

# **Human Rights Foundation**

Financial Statements

December 31, 2023 and 2022

## **Independent Auditors' Report**

### **Board of Directors Human Rights Foundation**

#### ***Opinion***

We have audited the accompanying financial statements of the Human Rights Foundation (the "Foundation") which comprise the statements of financial position as of December 31, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

##### **Adoption of New Accounting Standard**

As discussed in Note 2, to the financial statements, the Foundation adopted the Accounting Standards Update ("ASU") 2023-08, using the modified-retrospective method with January 1, 2023, as the date of initial adoption. Our opinion is not modified with respect to this matter

##### ***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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting 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 generally accepted auditing standards, 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 the 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant 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 the Foundation'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.

*PKF O'Connor Davies, LLP*

September 24, 2024

## Human Rights Foundation

### Statements of Financial Position

	December 31	
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,358,246	\$ 7,232,086
Contributions and grants receivable, net	2,175,484	265,357
Other receivables	-	140,558
Investments	8,391,196	9,002,352
Digital assets	39,621,540	17,297,397
Prepaid expenses and other assets	218,289	286,506
Security deposit	113,295	76,993
Right of use asset - operating lease, net	3,306,403	360,286
Property and equipment, net	102,384	25,061
	<u>\$ 58,286,837</u>	<u>\$ 34,686,596</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 614,073	\$ 136,040
Lease liability for operating lease	3,376,963	396,804
Total Liabilities	<u>3,991,036</u>	<u>532,844</u>
Net Assets		
Without donor restrictions	52,277,317	33,860,207
With donor restrictions	2,018,484	293,545
Total Net Assets	<u>54,295,801</u>	<u>34,153,752</u>
	<u>\$ 58,286,837</u>	<u>\$ 34,686,596</u>

See notes to financial statements

# Human Rights Foundation

## Statements of Activities

Year Ended December 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Contribution and grants	\$ 12,060,872	\$ 5,072,920	\$ 17,133,792	\$ 11,970,346	\$ 657,169	\$ 12,627,515
Non-financial asset contributions	353,375	-	353,375	17,164,506	520,916	17,685,422
Film revenue	310,058	-	310,058	-	-	-
Sponsorships	183,829	-	183,829	162,030	-	162,030
Special events revenue (net of direct cost of \$297,145 and \$0)	(121,223)	-	(121,223)	222,646	-	222,646
Other income	3,913	-	3,913	2	-	2
Investment return	579,296	-	579,296	(8,169)	-	(8,169)
Realized loss on redemption of digital assets	(270,390)	-	(270,390)	(1,606,791)	-	(1,606,791)
Unrealized gain (loss) on digital assets	26,992,974	-	26,992,974	(3,050,438)	-	(3,050,438)
PPP Loan forgiveness	-	-	-	349,449	-	349,449
Net assets released from restrictions	3,347,981	(3,347,981)	-	2,403,374	(2,403,374)	-
Total Revenue	<u>43,440,685</u>	<u>1,724,939</u>	<u>45,165,624</u>	<u>27,606,955</u>	<u>(1,225,289)</u>	<u>26,381,666</u>
<b>EXPENSES</b>						
Program services	23,314,706	-	23,314,706	12,533,017	-	12,533,017
Management and general	1,377,081	-	1,377,081	840,772	-	840,772
Fundraising	988,633	-	988,633	538,295	-	538,295
Total Expenses	<u>25,680,420</u>	<u>-</u>	<u>25,680,420</u>	<u>13,912,084</u>	<u>-</u>	<u>13,912,084</u>
Change in Net Assets	17,760,265	1,724,939	19,485,204	13,694,871	(1,225,289)	12,469,582
<b>NET ASSETS</b>						
Beginning of year	33,860,207	293,545	34,153,752	20,165,336	1,518,834	21,684,170
Cumulative effect of implementation of ASU 2023-08	<u>656,845</u>	<u>-</u>	<u>656,845</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 52,277,317</u>	<u>\$ 2,018,484</u>	<u>\$ 54,295,801</u>	<u>\$ 33,860,207</u>	<u>\$ 293,545</u>	<u>\$ 34,153,752</u>

