

Human Rights Foundation

Financial Statements

December 31, 2020

Independent Auditors' Report

Board of Directors Human Rights Foundation

We have audited the accompanying financial statements of the Human Rights Foundation which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Human Rights Foundation as of December 31, 2020, 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.

Prior Period Financial Statements

The financial statements of the Human Rights Foundation as of December 31, 2019, were audited by other auditors whose report dated November 10, 2020, expressed an unmodified opinion on those statements. As part of our audit of the December 31, 2020 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the Human Rights Foundation other than with respect to these adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole. The summarized comparative information presented herein as of and for the year ended December 31, 2019, after the adjustment described in Note 11, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

February 11, 2022

Human Rights Foundation

Statement of Financial Position December 31, 2020

(with comparative amounts at December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 7,832,521	\$ 1,334,197
Contributions and grants receivable	480,377	1,229,994
Prepaid expenses	40,259	70,014
Digital assets	300,587	9,204
Security deposit	70,493	70,493
Property and equipment, net	<u>2,962</u>	<u>4,777</u>
	<u>\$ 8,727,199</u>	<u>\$ 2,718,679</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 119,056	\$ 323,480
Paycheck Protection Program Loan payable	349,449	-
Deferred rent	<u>69,550</u>	<u>65,949</u>
Total Liabilities	<u>538,055</u>	<u>389,429</u>
Net Assets		
Without donor restrictions	5,854,219	586,406
With donor restrictions	<u>2,334,925</u>	<u>1,742,844</u>
Total Net Assets	<u>8,189,144</u>	<u>2,329,250</u>
	<u>\$ 8,727,199</u>	<u>\$ 2,718,679</u>

See notes to financial statements

Human Rights Foundation

Statement of Activities
Year Ended December 31, 2020
(with summarized totals for the year ended December 31, 2019)

	2020		2019
	Without Donor Restrictions	With Donor Restrictions	
REVENUE AND SUPPORT			
Contribution and grants	\$ 7,075,245	\$ 14,152,184	\$ 21,227,429
Other income	12,066	-	12,066
Investment return	23,979	-	23,979
Net assets released from restrictions	13,560,103	(13,560,103)	-
Total Revenue	20,671,393	592,081	21,263,474
EXPENSES			
Program services	14,382,379	-	14,382,379
Management and general	501,836	-	501,836
Fundraising	519,365	-	519,365
Total Expenses	15,403,580	-	15,403,580
Change in Net Assets	5,267,813	592,081	5,859,894
NET ASSETS			
Beginning of year, as restated	586,406	1,742,844	2,329,250
End of year	\$ 5,854,219	\$ 2,334,925	\$ 8,189,144
			\$ 2,329,250

See notes to financial statements

Human Rights Foundation

Statement of Functional Expenses

Year Ended December 31, 2020

(with summarized totals for the year ended December 31, 2019)

	2020				2019 Total
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 1,184,871	\$ 150,425	\$ 291,115	\$ 1,626,411	\$ 1,718,920
Payroll taxes	108,300	23,253	22,115	153,668	152,167
Employee benefits	86,874	15,669	27,079	129,622	202,339
Total Personnel Expenses	<u>1,380,045</u>	<u>189,347</u>	<u>340,309</u>	<u>1,909,701</u>	<u>2,073,426</u>
Public education	10,273,703	-	-	10,273,703	6,742,546
Humanitarian aid	19,113	-	-	19,113	1,100,000
Grants and awards	1,927,833	-	-	1,927,833	894,580
Professional services	371,040	156,569	55,538	583,147	865,505
General programs	51,155	6,414	19,619	77,188	349,362
Rent and utilities	213,560	40,615	53,948	308,123	314,929
Office expenses	25,953	6,161	8,086	40,200	72,753
Human resources	-	48,305	9,440	57,745	63,793
Telephone and internet	26,311	2,984	6,165	35,460	54,033
Information technology	29,145	22,916	221	52,282	42,245
Conference/meetings	36,144	-	678	36,822	32,575
Postage and delivery	9,240	252	3,376	12,868	25,555
Printing	11,471	1,125	14,394	26,990	23,664
Insurance	2,615	26,319	-	28,934	29,160
Advertising	1,226	-	5,132	6,358	8,772
Depreciation	1,815	-	-	1,815	1,815
Dues and subscriptions	1,816	93	2,459	4,368	1,091
Licenses	194	605	-	799	400
Leased equipment	-	131	-	131	314
Total Expenses	<u>\$ 14,382,379</u>	<u>\$ 501,836</u>	<u>\$ 519,365</u>	<u>\$ 15,403,580</u>	<u>\$ 12,696,518</u>

