

Financial Statements

Machine Intelligence Research Institute, Inc.
(a nonprofit organization)
Years Ended December 31, 2021 and 2020



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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, 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 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 (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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harris CPAs

Meridian, Idaho
November 15, 2022

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021
With Comparative Totals as of December 31, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17,241,726	\$ 878,860
Investments	12,045,003	8,109,336
Contributions receivable	15,018	454,675
Prepaid expenses	<u>19,325</u>	<u>16,906</u>
Total Current Assets	29,321,072	9,459,777
Other Assets		
Fixed assets, net	59,298	107,545
Intangible assets – cryptocurrencies	126,637	125,788
Security deposits	<u>153,809</u>	<u>153,809</u>
Total Other Assets	<u>339,744</u>	<u>387,142</u>
Total Assets	<u>\$ 29,660,816</u>	<u>\$ 9,846,919</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 48,113	\$ 286,355
Accrued liabilities	<u>0</u>	<u>1,838</u>
Total Liabilities	48,113	288,193
Net Assets		
Without donor restrictions	15,643,956	9,414,309
With donor restrictions	<u>13,968,747</u>	<u>144,417</u>
Total Net Assets	<u>29,612,703</u>	<u>9,558,726</u>
Total Liabilities and Net Assets	<u>\$ 29,660,816</u>	<u>\$ 9,846,919</u>

See notes to financial statements.

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

For the Year Ended December 31, 2021

With Comparative Totals for the Year ended December 31, 2020

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Income and Other Support				
Contributions	\$ 4,772,855	\$ 16,085,297	\$ 20,858,152	\$ 1,287,647
Grants and contracts	4,378,150	535,019	4,913,169	6,422,192
Investment income	1,578,697		1,578,697	931,179
Gain (loss) on sale of intangible assets	(500,821)		(500,821)	0
Other income	10,274		10,274	12,446
	10,239,155	16,620,316	26,859,471	8,653,464
Net assets released from restrictions	<u>2,795,986</u>	<u>(2,795,986)</u>	<u>0</u>	<u>0</u>
Total Income and Other Support	13,035,141	13,824,330	26,859,471	8,653,464
Expenses				
Program services				
Research	4,459,214		4,459,214	4,968,198
Outreach	<u>204,122</u>		<u>204,122</u>	<u>163,337</u>
Total Program Services	4,663,336	0	4,663,336	5,131,535
Supporting services				
Management and general	2,018,607		2,018,607	2,454,109
Fundraising	<u>123,551</u>		<u>123,551</u>	<u>129,912</u>
Total Supporting Services	<u>2,142,158</u>	<u>0</u>	<u>2,142,158</u>	<u>2,584,021</u>
Total Expenses	<u>6,805,494</u>	<u>0</u>	<u>6,805,494</u>	<u>7,715,556</u>
Change in Net Assets	6,229,647	13,824,330	20,053,977	937,908
Net Assets				
Beginning of Year	<u>9,414,309</u>	<u>144,417</u>	<u>9,558,726</u>	<u>8,620,818</u>
End of Year	<u>\$ 15,643,956</u>	<u>\$ 13,968,747</u>	<u>\$ 29,612,703</u>	<u>\$ 9,558,726</u>

See notes to financial statements.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	<u>Program Services</u>		<u>Management & General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
	<u>Research</u>	<u>Outreach</u>				
Employee salaries	\$ 3,255,407	\$ 171,583	\$ 402,000	\$ 104,500	\$ 3,933,490	\$ 4,073,917
Rent and occupancy costs	30,705		1,043,631	234	1,074,570	1,214,889
Contract services	527,475	1,808	221,767		751,050	1,251,706
Employee benefits	310,030	16,341	38,285	9,951	374,607	341,614
Payroll taxes	215,618	13,336	41,066	8,131	278,151	296,134
Office expense	7,455		130,952	735	139,142	178,905
Grants to others	100,000				100,000	45,000
Depreciation	12,514		70,913		83,427	155,144
Insurance			39,514		39,514	31,324
Travel	10	1,054	19,732		20,796	14,639
Meals and entertainment					0	2,100
Conferences					0	90,841
Other expenses			10,747		10,747	19,343
Total Expenses	<u>\$ 4,459,214</u>	<u>\$ 204,122</u>	<u>\$ 2,018,607</u>	<u>\$ 123,551</u>	<u>\$ 6,805,494</u>	<u>\$ 7,715,556</u>