See notes to financial statements

## Human Rights Foundation

### Statement of Functional Expenses Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,381,491	\$ 312,447	\$ 375,788	\$ 4,069,726
Payroll taxes	195,017	44,639	44,141	283,797
Employee benefits	325,517	28,721	30,489	384,727
Total Personnel Expenses	3,902,025	385,807	450,418	4,738,250
Grants and direct assistance	10,008,303	-	-	10,008,303
Public education, including in-kind of \$353,375	6,349,626	28,319	-	6,377,945
Professional services	1,607,566	558,231	335,972	2,501,769
Travel expenses	216,812	24,628	47,911	289,351
Rent and utilities	375,007	34,262	40,845	450,114
Office expenses	10,127	149,797	7,549	167,473
Staff training and development	69,491	21,415	2,928	93,834
Human resources	130	64,208	27,592	91,930
Telephone and internet	14,074	8,929	1,268	24,271
Information technology	67,050	45,317	33,477	145,844
Conference and meetings	168,748	-	13,417	182,165
Postage and delivery	28,573	9,047	2,635	40,255
Printing	11,334	5,678	17,558	34,570
Insurance	49,221	14,762	-	63,983
Advertising	430,451	465	7,063	437,979
Depreciation	-	23,254	-	23,254
Dues and subscriptions	606	-	-	606
Licenses	4,757	2,962	-	7,719
Repairs and maintenance	805	-	-	805
Special event direct expenses	-	-	297,145	297,145
Total Expenses	23,314,706	1,377,081	1,285,778	25,977,565
Less: Special event direct expenses	-	-	(297,145)	(297,145)
Total Expenses Reported by Function on Statement of Activities	\$ 23,314,706	\$ 1,377,081	\$ 988,633	\$ 25,680,420

See notes to financial statements

## Human Rights Foundation

### Statement of Functional Expenses Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,143,095	\$ 252,811	\$ 240,324	\$ 2,636,230
Payroll taxes	148,615	39,168	14,338	202,121
Employee benefits	199,614	44,025	19,355	262,994
Total Personnel Expenses	<u>2,491,324</u>	<u>336,004</u>	<u>274,017</u>	<u>3,101,345</u>
Grants and direct assistance	4,047,360	10,000	-	4,057,360
Public education	3,680,118	-	7,804	3,687,922
Professional services, including in-kind of \$28,371	1,197,374	244,789	81,475	1,523,638
Travel expenses	177,319	23,706	30,510	231,535
Rent and utilities	313,299	68,877	29,561	411,737
Office expenses	34,822	10,714	2,443	47,979
Staff training and development	9,516	6,593	43,492	59,601
Human resources	50	58,218	18,356	76,624
Telephone and internet	20,463	4,989	2,775	28,227
Information technology	44,541	43,621	14,524	102,686
Conference and meetings	22,770	-	7,941	30,711
Postage and delivery	9,026	287	1,829	11,142
Printing	21,823	910	27	22,760
Insurance	37,507	23,780	-	61,287
Advertising, including in-kind of \$358,782	424,093	429	22,041	446,563
Depreciation	-	7,333	-	7,333
Dues and subscriptions	1,522	-	1,500	3,022
Licenses	90	522	-	612
Total Expenses	<u>\$ 12,533,017</u>	<u>\$ 840,772</u>	<u>\$ 538,295</u>	<u>\$ 13,912,084</u>

See notes to financial statements

## Human Rights Foundation

### Statements of Cash Flows

	Year Ended December 31	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 19,485,204	\$ 12,469,582
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	23,254	7,333
Amortization of right of use asset	321,312	284,574
Discount on pledges receivable	53,957	3,660
PPP Loan forgiveness	-	(349,449)
Unrealized and realized gain on investments	(184,541)	(17,910)
Unrealized (gain) loss on digital assets	(26,992,974)	3,050,438
Realized loss on sale of digital assets	270,390	1,606,791
Donated stocks	(50,961)	-
Donated digital assets	(33,836)	(17,298,269)
Changes in operating assets and liabilities		
Contributions and grants receivable	(1,964,084)	5,208,866
Other receivables	140,558	114,231
Prepaid expenses and other assets	68,217	24,602
Security deposit	(36,302)	-
Accounts payable and accrued expenses	3,580,218	952,843
Lease liability for operating lease	(287,270)	(306,697)
Net Cash From Operating Activities	(5,606,858)	5,750,595
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(100,577)	(21,075)
Purchase of investments	(5,840,814)	(8,975,223)
Proceeds from sale of digital assets	1,986,937	386,914
Proceeds from sale of investments	6,687,472	101,777
Net Cash From Investing Activities	2,733,018	(8,507,607)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of PPP Loan payment	-	88,861
Net Change in Cash and Cash Equivalents	(2,873,840)	(2,668,151)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	7,232,086	9,900,237
End of year	\$ 4,358,246	\$ 7,232,086
<b>NON-CASH OPERATING ACTIVITIES</b>		
Accounts payable and accrued expenses paid by digital assets	\$ 3,102,185	\$ 1,025,623
Right of use asset recognized	3,364,012	644,860

