restricted by donors to be used for specific activities or at some future date, or which require RFCC to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, 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.

Cash

Cash consists of cash on deposit at a financial institution.

Accounting for Uncertainty in Income Taxes

RFCC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that RFCC had no uncertain tax positions that would require financial recognition or disclosure. RFCC is subject to examinations by the applicable taxing jurisdictions for periods since inception.

Contributions

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the contribution or that have time restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purport restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

RFCC allocates expenses on a functional basis among its various program and supporting services. Expenditures that are attributed to a specific program or supporting service are reported accordingly. Therefore costs are directly assigned and are not allocated across various basis.

RF Catalytic Capital, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies *(continued)*

Functional Allocation of Expenses (continued)

Program services consists of RFCC's work in supporting commitments in Power and Climate, Health, Food, Equity and Economic Opportunity, Innovation, Innovative Finance, Communications, Policy and Advocacy and Co-Impact. This includes grants, direct charitable activities and program costs. Supporting services consists of the President's office, Operations and Governance divisions.

3. Concentrations of Credit Risk

RFCC maintains cash at a major financial institution within the United States of America. Generally, deposits are in excess of federally insured limits. Management of RFCC monitors its cash levels. RFCC has not experienced any losses on its deposits.

4. Related Entity Transactions

RF serves as the sole member of RFCC. During the period ended December 31, 2020, RFCC received a contribution of \$1,750,000 from RF for its programmatic operations. In addition, three employees of RF also serves as officers of RFCC.

5. Liquidity and Availability of Financial Assets

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

Financial Assets:	
Cash	\$ 7,251,286
Less: donor restrictions related to time or purpose	(6,750,000)
Less: rescinded grant funds due to RF	<u>(500,000)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,286</u>

As part of RFCC's liquidity management strategy, RFCC structures its financial assets to be available as it grants payments and other general liabilities come due. The withdrawals are adjusted based on the grants to be disbursed, if any and other factors affecting available cash such as general operating expenses, program costs and other factors affecting available cash.

RF Catalytic Capital, Inc.

Notes to Financial Statements December 31, 2020

6. Contributed Nonfinancial Assets

Effective August 31, 2020, RFCC entered into an agreement with RF whereby RF agrees to provide certain services and resources to RFCC. Pursuant to the agreement, RF allocates a portion of the personnel costs of certain employees who provide services to RFCC. RF also provides space and other support services under the agreement.

RFCC has relied and expects to continue to rely on in-kind and other support from RF to manage its operations. During 2020, RF contributed in-kind support of approximately \$1,190,000 to RFCC for its operations. In addition, directors and officers have made a significant contribution of their time to develop RFCC and its programs. For the period ended December 31, 2020, contributed nonfinancial assets recognized within the statement of activities included:

	Amount
Services by RF personnel	\$ 1,082,770
Professional services	97,948
Software	9,554
	\$ 1,190,272

RFCC recognized contributed nonfinancial assets within revenue, including services conducted by RF personnel, professional services and software. All assets and services recognized as contributed nonfinancial assets were utilized for programmatic, operations and governance activities. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Services by RF Personnel	\$ 1,082,770	Programmatic, Operations and Governance	No associated donor restriction	RFCC estimated the fair value on the basis of estimated time spent by RF personnel to conduct RFCC operations
Professional Services	97,948	Operations and Governance	No associated donor restriction	Contributed services for professional services conducted are valued at the estimated fair value based on current rates for similar professional services conducted in the United States.
Software	9,554	Operations and Governance	No associated donor restriction	Contributed services for software are valued at the estimated fair value based on similar software products sold in the United States.

RF Catalytic Capital, Inc.

Notes to Financial Statements
December 31, 2020

7. Net Assets with Donor Restrictions

RFCC's net assets with donor restrictions are available for the following purposes and programs as of December 31, 2020:

	<u>Amount</u>
Health Initiative	\$ 5,000,000
Food Initiative	<u>1,750,000</u>
	<u>\$ 6,750,000</u>

There were no amounts released from restrictions during the period ended.

8. Functional Allocation of Expense

For the period ended December 31, 2020, RFCC incurred expenses consisting of the following below:

	<u>Program costs</u>	<u>Operations and Governance</u>	<u>Total</u>
Personnel	\$ 209,881	\$ 872,889	\$ 1,082,770
Professional fees	-	97,948	97,948
Other	-	9,554	9,554
	<u>\$ 209,881</u>	<u>\$ 980,391</u>	<u>\$ 1,190,272</u>

9. Subsequent Events

On May 3, 2021, RF rescinded a \$500,000 grant made to RFCC in support of implementing the Powering Agriculture and Protective Foods SME Innovation Accelerator Initiative. This decision was made due to a restructuring within the programmatic approach that was developed for the initiative. RFCC has recorded a grant payable as of December 31, 2020 to reflect the rescinded grant funds due to RF.

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 7, 2021. No additional events have occurred that would require adjustment to or disclosure in the accompanying financial statements.

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