See notes to financial statements.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2021
With Comparative Totals for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
Cash Flow From Operating Activities		
Change in net assets	\$ 20,053,977	\$ 937,908
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	83,427	155,144
Unrealized (gain) loss on investments	(1,301,048)	(733,086)
Realized (gain) loss on investments	(5,688)	(4,400)
Realized (gain) loss on sale of fixed assets	39	(285)
Donated intangible assets	(20,380,717)	(17,366)
Unrealized (gain) loss on intangible assets	0	(80,622)
Realized (gain) loss on intangible assets	500,821	130
Changes in operating assets and liabilities:		
Contributions receivable	439,657	35,855
Prepaid expenses	(2,419)	(4,143)
Security deposits	0	(20,000)
Accounts payable	<u>(240,080)</u>	<u>(157,936)</u>
Net Cash Provided (Used) by Operating Activities	(852,031)	111,199
Cash Flow From Investing Activities		
Proceeds from sale of investments	360,584	1,736,630
Purchase of investments	(2,989,015)	(1,692,619)
Proceeds from sale of fixed assets	1,100	1,751
Purchase of fixed assets	(36,819)	(36,126)
Proceeds from sale of intangible assets	<u>19,879,047</u>	<u>15,536</u>
Net Cash Provided (Used) by Investing Activities	<u>17,214,897</u>	<u>25,172</u>
Net Change in Cash and Cash Equivalents	16,362,866	136,371
Cash and Cash Equivalents - Beginning of Year	<u>878,860</u>	<u>742,489</u>
Cash and Cash Equivalents - End of Year	<u>\$ 17,241,726</u>	<u>\$ 878,860</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.

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.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020 the Organization had uninsured cash balances of \$16,929,459 and \$586,924, respectively. Investment accounts are insured by the Securities Investor Protection Corporation for up to \$500,000. At December 31, 2021 and 2020 the Organization had uninsured investments of \$11,545,003 and \$7,393,599, respectively.

For the years ended December 31, 2021 and 2020, one organization granted and/or donated to the Organization 92% and 58% of total income, respectively.

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 balance sheet, 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, 2021 and 2020 was \$474,881 and \$391,846, respectively.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. During the years ended December 31, 2021 and 2020, the Organization recorded realized losses of \$500,821 and \$0 related to cryptocurrencies. No impairment losses have been recorded for the years ended December 31, 2021 and 2020.

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.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Advertising

The Organization expenses advertising as costs are incurred. Advertising expenses totaled \$60 and \$5,906 for the years ended December 31, 2021 and 2020, respectively.

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 2021 or 2020. 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 2016.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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.

Comparative Data

The amounts shown for the year ended December 31, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 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, 2020, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated subsequent events through November 15, 2022, which is the date the financial statements were available to be issued.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

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	\$ 17,241,726
Investments	12,045,003
Contributions Receivable	15,018
Cryptocurrencies	<u>126,637</u>
Total financial assets available within one year	29,428,384
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions – AI Impact Program	(285,573)
Restricted by donors with purpose restrictions – AI Safety Retraining Program	(5,400)
Restricted by donors with purpose restrictions – Rafe Research Program	(92,477)
Restricted by donors with time restrictions	<u>(13,585,297)</u>
Total amounts unavailable for general expenditures within one year	<u>(13,968,747)</u>
Total financial assets available within one year after restriction	<u>\$ 15,459,637</u>

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, 2021, 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>2021</u>	<u>2020</u>
Cost	\$ 9,183,279	\$ 6,548,660
Unrealized gain/(loss)	<u>2,861,724</u>	<u>1,560,676</u>
Total	<u>\$ 12,045,003</u>	<u>\$ 8,109,336</u>

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Note C – Investments (Continued)

Investment income consists of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 271,961	\$ 193,693
Realized gain	5,688	4,400
Unrealized gain/(loss)	<u>1,301,048</u>	<u>733,086</u>
Total	<u>\$ 1,578,697</u>	<u>\$ 931,179</u>

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 valuation of the investment held in the Silicon Valley Community Foundation (SVCF) is part of a larger investment pool. The investment is shown at net asset value, the Organization's pro rata share of the aggregate fair value of all assets contained in the fund. The investment fund is considered a Level 3 asset. Additionally, the investment is not part of a long term endowment and can be liquidated at any time by the Organization. As a result, it has been shown as an investment.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Note D – Fair value of Assets and Liabilities (Continued)

