

# Financial Statements

Machine Intelligence Research Institute, Inc.  
(a nonprofit organization)  
Years Ended December 31, 2022 and 2021



## **Table of Contents**

---

<b>Independent Auditors' Report</b>	3
<b>Financial Statements</b>	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Machine Intelligence Research Institute, Inc.  
Berkeley, California

### Opinion

We have audited the financial statements of Machine Intelligence Research Institute, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Machine Intelligence Research Institute, Inc. as of December 31, 2022, 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 (GAAS); 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 Machine Intelligence Research Institute, 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 Machine Intelligence Research Institute, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Machine Intelligence Research Institute, 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 Machine Intelligence Research Institute, 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.

### **Report on Summarized Comparative Information**

We have previously audited Machine Intelligence Research Institute, Inc.'s December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hamis CPAs*

Meridian, Idaho  
November 23, 2023

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2022**  
**With Comparative Totals as of December 31, 2021**

---

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,718,247	\$ 17,241,726
Investments	9,883,400	12,045,003
Contributions receivable	18,923	15,018
Prepaid expenses	<u>10,389</u>	<u>19,325</u>
Total Current Assets	23,630,959	29,321,072
<b>Other Assets</b>		
Fixed assets, net	41,365	59,298
Intangible assets – cryptocurrencies	126,637	126,637
Security deposits	<u>20,000</u>	<u>153,809</u>
Total Other Assets	<u>188,002</u>	<u>339,744</u>
Total Assets	<u>\$ 23,818,961</u>	<u>\$ 29,660,816</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 58,999	\$ 48,113
<b>Net Assets</b>		
Without donor restrictions	12,179,950	15,643,956
With donor restrictions	<u>11,580,012</u>	<u>13,968,747</u>
Total Net Assets	<u>23,759,962</u>	<u>29,612,703</u>
Total Liabilities and Net Assets	<u>\$ 23,818,961</u>	<u>\$ 29,660,816</u>

See notes to financial statements.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.****STATEMENTS OF ACTIVITIES**

For the Year Ended December 31, 2022

With Comparative Totals for the Year ended December 31, 2021

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>Income and Other Support</b>				
Grants and contracts	\$ 25,334	\$ 910,893	\$ 936,227	\$ 4,913,169
Contributions	656,030	6,300	662,330	20,858,152
Contributed nonfinancial assets	32,530		32,530	0
Gain (loss) on sale of intangible assets	5,213		5,213	(500,821)
Investment income (loss)	(2,137,630)		(2,137,630)	1,578,697
Other income	10,394		10,394	10,274
	(1,408,129)	917,193	(490,936)	26,859,471
Net assets released from restrictions	<u>3,305,928</u>	<u>(3,305,928)</u>	<u>0</u>	<u>0</u>
Total Income and Other Support	1,897,799	(2,388,735)	(490,936)	26,859,471
<b>Expenses</b>				
Program services				
Research	3,579,503		3,579,503	4,459,214
Outreach	<u>193,521</u>		<u>193,521</u>	<u>204,122</u>
Total Program Services	3,773,024	0	3,773,024	4,663,336
Supporting services				
Management and general	1,454,192		1,454,192	2,018,607
Fundraising	<u>134,589</u>		<u>134,589</u>	<u>123,551</u>
Total Supporting Services	<u>1,588,781</u>	<u>0</u>	<u>1,588,781</u>	<u>2,142,158</u>
Total Expenses	<u>5,361,805</u>	<u>0</u>	<u>5,361,805</u>	<u>6,805,494</u>
Change in Net Assets	(3,464,006)	(2,388,735)	(5,852,741)	20,053,977
<b>Net Assets</b>				
Beginning of Year	<u>15,643,956</u>	<u>13,968,747</u>	<u>29,612,703</u>	<u>9,558,726</u>
End of Year	<u>\$ 12,179,950</u>	<u>\$ 11,580,012</u>	<u>\$ 23,759,962</u>	<u>\$ 29,612,703</u>

See notes to financial statements.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2022**