See notes to financial statements

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

### 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.

#### ***Adoption of New Accounting Pronouncements***

##### *Credit Losses*

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an “expected loss” model for instruments measured at amortized cost. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on January 1, 2023, did not have a material effect on the financial statements.

##### *Intangibles—Goodwill and Other-Crypto Assets*

In December 2023, the FASB issued ASU No. 2023-08, *Intangibles — Goodwill and Other — Crypto Assets* (Subtopic 350-60) (ASU 2023-08), which provides an update to existing crypto asset guidance and requires an entity to measure certain crypto assets at fair value. In addition, this guidance requires additional disclosures related to crypto assets once it is adopted. As of January 1, 2023, the Foundation has adopted ASU 2023-08.

The Foundation reflects crypto assets held at fair value on the statements of financial position and the activity from remeasurement of digital assets at fair value on the statements of activities, and the required expanded disclosures are reflected in Note 5, *Digital Assets*. The adoption of ASU 2023-08 resulted in a cumulative-effect adjustment to increase the opening balance of net assets without donor restrictions of \$656,845 as of January 1, 2023.

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

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

#### **Contributions of Non-Financial Assets**

Contributions of nonfinancial assets for the years ended December 31, consisted of the following:

	2023	2022	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Digital Assets	\$ -	\$ 16,777,353	Program and Administration	No associated donor restrictions	(a)
Digital Assets	-	520,916	Program	Bitcoin Development Fund	(a)
Public Education - Design services	353,375	-	Program	No associated donor restrictions	(b)
Advertising Services	-	358,782	Program and Administration	No associated donor restrictions	(b)
Legal Services	-	28,371	Administration	No associated donor restrictions	(b)
	<u>\$ 353,375</u>	<u>\$ 17,685,422</u>			

(a) In valuing digital assets, the Foundation recognizes the fair value at the date of the donation, based on quoted prices in active markets.

(b) Contributed services are valued at the estimated fair value based on current rates for similar services.

#### **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.

#### **Fair Value Measurements**

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

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

#### ***Investment Valuation and Investment Income Recognition***

Investments are valued at fair value in the statements of financial position. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***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, 2023.

#### ***Revenue Recognition***

##### ***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, 2023 and 2022.

Contributions and grants are recognized when the donor makes a promise to give to the 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.

##### ***Film Revenue***

The Foundation receives revenue from distributors who pay to license and distribute film content. The Foundation recognizes the film revenue when stated deliverables are met. In addition, certain other film revenue is accounted for upon receipt of payments from distributors as the Foundation is unable to determine its share of revenue, if any.

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

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

#### ***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 were accounted for as intangible assets with indefinite useful lives and initially measured at cost and recorded in digital assets, in the statements of financial position.

Effective January 1, 2023, digital assets are accounted for at fair-value in accordance with ASU 2023-08 within Digital Assets on the statements of financial position. The activity from remeasurement of digital assets is reflected in the statement of activities. Digital assets that are received as noncash considerations in the Foundation's revenue agreements and sold for cash nearly immediately and are presented as cash flows from operating activities, while other sales and purchases are reflected as cashflows from investing activities in the statements of cash flows. The Foundation assigns costs to transactions on a FIFO basis. Refer to Note 5, Digital Assets for additional information. Digital assets are reasonably expected to be realized in cash, converted or sold during the normal operating cycle of the business, as a significant component of the Foundation's working capital.

#### ***Advertising Costs***

The Foundation expenses the costs of advertising as incurred. For the years ended December 31, 2023 and 2022, advertising expenses were \$791,354 and \$446,563.

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements 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.

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

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

#### ***Leases***

The Foundation accounts for leases under Topic 842. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying statements of financial position. The Foundation made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, the Foundation uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that the Foundation will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately. The Foundation's lease agreements do not contain any variable lease components. The Foundation applies the short-term lease exemption to all of its classes of underlying assets.

