Financial Statements

Machine Intelligence Research Institute, Inc.

Years Ended December 31, 2023 and 2022

Independent Auditor's Report   3

Financial Statements

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Machine Intelligence Research Institute, Inc., which comprise the statement of financial position as of December 31, 2023, 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, 2023, 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.' 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

The 2022 financial statements of Machine Intelligence Research Institute, Inc. were audited by another firm, and an unmodified audit opinion was expressed on those audited financial statements in the report dated November 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

H+E Advisors, LLC

Meridian, Idaho
October 18, 2024

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2023
With comparative totals as of December 31, 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 8,268,953	$ 13,718,247
Investments	11,376,520	9,883,400
Contributions receivable	14,816	18,923
Prepaid expenses	14,480	10,389
Total Current Assets	19,674,769	23,630,959
Other Assets		
Fixed assets, net	26,530	41,365
Intangible assets - cryptocurrencies	126,085	126,637
Security deposits	18,179	20,000
Total Other Assets	170,794	188,002
Total Assets	$ 19,845,563	$ 23,818,961

Liabilities and Net Assets

	2023	2022
Current Liabilities		
Accounts payable	$ 100,209	$ 58,999
Accrued liabilities	12,452	0
Grants payable	75,000	0
Total Current Liabilities	187,661	58,999
Net Assets		
Without donor restrictions	10,650,335	12,179,950
With donor restrictions	9,007,567	11,580,012
Total Net Assets	19,657,902	23,759,962
Total Liabilities and Net Assets	$ 19,845,563	$ 23,818,961

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
STATEMENTS OF ACTIVITES
For the year ended December 31, 2023
With comparative totals for the year ended December 31, 2022

| | 2023 | | | 2022 |
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Support, and Gains				
Investment income (loss)	$ 1,562,729	$ 0	$ 1,562,729	$ (2,137,630)
Grants and contracts	1,000	921,000	922,000	936,227
Contributions	278,992	0	278,992	662,330
Contributed nonfinancial assets	224,584	0	224,584	32,530
Gain (loss) on sale of intangible assets	210	0	210	5,213
Other income	9,687	0	9,687	10,394
Net assets released from restrictions	3,493,445	(3,493,445)	0	0
Total Revenue, Support, and Gains	5,570,647	(2,572,445)	2,998,202	(490,936)
Expenses				
Program services				
Research	5,098,504	0	5,098,504	3,579,503
Outreach	948,460	0	948,460	193,521
Total Program Services	6,046,964	0	6,046,964	3,773,024
Support Services				
Management and general	894,856	0	894,856	1,454,192
Fundraising	158,442	0	158,442	134,589
Total Support Services	1,053,298	0	1,053,298	1,588,781
Total Expenses	7,100,262	0	7,100,262	5,361,805
Change in Net Assets	(1,529,615)	(2,572,445)	(4,102,060)	(5,852,741)
Net Assets				
Beginning of Year	12,179,950	11,580,012	23,759,962	29,612,703
End of Year	$ 10,650,335	$ 9,007,567	$ 19,657,902	$ 23,759,962

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2023
With comparative totals for the year ended December 31, 2022

| | Program Services | | Support Services | | 2023 | 2022 |
	Research	Outreach	Management and General	Fundraising	Total	Total
Employee salaries	$ 3,290,972	$ 383,525	$ 312,968	$ 135,189	$ 4,122,654	$ 3,504,721
Contract services	932,271	254,704	237,166	0	1,424,141	734,266
Rent and occupancy cost	220,364	0	162,746	0	383,110	301,603
Employee benefits	287,824	33,543	27,372	11,823	360,562	313,972
Grants to others	118,000	200,000	0	0	318,000	10,000
Payroll taxes	215,796	26,353	24,876	10,475	277,500	249,422
Office expenses	15,775	5,556	64,400	955	86,686	79,788
Conferences	8,540	40,836	5,169	0	54,545	50,309
Travel	8,820	3,443	13,270	0	25,533	17,628
Depreciation	0	0	24,056	0	24,056	42,823
Insurance	0	0	19,930	0	19,930	33,691
Meals and entertainment	142	0	186	0	328	12,419
Other expenses	0	500	2,717	0	3,217	11,163
Total Expenses	$ 5,098,504	$ 948,460	$ 894,856	$ 158,442	$ 7,100,262	$ 5,361,805

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
For the year ended December 31, 2023
With comparative totals for the year ended December 31, 2022