**With Comparative Totals for the Year Ended December 31, 2021**

	<u>Program Services</u>		<u>Management &amp; General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
	<u>Research</u>	<u>Outreach</u>				
Employee salaries	\$ 2,762,823	\$ 145,514	\$ 472,016	\$ 124,368	\$ 3,504,721	\$ 3,933,490
Contract services	540,459		193,809		734,268	751,050
Employee benefits			313,972		313,972	374,607
Rent and occupancy costs	29,837		271,765		301,602	1,074,570
Payroll taxes	192,576	11,139	36,056	9,651	249,422	278,151
Office expenses	14,540		64,679	570	79,789	139,142
Conferences	5,175	36,849	8,285		50,309	0
Depreciation			42,823		42,823	83,427
Insurance			33,691		33,691	39,514
Travel	16,419		1,209		17,628	20,796
Meals and entertainment	7,324		5,095		12,419	0
Grants to others	10,000				10,000	100,000
Other expenses	<u>350</u>	<u>19</u>	<u>10,792</u>	<u></u>	<u>11,161</u>	<u>10,747</u>
Total Expenses	<u>\$ 3,579,503</u>	<u>\$ 193,521</u>	<u>\$ 1,454,192</u>	<u>\$ 134,589</u>	<u>\$ 5,361,805</u>	<u>\$ 6,805,494</u>

See notes to financial statements.

# MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

## STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

---

	<u>2022</u>	<u>2021</u>
<b>Cash Flow From Operating Activities</b>		
Change in net assets	\$ (5,852,741)	\$ 20,053,977
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	42,823	83,427
Unrealized (gain) loss on investments	2,430,345	(1,301,048)
Realized (gain) loss on investments	0	(5,688)
Realized (gain) loss on sale of fixed assets	1,042	39
Donated intangible assets	(1,499)	(20,380,717)
Realized (gain) loss on intangible assets	(5,213)	500,821
Changes in operating assets and liabilities:		
Contributions receivable	(3,905)	439,657
Prepaid expenses	8,936	(2,419)
Security deposits	133,809	0
Accounts payable	<u>10,886</u>	<u>(240,080)</u>
Net Cash Provided (Used) by Operating Activities	(3,235,517)	(852,031)
<b>Cash Flow From Investing Activities</b>		
Proceeds from sale of investments	564,584	360,584
Purchase of investments	(833,326)	(2,989,015)
Proceeds from sale of fixed assets	0	1,100
Purchase of fixed assets	(25,932)	(36,819)
Proceeds from sale of intangible assets	<u>6,712</u>	<u>19,879,047</u>
Net Cash Provided (Used) by Investing Activities	<u>(287,962)</u>	<u>17,214,897</u>
Net Change in Cash and Cash Equivalents	(3,523,479)	16,362,866
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>17,241,726</u>	<u>878,860</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 13,718,247</u>	<u>\$ 17,241,726</u>

See notes to financial statements.



# MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### Note A – Summary of Significant Accounting Policies

#### *Nature of Organization*

Machine Intelligence Research Institute, Inc., (the Organization) is a nonprofit corporation registered in Georgia, and operating in California. The objective of the Organization, to ensure that the creation of smarter-than-human intelligence has a positive impact on society, is accomplished through continued research and study of the mathematical underpinnings of intelligent behavior, in particular relation to artificial intelligence.

#### *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.

#### *Basis of Presentation*

The Organization reports net assets and revenues, expenses, gains and losses according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

#### *Accounting Pronouncements Adopted*

For the year ended June 30, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires not-for-profit entities to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The Organization must also disclose qualitative info about whether the contributed nonfinancial assets were monetized or utilized during the reporting period, the Organization policy about monetizing contributed nonfinancial assets, a description of any donor imposed restrictions, the valuation method used, and the principal or most advantageous market used for the valuation if it is a market in which the recipient Organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. There was no material impact on the Organization's activities or financial position upon adoption of the new standard.

## **MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note A – Summary of Significant Accounting Policies (Continued)**

##### *Use of 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 income and expenses during the reporting period. Actual results could differ from those estimates.

##### *Cash and Cash Equivalents*

Cash includes cash on hand as well as checking accounts with financial institutions. The Organization considers all short-term investments purchased with maturity of three months or less to be cash equivalents.