See notes to financial statements

Human Rights Foundation

Statement of Cash Flows Year Ended December 31, 2020 (with comparative amounts at December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,859,894	\$ 133,478
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,815	1,815
Deferred rent	3,601	13,571
Realized and unrealized gain on investments	(23,397)	(892)
Donated stocks	(486,710)	(210,755)
Donated digital assets	(373,083)	(19,461)
Changes in operating assets and liabilities		
Contributions and grants receivable	749,617	1,089,896
Prepaid expenses	(29,755)	(32,070)
Accounts payable and accrued expenses	17,791	(73,160)
Net Cash From Operating Activities	5,719,773	902,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of digital assets	(140,515)	38,973
Proceeds from sale of investments	569,617	251,195
Net Cash From Investing Activities	429,102	290,168
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	349,449	-
Repayment of loan payable	-	(100,000)
Net Cash From Financing Activities	349,449	(100,000)
Net Change in Cash and Cash Equivalents	6,498,324	1,092,590
CASH AND CASH EQUIVALENTS		
Beginning of year	1,334,197	241,607
End of year	\$ 7,832,521	\$ 1,334,197
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Operating Activities		
Accounts payable and accrued expenses paid by digital assets	\$ 222,215	\$ 38,973

See notes to financial statements

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

1. Organization and Tax Status

The Human Rights Foundation (the "Foundation") operates as a voluntary, non-profit, non-stock corporation chartered under the laws of the State of New York. The Foundation's purpose is to promote and protect human rights globally, with a focus on closed societies. The Foundation's mission is to ensure that freedom is both preserved and promoted. The Foundation is exempt from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires the Foundation's management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers highly liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or at fair value at the date of donation. The Foundation capitalizes expenditures for property and equipment in excess of \$2,500 with useful lives of three years or more. Depreciation is based on the straight-line method over the estimated useful lives of the assets which are generally three to seven years. The cost of maintenance and repairs is expensed as incurred.

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Foundation records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized as of December 31, 2020 and 2019.

Contributions and Grants

Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides an allowance for uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used all reasonable collection efforts, are charged to the allowance with a corresponding credit to contributions and grants receivable. Management determined no allowance for doubtful accounts is necessary at December 31, 2020 and 2019.

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

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

Contributions and Grants (continued)

Contributions and grants are recognized when the donor makes a promise to give to Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of their terms at December 31. Such amounts will be recognized as expenses during the subsequent fiscal years.

Net Asset Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation's net assets are classified as with or without donor restrictions. Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use is limited by donors by a specific time period or purpose and may include net assets to be held in perpetuity.

Digital Assets

The Foundation transacts in a variety of digital assets, including but not limited to, bitcoin ("BTC"), ether ("ETH"), Litecoin ("LTC"), and various other cryptocurrencies in Foundation-controlled wallets with third-party custodians. The Foundation utilizes multiple exchanges to facilitate the best execution of transactions as prices for underlying digital assets may vary across platforms. These are accounted for as intangible assets with indefinite useful lives and are initially measured at cost and recorded in Digital Assets, in the statement of financial position. Digital assets are considered current assets as these are reasonably expected to be realized in cash, converted or sold during the normal operating cycle of the business not exceeding 12 months, as a significant component of the Foundation's working capital.

Digital assets are accounted for as indefinite-lived intangible assets in accordance with ASC 350. The Foundation performs an analysis each quarter, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. The Foundation assigns costs to transactions on a FIFO basis.