#### ***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, 2020.

#### ***Subsequent Events Evaluation by Management***

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, the date of which is September 24, 2024.

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

### 3. Contributions and Grants Receivable

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

	<u>2023</u>	<u>2022</u>
One year or less	\$1,250,500	\$ 184,017
Two to five years	<u>982,601</u>	<u>85,000</u>
	2,233,101	269,017
Less: present value discount	<u>(57,617)</u>	<u>(3,660)</u>
	<u><u>\$2,175,484</u></u>	<u><u>\$ 265,357</u></u>

Payments expected to be received in more than one year have been discounted to their present value using an interest rate ranging from 4.15% to 4.5% for the years ended December 31, 2023 and 2022. Management believes that outstanding contributions will be fully collected and therefore has not provided any allowance for uncollectible amounts.

### 4. Investments

The following are the classes and major categories of investments at December 31:

	<u>2023</u>	<u>2022</u>
Level I		
Common stocks	\$ 8,523	\$ 1,734
Level II		
Corporate bonds	4,175,574	3,945,221
US Treasury obligations	<u>3,202,825</u>	<u>1,988,784</u>
Total Investments at Fair Value	7,386,922	5,935,739
Money market funds, at cost	<u>1,004,274</u>	<u>3,066,613</u>
Total Investments	<u><u>\$8,391,196</u></u>	<u><u>\$ 9,002,352</u></u>

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

### 5. Digital Assets

The following table sets forth the units held, cost basis, and fair value of digital assets held, as shown on the statement of financial position as of December 31, 2023:

	2023		
	Units	Cost Basis	Fair Value
Bitcoin	907	<u>\$ 22,513,902</u>	<u>\$39,621,540</u>
	2022		
	Units	Cost Basis	Fair Value
Bitcoin	1082	<u>\$ 20,907,110</u>	<u>\$17,297,397</u>

The following table represents a reconciliation of the fair values of the Foundation's bitcoin held for the year ended December 31:

	2023	
	Units	Fair Value
Balance as of January 1, 2023	1,082	\$ 17,297,397
Additions	1	33,836
Sales	(66)	(1,986,937)
Expenditures	(111)	(3,102,185)
ASU 2023-08 implementation - remeasurement gain	-	656,845
Realized loss	-	(270,390)
Unrealized gain	-	26,992,974
Balance as of December 31, 2023	<u>907</u>	<u>\$ 39,621,540</u>

Digital assets are valued using level 1 inputs at December 31, 2023.

	2022	
	Units	Value
Balance as of January 1, 2022	111	\$ 6,068,894
Additions	1,027	17,298,269
Sales	(13)	(386,914)
Expenditures	(43)	(1,025,623)
Realized loss	-	(1,606,791)
Impairment	-	(3,050,438)
Balance as of December 31, 2022	<u>1,082</u>	<u>\$ 17,297,397</u>

## Human Rights Foundation

Notes to Financial Statements  
December 31, 2023 and 2022

### 5. Digital Assets (continued)

Additions represent contributions received from donors, while sales and expenditures are result of liquidations and payments for services. For the year ended December 31, 2023, the Foundation recognized a gain of \$27,379,429 from the remeasurement of the Foundation's bitcoin investment. This remeasurement gain included realized losses of \$270,390 from the sales of bitcoins and an unrealized gain of \$27,649,819 and is included in the accompanying statements of activities.

The Foundation's bitcoin holdings are not subject to any contractual sale restrictions.

### 6. Property and Equipment

Property and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 76,709	\$ 38,652
Computer equipment	88,272	25,752
Less accumulated depreciation	<u>(62,597)</u>	<u>(39,343)</u>
	<u>\$ 102,384</u>	<u>\$ 25,061</u>

Depreciation expense was \$23,254 and \$7,333 for the years ended December 31, 2023 and 2022.

