

LIBERTY IN NORTH KOREA
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020



**LIBERTY IN NORTH KOREA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Liberty in North Korea

Opinion

We have audited the accompanying financial statements of Liberty in North Korea (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, 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 Liberty in North Korea as of December 31, 2021 and 2020, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Liberty in North Korea and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Liberty in North Korea'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 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 generally accepted auditing standards 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, including omissions, 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 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 Liberty in North Korea'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 Liberty in North Korea'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.

O & S CPAs & Business Advisors LLP

Long Beach, California

May 24, 2022

LIBERTY IN NORTH KOREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,168,902	\$ 359,033	\$ 3,527,935
Contributions receivable	276,632	-	276,632
Inventory	15,044	-	15,044
Prepaid expenses	61,744	-	61,744
Total Current Assets	<u>3,522,322</u>	<u>359,033</u>	<u>3,881,355</u>
Noncurrent Assets			
Property and equipment, net	45,282	-	45,282
Deposits	11,125	-	11,125
Total Noncurrent Assets	<u>56,407</u>	<u>-</u>	<u>56,407</u>
TOTAL ASSETS	<u><u>\$ 3,578,729</u></u>	<u><u>\$ 359,033</u></u>	<u><u>\$ 3,937,762</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 15,744	\$ -	\$ 15,744
Accrued liabilities	126,186	-	126,186
Total Current Liabilities	<u>141,930</u>	<u>-</u>	<u>141,930</u>
Total Liabilities	<u>141,930</u>	<u>-</u>	<u>141,930</u>
Net Assets			
Without Donor Restrictions			
Undesignated	3,436,799	-	3,436,799
	<u>3,436,799</u>	<u>-</u>	<u>3,436,799</u>
With Donor Restrictions	-	359,033	359,033
Total Net Assets	<u>3,436,799</u>	<u>359,033</u>	<u>3,795,832</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,578,729</u></u>	<u><u>\$ 359,033</u></u>	<u><u>\$ 3,937,762</u></u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,710,918	\$ 369,313	\$ 2,080,231
Contributions receivable	217,502	25	217,527
Inventory	11,016	-	11,016
Prepaid expenses	67,563	-	67,563
Total Current Assets	<u>2,006,999</u>	<u>369,338</u>	<u>2,376,337</u>
Noncurrent Assets			
Property and equipment, net	56,833	-	56,833
Deposits	7,625	-	7,625
Total Noncurrent Assets	<u>64,458</u>	<u>-</u>	<u>64,458</u>
TOTAL ASSETS	<u>\$ 2,071,457</u>	<u>\$ 369,338</u>	<u>\$ 2,440,795</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 2,738	\$ -	\$ 2,738
Accrued liabilities	65,002	-	65,002
Total Current Liabilities	<u>67,740</u>	<u>-</u>	<u>67,740</u>
Noncurrent Liabilities			
Loan payable	238,600	-	238,600
Total Noncurrent Liabilities	<u>238,600</u>	<u>-</u>	<u>238,600</u>
Total Liabilities	<u>306,340</u>	<u>-</u>	<u>306,340</u>
Net Assets			
Without Donor Restrictions			
Undesignated	1,765,117	-	1,765,117
	<u>1,765,117</u>	<u>-</u>	<u>1,765,117</u>
With Donor Restrictions	-	369,338	369,338
Total Net Assets	<u>1,765,117</u>	<u>369,338</u>	<u>2,134,455</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,071,457</u>	<u>\$ 369,338</u>	<u>\$ 2,440,795</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT			
Contributions	\$ 3,126,230	\$ 409,406	\$ 3,535,636
Grants (includes PPP loan forgiveness)	511,400	650,000	1,161,400
Total Support	<u>3,637,630</u>	<u>1,059,406</u>	<u>4,697,036</u>
REVENUE			
Special events	115,000	10,000	125,000
Less: cost of direct benefits to donors	<u>(171,382)</u>	-	<u>(171,382)</u>
Net special events	(56,382)	10,000	(46,382)
Inventory sales, net of \$9,569 cost of goods sold	9,027	-	9,027
Interest income	<u>1,947</u>	-	<u>1,947</u>
Total Revenue	<u>(45,408)</u>	<u>-</u>	<u>(35,408)</u>
Net assets released from restrictions	<u>1,079,711</u>	<u>(1,079,711)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,671,933</u>	<u>(10,305)</u>	<u>4,661,628</u>
EXPENSES			
Program services	2,003,956	-	2,003,956
Fund-raising	512,928	-	512,928
Management and general	<u>474,696</u>	-	<u>474,696</u>
TOTAL EXPENSES	2,991,580	-	2,991,580
Net loss on sale or exchange of assets	<u>8,671</u>	-	<u>8,671</u>
TOTAL EXPENSES AND LOSSES	<u>3,000,251</u>	<u>-</u>	<u>3,000,251</u>
CHANGE IN NET ASSETS	<u>1,671,682</u>	<u>(10,305)</u>	<u>1,661,377</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,765,117</u>	<u>369,338</u>	<u>2,134,455</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,436,799</u></u>	<u><u>\$ 359,033</u></u>	<u><u>\$ 3,795,832</u></u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	\$ 1,829,880	\$ 768,703	\$ 2,598,583
Grants	-	683,645	683,645
Total Support	<u>1,829,880</u>	<u>1,452,348</u>	<u>3,282,228</u>
REVENUE			
Inventory sales, net of \$10,799 cost of goods sold	14,747	-	14,747
Interest income	3,353	-	3,353
Total Revenue	<u>18,100</u>	<u>-</u>	<u>18,100</u>
Net assets released from restrictions	<u>1,189,445</u>	<u>(1,189,445)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,037,425</u>	<u>262,903</u>	<u>3,300,328</u>
EXPENSES			
Program services	1,751,798	-	1,751,798
Fund-raising	473,408	-	473,408
Management and general	546,717	-	546,717
TOTAL EXPENSES	<u>2,771,923</u>	<u>-</u>	<u>2,771,923</u>
Net loss on sale or exchange of assets	<u>14,693</u>	<u>-</u>	<u>14,693</u>
TOTAL EXPENSES AND LOSSES	<u>2,786,616</u>	<u>-</u>	<u>2,786,616</u>
CHANGE IN NET ASSETS	<u>250,809</u>	<u>262,903</u>	<u>513,712</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,514,308</u>	<u>106,435</u>	<u>1,620,743</u>
NET ASSETS, END OF YEAR	<u>\$ 1,765,117</u>	<u>\$ 369,338</u>	<u>\$ 2,134,455</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Fund-raising	Management and General	Total
Payroll expenses				
Salaries and wages	\$ 1,129,401	\$ 261,483	\$ 215,705	\$ 1,606,589
Employee benefits	209,683	58,447	44,729	312,859