##### *Marketable Securities and Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

##### *Concentration of Credit Risk and Income*

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments and are held at a number of financial institutions. Accounts at certain financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At December 31, 2022 and 2021 the Organization had uninsured cash balances of \$13,145,384 and \$16,929,459, respectively. Investment accounts are insured by the Securities Investor Protection Corporation for up to \$500,000. At December 31, 2022 and 2021 the Organization had uninsured investments of \$4,883,400 and \$11,545,003, respectively.

For the years ended December 31, 2022 and 2021, three organizations granted and/or donated to the Organization 57% and 92% of total income, respectively.

## MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

---

#### Note A – Summary of Significant Accounting Policies (Continued)

##### *Fair Value*

The Organization uses fair value reporting for financial assets and liabilities. A hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established, prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the statement of financial position, which approximates fair value due to their short term, highly liquid nature.

##### *Fixed Assets*

Equipment and furniture is stated at cost or, if donated, at the estimated fair market value at the date of donation. Expenditures for major renewals and betterments that extend the useful lives of furniture and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives for amounts over \$500 of the related assets, which range from three to fifteen years. Accumulated depreciation as of December 31, 2022 and 2021 was \$211,276 and \$474,881, respectively.

##### *Cryptocurrencies*

The Organization regularly receives donations in the form of cryptocurrencies. The Organization accounts for cryptocurrencies as intangible assets; accounting for the value of these assets at cost, or fair market value at the date of donation, recording realized gains or losses when sold, and recognizing losses for impairment when appropriate.

The Organization evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Organization measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Organization to make assumptions about future cash flows over the life of the asset being evaluated.

## MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

---

#### Note A – Summary of Significant Accounting Policies (Continued)

##### *Cryptocurrencies (Continued)*

These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. During the year ended December 31, 2022, the Organization recorded realized gain of \$5,213 related to cryptocurrencies. During the year ended December 31, 2021, the Organization recorded realized loss of \$500,821 related to cryptocurrencies. No impairment losses have been recorded for the years ended December 31, 2022 and 2021.

##### *Contributions, Grants, and Donor Imposed Restrictions*

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/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 restriction.

Unconditional contributions and grants that are due in subsequent years are reflected as long-term. The Organization had one grant receivable considered long term in nature. Any discount on the receivable has been determined insignificant by management and not recorded. The Organization uses the allowance method to determine uncollectible receivables. No allowance has been provided based on Management's analysis of specific receivables and based on prior years' experience.

##### *Contributed Nonfinancial Assets*

The Organization records in-kind goods based on the fair value as described in generally accepted accounting principles. The Organization recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. In-kind contributions are recognized as revenue when received and as expenditures when the resources are consumed.

##### *Advertising*

The Organization expenses advertising as costs are incurred. Advertising expenses totaled \$1,300 and \$60 for the years ended December 31, 2022 and 2021, respectively.

## MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

---

#### Note A – Summary of Significant Accounting Policies (Continued)

##### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are employee salaries, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort; depreciation is allocated based on the associated fixed assets used within each particular program or function. Management has allocated rent and other office costs to only the management and general function as the management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

##### *Income Taxes*

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

##### *Uncertain Tax Positions*

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of that position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2022 or 2021. The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2017.

##### *Presentation of Certain Taxes*

The Organization collects various taxes from customers and remits these amounts to applicable taxing authorities. The Organization's accounting policy is to exclude these taxes from income and program expenses.

# MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### Note A – Summary of Significant Accounting Policies (Continued)

#### *Comparative Data*

The amounts shown for the year ended December 31, 2021 in the accompanying financial statements are included to provide a basis for comparison with 2022 and present summarized totals only. Accordingly, the 2021 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

#### *Subsequent Events*

The Organization has evaluated subsequent events through November 23, 2023, which is the date the financial statements were available to be issued.

### Note B – Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets available within one year	
Cash and cash equivalents	\$ 13,718,247
Investments	9,883,400
Contributions receivable	18,923
Cryptocurrencies	<u>126,637</u>
Total financial assets available within one year	23,747,207
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions – AI Impact Program	(489,315)
Restricted by donors with purpose restrictions – AI Safety Retraining Program	(5,400)
Restricted by donors with time restrictions	<u>(11,085,297)</u>
Total amounts unavailable for general expenditures within one year	<u>(11,580,012)</u>
Total financial assets available within one year after restriction	<u>\$ 12,167,195</u>

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note B – Liquidity and Availability of Resources (Continued)**

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2022, all net assets with donor restrictions are available for payment of any major expenditures incurred, except for contributions receivable which are available when the receivable is collected which is expected within one year of the statement of financial position date.