	2023	2022
Cash Flow From Operating Activities		
Change in net assets	$ (4,102,060)	$ (5,852,741)
Adjustments to reconcile change in net assets to net cash from (used for operating activities):		
Depreciation	24,056	42,823
Unrealized (gain) loss on investments	(910,574)	2,430,345
Realized (gain) loss on investments	(287,482)	0
Realized (gain) loss on sale of fixed assets	0	1,042
Donated intangible assets	(9,582)	(1,499)
Realized (gain) loss on intangible assets	(210)	(5,213)
Changes in operating assets and liabilities:		
Contributions receivable	4,107	(3,905)
Prepaid expenses	(4,091)	8,936
Security deposits	1,821	133,809
Accounts payable	41,210	10,886
Accrued expenses	12,452	0
Grants payable	75,000	0
Net Cash From (Used For) Operating Activities	(5,155,353)	(3,235,517)
Cash Flow From Investing Activities		
Purchases of investments	(892,079)	564,584
Proceeds from sale of investments	597,015	(833,326)
Purchases of fixed assets	(9,221)	0
Proceeds from sale of fixed assets	0	(25,932)
Proceeds from sale of intangible assets	10,344	6,712
Net Cash From (Used For) Investing Activities	(293,941)	(287,962)
Net Change in Cash and Cash Equivalents	(5,449,294)	(3,523,479)
Cash and Cash Equivalents – Beginning of Year	13,718,247	17,241,726
Cash and Cash Equivalents – End of Year	$ 8,268,953	$ 13,718,247

See financial statement disclosures   8

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 – Principal Activity and 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 presents its financial statements in accordance with current accounting guidance, under which the organization is required to report information regarding its financial position and activities according to classes of net assets as follows:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Machine Intelligence Research Institute, Inc.'s management and the board of directors.

> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Machine Intelligence Research Institute, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the activities.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category.

Fixed Assets

Property and equipment additions over $500 are capitalized at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 15 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. Accumulated depreciation as of December 31, 2023 and 2022 was $231,794 and $211,276, respectively.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Intangible Assets - Cryptocurrencies

The Organization regularly receives donations in the form of cryptocurrency. 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 accumulates 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 cash flows be less that 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, include 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 judgement, and actual results may differ from assumed and estimated amounts.

During the years ended December 31, 2023, and 2022, the Organization recorded a realized gain on the sale of cryptocurrencies of $210 and $5,213, respectively. No impairment losses have been recognized for the years ended December 31, 2023, and 2022.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the activities as net assets released from restrictions.

Contributed Nonfinancial Assets

Machine Intelligence Research Institute, Inc. received donated use of office space of $224,584 and $32,530 for the years ended December 31, 2023, and 2022, respectively. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributed nonfinancial assets on the accompanying statements of activities.

Functional Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among more than one program or supporting functions. Such allocations are determined by management on an equitable basis. The expenses that are allocated include salaries and related costs, which are allocated based on estimates of the time and effort of employees, and depreciation, which is allocated based on the fixed assets and associated use within a particular program or function.

Advertising

The Organization expenses advertising as costs are incurred. Advertising expenses totaled $600 and $1,300 for the years ended December 31, 2023, and 2022, respectively.

Income Taxes

Machine Intelligence Research Institute, Inc. is organized as a Georgia nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined that it is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS

Subsequent Events

The Organization has evaluated subsequent events through October 18, 2024, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use within one year of December 31, 2023, due to contractual or donor-imposed restrictions:

Cash and cash equivalents	$ 8,268,953
Investments	11,376,520
Contributions receivable	14,816
Intangible assets – cryptocurrencies	126,085
Total financial assets as end of year	19,786,374
Less: net assets with donor restrictions	(9,007,567)
Financial assets available within one year	$ 10,778,807

The Organization's goal is generally to maintain financial assets sufficient to meet operating expenditures as they become due. As part of its liquidity plan, excess cash is invested in short-term, liquid investments, including money market accounts and equity securities.

Note 3 – Investments

Investments as of December 31 consists of the following:

	2023	2022
Carrying value	$ 11,376,520	$ 9,883,400
Unrealized gain (loss)	$ 1,341,953	$ 431,379

Investment income for the year ended December 31 consists of the following:

	2023	2022
Unrealized gain (loss)	$ 910,574	$ (2,430,345)
Realized gain (loss)	287,692	0
Dividends and interest	364,463	292,715
Total	$ 1,562,729	$ (2,137,630)

13

Note 4 – Fair Value Measurements and Disclosures

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset. The following table presents assets measured at fair value within the fair value hierarchy as of:

| December 31, 2023 | Total | Fair Value Measurements Using | | |
		Level 1	Level 2	Level 3
Equity securities	$ 11,376,520	$ 11,376,520	$ 0	$ 0

| December 31, 2022 | Total | Fair Value Measurements Using | | |
		Level 1	Level 2	Level 3
Equity securities	$ 9,883,400	$ 9,883,400	$ 0	$ 0

Note 5 – Intangible Assets – Cryptocurrencies

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

	2023	2022
Stellar Lumens	$ 126,085	$ 126,085
Ripple	0	552
Total	$ 126,085	$ 126,637

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 are as follows:

	2023	2022
Time restricted	$ 8,585,297	$ 11,085,297
AI impacts	416,870	489,315
AI safety retraining	5,400	5,400
Total	$ 9,007,567	$ 11,580,012

Note 7 – Contributed Nonfinancial Assets

Contributed nonfinancial assets for the years ended December 31 are as follows:

	2023	2022
Use of facility	$ 224,584	$ 32,530

For the years ended December 31, 2023 and 2023, the Organization recognized contributed nonfinancial assets income for the contributed use of office space, none of which had donor-imposed restrictions. The contributed use of office space, which is located in Berkely, California, was valued using the market value of office rental rates in Berkley's commercial real estate market.