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:

December 31, 2021	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Equity securities	\$ 12,045,003	\$ 12,045,003	\$ _____ 0	\$ _____ 0

December 31, 2020	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Equity securities	\$ 7,767,811	\$ 7,767,811	\$ _____ 0	\$ _____ 0
Group fund – SVCF	<u>341,525</u>	<u>_____</u>	<u>_____</u>	<u>341,525</u>
Total	\$ <u>8,109,336</u>	\$ <u>7,767,811</u>	\$ <u>_____ 0</u>	\$ <u>341,525</u>

The table below sets forth a summary of changes in the fair value of the Organization's investments valued at net asset value as of December 31:

	2021	2020
Beginning Balance	\$ 341,525	\$ 312,771
Interest and dividend income	1,353	2,645
Net realized gain	19,059	4,300
Net unrealized gain (loss)	0	25,694
Investment management fees	(505)	(763)
Support fees	(2,314)	(3,122)
Sales	<u>(359,118)</u>	<u>0</u>
Ending Balance	\$ <u>0</u>	\$ <u>341,525</u>

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Note E – Fixed Assets

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

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 239,156	\$ 239,156
Furniture & fixtures	85,924	84,609
Computer equipment	200,929	167,456
Intangible assets: domains	<u>8,170</u>	<u>8,170</u>
Total fixed assets	534,179	499,391
Accumulated depreciation	<u>(474,881)</u>	<u>(391,846)</u>
Fixed assets, net	<u>\$ 59,298</u>	<u>\$ 107,545</u>

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>2021</u>	<u>2020</u>
Sellar Lumens	\$ 126,085	\$ 125,675
Ripple	<u>552</u>	<u>113</u>
Total	<u>\$ 126,637</u>	<u>\$ 125,788</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, 2021 and 2020, the organization received donations of cryptocurrencies of \$20,380,717 and \$17,366, respectively. Sales of donated cryptocurrencies totaled \$19,879,047 and \$15,536 for the years ended December 31, 2021 and 2020, respectively. No impairment losses were recognized based on the change in value of the assets market price for the years ended December 31, 2021 and 2020.

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>2021</u>	<u>2020</u>
Without donor restrictions:		
Invested in property and equipment	\$ 59,298	\$ 107,545
Undesignated surplus	<u>15,584,658</u>	<u>9,306,764</u>
Total net assets without donor restrictions	15,643,956	9,414,309
With donor restrictions:		
AI impacts	285,573	139,017
AI safety retraining	5,400	5,400
Rafe research	92,477	0
Time restricted	<u>13,585,297</u>	<u>0</u>
Total net assets with donor restrictions	<u>13,968,747</u>	<u>144,417</u>
Total net assets	<u>\$ 29,612,703</u>	<u>\$ 9,558,726</u>

Note H – Operating Lease

The Organization leases office space under an operating lease (Bancroft Lease). Monthly lease payments on the lease are \$50,182 through November 30, 2022, and then increases to \$51,687 until the lease expires in November of 2023. The Organization has a signed agreement to sublease a portion of this leased office space to another tenant.

The Organization leases office space under an operating lease (580 California St. Lease). Monthly payments are \$1,447. The lease started on October 1, 2021 and terminates on September 30, 2022.

The Organization leased office/living space under an operating lease (Research Venue Lease) to enable its staff to continue to work together in person during the COVID 19 pandemic. Monthly lease payments were \$66,667 starting on March 13, 2020, then decreased to \$50,000 from July 13, 2020 until the end of the lease on September 13, 2021. Due to moving staff back to the normal Bancroft office space, the lease was terminated a month early in August 2021.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Note H – Operating Lease (Continued)

For the year ended December 31, 2021, rental expense under operating leases totaled \$1,022,896, offset by rental income from the sublease agreement for shared workspace of \$66,000, for a total rental expense from operating leases of \$956,896.

For the year ended December 31, 2020 rental expense under operating leases totaled \$1,258,173, offset by rental income from the sublease agreement for shared workspace of \$144,514, for a total rental expense from operating leases of \$1,113,659.

The future minimum lease payment, without sublease adjustments, are as follows:

2022	\$	567,104
2023		<u>568,557</u>
	\$	<u>1,135,661</u>

The future minimum income under the sublease agreement are as follows:

2022	\$	84,000
2023		<u>77,000</u>
	\$	<u>161,000</u>