### 7. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Impact litigation	\$ 1,924,984	\$ -
China Regime Disruption Initiative	-	2,160
Afghanistan Humanitarian Aid	-	76,557
Belarus Solidarity Fund	-	19,828
Thayer initiative	8,500	-
Time restriction	<u>85,000</u>	<u>195,000</u>
	<u>\$ 2,018,484</u>	<u>\$ 293,545</u>

## Human Rights Foundation

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### 7. Net Assets with Donor Restrictions *(continued)*

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

	2023	2022
Ukraine Solidarity Fund	\$ 1,772,500	\$ 444,305
Financial freedom	1,028,506	-
OFF expansion	-	367,275
Thayer initiative	71,500	-
Bitcoin development fund	182,502	866,198
Hong Kong desk	-	182,345
China Regime Disruption Initiative	2,160	99,330
Afghanistan Humanitarian Aid	76,557	12,500
Belarus Solidarity Fund	19,828	249,528
Impact litigation	57,617	25,000
Fellowship	-	38,186
Turkey desk	-	2,600
Oslo freedom forum	10,000	6,107
Oslo freedom forum - Taiwan	8,811	-
Audience education	8,000	-
Time restricted	110,000	110,000
	\$ 3,347,981	\$ 2,403,374

### 8. 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 are 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. Management has assessed and concluded that the funds were used in accordance with SBA stipulations and are eligible to receive full forgiveness from the SBA.

In December 2021, the Foundation applied for the PPP loan forgiveness of \$349,449. The application was approved by SBA in January 2022. The amount is included as revenue and support on the statement of activities for the year ended December 31, 2022. During the 2022 fiscal year, the Foundation was refunded \$88,861 of payments made on the loan prior to receiving forgiveness of the loan balance.

## Human Rights Foundation

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### 9. Lease Commitment

The Foundation entered into an operating lease for office space expiring on March 20, 2024. The lease was modified in November 2023 to acquire additional space with a new expiration date of November 30, 2033. Included in the measurement of lease liabilities from operating lease included cash paid of \$287,270 and \$306,697 for the years ended December 31, 2023 and 2022. Rent expense recognized under Topic 842 amounted to \$265,987 and \$290,168 for the years ended December 31, 2023 and 2022.

The Foundation signed an additional lease on December 25, 2020, with an expiration date of January 13, 2023. The lease agreement converted into a month-to-month agreement upon the expiration. The Foundation has also entered into various agreements for working space. The lease agreements are generally month to month or are short term. Short-term lease expense for the years ended December 31, 2023 and 2022 was \$108,740 and \$101,346, respectively.

Minimum future rental payments under operating lease with remaining terms in excess of one year for fiscal years ending December 31, are payable as follows:

2024	\$	284,787
2025		427,180
2026		427,180
2027		427,180
2028		432,922
Thereafter		<u>2,269,679</u>
Total future minimum lease payment		4,268,928
Less imputed interest		<u>(891,965)</u>
Total Lease Liability		<u>\$ 3,376,963</u>

	2023	2022
Weighted average remaining lease term	10 years	2 years
Weighted average discount rate	4.62%	1.04%

ROU asset under lease agreement at December 31, consist of the following:

	2023	2022
Right of use assets - operating lease	\$ 3,627,715	\$ 644,860
Less: accumulated amortization	<u>(321,312)</u>	<u>(284,574)</u>
	<u>\$ 3,306,403</u>	<u>\$ 360,286</u>

## Human Rights Foundation

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### 10. 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>2023</u>	<u>2022</u>
Financial Assets		
Cash	\$ 4,358,246	\$ 7,232,086
Contributions and grants receivable	2,175,484	265,357
Other receivables	-	140,558
Investments	8,391,196	9,002,352
Digital assets	<u>39,621,540</u>	<u>17,297,397</u>
Total Financial Assets	54,546,466	33,937,750
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	<u>(2,018,484)</u>	<u>(293,545)</u>
Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 52,527,982</u>	<u>\$ 33,644,205</u>

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.

### 11. Credit Risk and Donor Concentration

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, receivables, investments and digital assets. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit.

One organization accounted 94% and 91% of the Foundation's contributions and grants receivable at December 31, 2023 and 2022. One donor contribution accounted for approximately 31% of total revenue and support for the year ended December 31, 2023. Two donor contributions accounted for approximately 55% of total revenue and support for the year ended December 31, 2022. At December 31, 2023 and 2022, 100% of the Foundation's digital assets were shares of Bitcoin.

## **Human Rights Foundation**

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### **12. Contingencies**

The Foundation has been involved in certain legal actions during the ordinary course of business. The Foundation believes it has defenses for such claims and that the claims as they relate to the Foundation are substantially without merit.

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