In determining if an impairment has occurred, the Foundation considers the lowest daily price of a quoted digital asset on the active exchange, since acquiring the specific digital asset held by the Foundation. If the carrying value of a digital asset exceeds the underlier amount quoted at that lowest daily price, an impairment loss has occurred with respect to that digital asset in the amount equal to the difference between its carrying value and such lowest priced underlier amount.

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

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

Digital Assets (continued)

Impairment losses are recognized as digital asset impairment loss in the Foundation's statement of activities in the period in which the impairment is identified. The impaired digital assets are written down to their fair value at the time of impairment and this new cost basis will not be adjusted upward for any subsequent increase in fair value. Gains (if any) are not recorded until realized upon sale, at which point they would be presented net of any impairment losses in the Foundation's statement of activities. In determining the gain to be recognized upon sale, the Foundation calculates the difference between the sales price and carrying value of the specific digital asset sold immediately prior to sale.

Deferred Rent

The Foundation entered into a lease agreement for its office space containing an escalation clause that requires normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying statement of financial position.

Advertising Costs

The Foundation expenses the costs of advertising as incurred. For the years ended December 31, 2020 and 2019, advertising expenses were \$6,358 and \$8,772.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, professional fees, travel, office expense and supplies, among others, which are allocated based on estimates of time and effort. Expenses that are readily identifiable to a single program or activity are charged directly to that function, which includes grant expenses.

Reclassifications

Certain amounts in the December 31, 2019 financial statements have been reclassified to conform to the December 31, 2020 presentation.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2018.

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

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

Prior Year Summarized Comparative Information

Information as of and for the year ended December 31, 2019 is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended December 31, 2019, from which the summarized comparative information was derived.

3. Contributions and Grants Receivable

Unconditional promises to give are included in the financial statements as contributions and grants receivables. Contributions and grants receivables at December 31 are the following:

	<u>2020</u>	<u>2019</u>
One year or less	\$ 480,377	\$ 541,702
Two to five years	<u>-</u>	<u>688,292</u>
	<u>\$ 480,377</u>	<u>\$ 1,229,994</u>

Management believes that outstanding contributions will be fully collected and therefore has not provided any allowance for uncollectible amounts.

4. Digital Assets

During the years ended December 31, 2020 and 2019, the Foundation received \$373,083 and \$19,461 of digital assets. The Foundation also realized gains of \$27,639 for the year ended December 31, 2020. As of December 31, 2020 and 2019, the carrying value of the digital assets held was \$300,587 and \$9,204. The fair value of such digital assets held as of December 31, 2020 and 2019, was \$772,241 and \$12,308.

5. Property and Equipment

Property and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 14,862	\$ 14,862
Computer equipment	15,752	15,752
Less accumulated depreciation	<u>(27,652)</u>	<u>(25,837)</u>
	<u>\$ 2,962</u>	<u>\$ 4,777</u>

Depreciation expense was \$1,815 for each of the years ended December 31, 2020 and 2019.

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

6. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	2020	2019
OFF expansion	\$ 944,354	\$ 899,107
Venezuela humanitarian aid	547,728	547,728
Bitcoin development fund	266,066	-
Hong Kong desk	222,455	-
Belarus Solidarity Fund	102,842	-
Oslo freedom forum	-	191,009
China Regime Disruption Initiative	101,490	-
Impact litigation	65,000	105,000
Micro grants	75,040	-
Turkey desk	9,950	-
	\$ 2,334,925	\$ 1,742,844

Net assets with donor restrictions released from restrictions consisted of the following for the years ended December 31:

	2020	2019
Documentary	\$ 12,050,000	\$ 3,712,000
OFF expansion	116,753	1,018,782
Venezuela humanitarian aid	253,000	1,162,412
Belarus Solidarity Fund	247,958	-
Oslo freedom forum	221,859	722,229
Venezuela: OMI	-	428,335
College freedom forum	-	96,203
Fellowship	71,195	86,667
Audience education	-	73,050
Bitcoin development fund	160,735	-
Impact litigation	40,000	40,000
Hong Kong desk	127,924	-
Micro grants	169,960	-
China Regime Disruption Initiative	100,669	-
Turkey desk	50	34,554
Tech and liberty	-	15,000
Art in protest	-	14,000
	\$ 13,560,103	\$ 7,403,232