**Note C – Investments**

Investments as of December 31, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Cost	\$ 9,452,021	\$ 9,183,279
Unrealized gain/(loss)	<u>431,379</u>	<u>2,861,724</u>
Total	<u>\$ 9,883,400</u>	<u>\$ 12,045,003</u>

Investment income consists of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 292,715	\$ 271,961
Realized gain	0	5,688
Unrealized gain/(loss)	<u>(2,430,345)</u>	<u>1,301,048</u>
Total	<u>\$ (2,137,630)</u>	<u>\$ 1,578,697</u>

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note D – Fair value of Assets and Liabilities**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
  
- Level 2            Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
  
- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value instrument.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Equity securities are valued at unadjusted quoted prices and are considered Level 1.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization’s investments at fair value measured on a recurring basis as of December 31:

<b>December 31, 2022</b>	<b><u>Total</u></b>	<b><u>Fair Value Measurements Using</u></b>		
		<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Equity securities	\$ 9,883,400	\$ 9,883,400	\$ 0	\$ 0

  

<b>December 31, 2021</b>	<b><u>Total</u></b>	<b><u>Fair Value Measurements Using</u></b>		
		<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Equity securities	\$ 12,045,003	\$ 12,045,003	\$ 0	\$ 0



**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note E – Fixed Assets**

As of December 31, fixed assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 0	\$ 239,156
Furniture & fixtures	20,289	85,924
Computer equipment	224,182	200,929
Intangible assets: domains	<u>8,170</u>	<u>8,170</u>
Total fixed assets	252,641	534,179
Accumulated depreciation	<u>(211,276)</u>	<u>(474,881)</u>
Fixed assets, net	<u>\$ 41,365</u>	<u>\$ 59,298</u>

For the years ended December 31, 2022 and 2021, depreciation expense was \$42,823 and \$83,427, respectively.

**Note F – Intangible Assets – Cryptocurrencies**

The Organization receives donations in the form of cryptocurrencies from a number of donors. The cryptocurrencies and their carrying amount at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Sellar Lumens	\$ 126,085	\$ 126,085
Ripple	<u>552</u>	<u>552</u>
Total	<u>\$ 126,637</u>	<u>\$ 126,637</u>

The value of these assets fluctuates frequently based on market conditions. As identified in Note A, the Organization records the intangible asset at cost, or fair market value at the date of donation, and recognizes an impairment loss when the market value of the cryptocurrencies decreases. During the years ended December 31, 2022 and 2021, the organization received donations of cryptocurrencies of \$1,499 and \$20,380,717, respectively. Sales of donated cryptocurrencies totaled \$6,712 and \$19,879,047 for the years ended December 31, 2022 and 2021, respectively. No impairment losses were recognized based on the change in value of the assets market price for the years ended December 31, 2022 and 2021.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note G – Net Assets**

The detail of the Organization’s net asset categories at December 31, is as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Invested in property and equipment	\$ 41,365	\$ 59,298
Undesignated surplus	<u>12,138,585</u>	<u>15,584,658</u>
Total net assets without donor restrictions	12,179,950	15,643,956
With donor restrictions:		
AI impacts	489,315	285,573
AI safety retraining	5,400	5,400
Rafe research	0	92,477
Time restricted	<u>11,085,297</u>	<u>13,585,297</u>
Total net assets with donor restrictions	<u>11,580,012</u>	<u>13,968,747</u>
Total net assets	<u>\$ 23,759,962</u>	<u>\$ 29,612,703</u>

**Note H – Contributed Nonfinancial Assets**

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2022</u>	<u>2021</u>
Use of facility	\$ <u>32,530</u>	\$ <u>0</u>

For the year ended December 31, 2022, the Organization recognized contributed nonfinancial assets within revenue, including a contributed use of facility. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. No contributed nonfinancial assets were received during the year ended December 31, 2021.

The contributed use of facilities for the Organization are used for both program and general and administrative activities. In the valuing the contributed use of facilities, which is located in Berkeley, California, the Organization estimated the fair value on the basis of comparable rent per square foot in Berkley’s commercial real estate market.