Payroll taxes	52,233	20,442	14,785	87,460
Total payroll expenses	<u>1,391,317</u>	<u>340,372</u>	<u>275,219</u>	<u>2,006,908</u>
Advertising	3,479	-	1,720	5,199
Bank service charges	-	-	3,451	3,451
Client assistance	31,900	684	-	32,584
Client travel	694	-	-	694
Consultants	9,861	2,380	-	12,241
Depreciation expense	23,607	1,702	3,322	28,631
Dues and subscriptions	25,381	16,806	9,882	52,069
Equipment expense	5,074	1,719	529	7,322
Facility and equipment rentals	7,422	149,307	-	156,729
Film production	208,142	-	-	208,142
Gifts and appreciation	9,721	21,893	8,405	40,019
Insurance	-	-	10,960	10,960
Inventory purchases	9,569	-	-	9,569
Legal and professional fees	37,309	13,118	48,831	99,258
Meals and entertainment	7,300	17,771	8,253	33,324
Merchant account fees	-	456	75,554	76,010
Payroll fees	-	-	2,112	2,112
Postage	2,082	2,153	125	4,360
Printing and reproduction	1,563	3,376	257	5,196
Professional fundraising	-	42,000	-	42,000
Rent expense	110,884	18,319	16,813	146,016
Repairs and maintenance	3,573	958	676	5,207
Rescue expense	32,214	-	-	32,214
Research and Development	22,689	-	-	22,689
Staff development	1,408	100	2,019	3,527
Staff/Intern housing	13,073	-	-	13,073
Supplies	8,378	9,467	416	18,261
Taxes and licenses	-	-	483	483
Travel	28,307	37,892	2,719	68,918
Utilities	14,122	3,232	2,343	19,697
Worker's compensation	<u>4,456</u>	<u>605</u>	<u>607</u>	<u>5,668</u>
Total expenses	2,013,525	684,310	474,696	3,172,531
Less expenses included in revenue section of the statement of activities	<u>(9,569)</u>	<u>(171,382)</u>	<u>-</u>	<u>(180,951)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 2,003,956</u>	<u>\$ 512,928</u>	<u>\$ 474,696</u>	<u>\$ 2,991,580</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Fund-raising	Management and General	Total
Payroll expenses				
Salaries and wages	\$ 1,078,232	\$ 302,174	\$ 271,557	\$ 1,651,963
Employee benefits	150,248	35,417	32,545	218,210
Payroll taxes	47,142	23,757	19,093	89,992
Total payroll expenses	1,275,622	361,348	323,195	1,960,165
Advertising	3,653	14,174	53	17,880
Bank service charges	-	-	2,458	2,458
Client assistance	54,759	-	-	54,759
Client travel	7,784	-	-	7,784
Consultants	3,698	4,000	-	7,698
Depreciation expense	30,354	3,867	5,936	40,157
Dues and subscriptions	23,537	7,772	9,622	40,931
Equipment expense	5,327	125	494	5,946
Facility and equipment rentals	784	10,121	250	11,155
Gifts and appreciation	8,900	6,029	4,333	19,262
Insurance	1,188	70	10,199	11,457
Interest expense	-	-	11	11
Inventory purchases	10,799	-	-	10,799
Legal and professional fees	50,531	10,383	126,515	187,429
Meals and entertainment	11,263	8,627	6,022	25,912
Merchant account fees	-	7	28,201	28,208
Payroll fees	-	-	2,315	2,315
Postage	3,505	4,877	280	8,662
Printing and reproduction	1,623	3,945	81	5,649
Professional fundraising	-	12,030	-	12,030
Rent expense	86,143	14,978	15,202	116,323
Repairs and maintenance	2,708	432	347	3,487
Rescue expense	120,687	-	-	120,687
Staff development	901	395	3,999	5,295
Supplies	8,895	1,945	534	11,374
Taxes and licenses	34	-	436	470
Travel	31,778	3,487	2,214	37,479
Utilities	12,328	3,171	2,559	18,058
Worker's compensation	5,796	1,625	1,461	8,882
Total expenses	1,762,597	473,408	546,717	2,782,722
Less expenses included in revenue section of the statement of activities	(10,799)	-	-	(10,799)
Total expenses included in the expense section of the statement of activities	<u>\$ 1,751,798</u>	<u>\$ 473,408</u>	<u>\$ 546,717</u>	<u>\$ 2,771,923</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 1,671,682	\$ (10,305)	\$ 1,661,377
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation	28,631	-	28,631
Forgiveness of PPP loan	(461,400)	-	(461,400)
Net realized gain on disposal of assets	(507)	-	(507)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Contributions receivable	(59,130)	25	(59,105)
Inventory	(4,028)	-	(4,028)
Prepaid expenses	5,819	-	5,819
Deposits	(3,500)	-	(3,500)
Increase (decrease) in:			
Accounts payable	13,006	-	13,006
Accrued liabilities	61,184	-	61,184
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,251,757</u>	<u>(10,280)</u>	<u>1,241,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(26,677)	-	(26,677)
Proceeds from sale of property and equipment	10,104	-	10,104
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(16,573)</u>	<u>-</u>	<u>(16,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from PPP loan	222,800	-	222,800
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>222,800</u>	<u>-</u>	<u>222,800</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,457,984	(10,280)	1,447,704
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,710,918</u>	<u>369,313</u>	<u>2,080,231</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 3,168,902</u></u>	<u><u>\$ 359,033</u></u>	<u><u>\$ 3,527,935</u></u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 250,809	\$ 262,903	\$ 513,712
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation	40,157	-	40,157
Net realized loss on disposal of assets	523	-	523
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Contributions receivable	(134,972)	13,810	(121,162)
Inventory	969	-	969
Prepaid expenses	(59,093)	-	(59,093)
Deposits	22,336	-	22,336
Increase (decrease) in:			
Accounts payable	(14,963)	-	(14,963)
Accrued liabilities	44,332	-	44,332
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>150,098</u>	<u>276,713</u>	<u>426,811</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(19,510)	-	(19,510)
Proceeds from sale of property and equipment	17,472	-	17,472
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(2,038)</u>	<u>-</u>	<u>(2,038)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from PPP loan	238,600	-	238,600
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>238,600</u>	<u>-</u>	<u>238,600</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	386,660	276,713	663,373
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,324,258</u>	<u>92,600</u>	<u>1,416,858</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 1,710,918</u></u>	<u><u>\$ 369,313</u></u>	<u><u>\$ 2,080,231</u></u>