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

7. Paycheck Protection Program (PPP) Loan

On May 4, 2020, the Foundation received loan proceeds in the amount of \$349,449 under the Paycheck Protection Program (the "PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The loan and accrued interest is forgivable after two years as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgivable loan period. The unforgiven portion of the PPP loan is payable over two years, at an interest rate of 1% with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. The Foundation has reported the PPP loan as debt on its statement of financial position as of December 31, 2020. Management has assessed and concluded that the funds were used in accordance with SBA stipulations and are eligible for receiving full forgiveness from the SBA (see Note 12 for related subsequent event updated disclosures.)

8. Operating Lease

The Foundation has entered into an operating lease for office space expiring on August 31, 2024. Rent expense under the lease was \$295,126 and \$281,687 for the years ended December 31, 2020 and 2019.

The following is a schedule of future minimum rental payments required under the above operating lease:

2021	\$ 306,168
2022	312,292
2023	318,537
2024	215,171
	<u>\$ 1,152,168</u>

9. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of December 31, reduced by amounts not available for general use within one year of that date because of contractual or donor imposed restrictions or internal designations.

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash	\$ 7,832,521	\$ 1,334,197
Contributions and grants receivable	480,377	1,229,994
Digital assets, net	<u>300,587</u>	<u>9,204</u>
Total financial assets	8,613,485	2,573,395
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	<u>(2,334,925)</u>	<u>(1,742,844)</u>
Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 6,278,560</u>	<u>\$ 830,551</u>

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

9. Liquidity and Availability of Financial Assets *(continued)*

As part of the Foundation's liquidity management strategy, the Foundation structures its financial assets to be available as general expenditures, liabilities and other obligations come due. The Foundation's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of grants and contributions from donors. A majority of general expenditures over the next twelve months are financed through cash and cash equivalents and future grants and pledges.

10. Concentration of Credit Risk

At times during the year, the Foundation maintains cash balances at financial institutions in excess of federally insured limits. The Foundation maintains its cash with high quality financial institutions and has not experienced any losses on its cash deposits. The amount in excess of the FDIC limit was approximately \$7,836,000 and \$1,209,000 at December 31, 2020 and 2019. One organization accounted for 17% and 73% of the Foundation's total contributions and grants receivable at December 31, 2020 and 2019. Nine contributions accounted for approximately 71% of total revenue and support for the year ended December 31, 2020.

11. Restatement of Prior Period Financial Statements

During the preparation of the 2020 financial statements, the Foundation identified an error in the accounting for digital assets and deferred rent calculation prior to 2020. The Foundation restated its 2019 financial statements in order to properly reflect the assets, liabilities and change in net assets related to this error. The impact of the correction on the Foundation's 2019 financial statements are as follows:

	<u>Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>Restated Amount</u>
<u>Statement of Financial Position</u>			
Digital asset	\$ -	\$ 9,204	\$ 9,204
Deferred rent	52,378	13,571	65,949
Net assets without donor restrictions	655,459	(69,053)	586,406
<u>Statement of Activities</u>			
Investment return	4,004	(3,104)	900
Net assets - January 1, 2019	2,248,150	(52,378)	2,195,772
<u>Overall Change in Net Assets</u>			
Change in Net Assets	150,153	(16,675)	133,478
<u>Statement of Functional Expenses</u>			
Rent and utilities	301,358	13,571	314,929

Human Rights Foundation

Notes to Financial Statements
December 31, 2020 and 2019

12. Subsequent Events

On January 11, 2022, the Foundation received notice from its bankers that the Small Business Administration (“SBA”) has authorized the full forgiveness of the PPP loan, as such, the bank will apply the forgiveness to the Foundation loan account and offset all interest accrued. The forgiveness amount will be reported on the Foundation’s results for its 2021 year end.

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 February 11, 2022.

13. COVID-19

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date these financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in fiscal year 2021 and beyond cannot be reasonably estimated at this time.

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