The accompanying notes are an integral part of these financial statements.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Liberty in North Korea (the “Organization”) is a 501(c)(3) nonprofit organization based out of Long Beach, California, with overseas operations in South Korea. The Organization’s main purpose is to work alongside the North Korean people to accelerate change by focusing on four primary strategic areas:

- 1) Refugee Rescue & Resettlement Support - Helping North Korean refugees reach freedom and begin new lives.** North Korean refugees who have escaped into China face the twin threats of exploitation and forced repatriation. The Organization brings these individuals through networks that cover 3,000 miles of secret rescue routes, helping them safely resettle in South Korea or the United States without cost or condition. Newly arriving North Korean refugees face a range of resettlement challenges in their new societies. The Organization provides resources and guidance to help these individuals make a smooth adjustment and quick transition to self-sufficiency through support such as resettlement counseling, interpretation and translation services, emergency financial assistance, workshops, and community events. The Organization also acts as a resource for information and referrals to additional support services.
- 2) Empowering Agents of Change - Building the capacity of North Korean defectors as agents of change.** When North Korean refugees successfully resettle in freedom, they become some of the most effective agents of change on this issue. Many maintain contact with their home communities, sending money and outside information back to their families, accelerating change within North Korea. North Korean refugees also have the unique opportunity to share their stories, insights, and perspectives on the global stage, educating audiences, advocating for the issue, and mobilizing international support. The Organization provides programs that seek to build capacity and provide support in the areas of mentorship, English language learning, entrepreneurship, life skills workshops, leadership and advocacy development, and scholarships for higher education.
- 3) Accelerating Change in North Korea - Researching, innovating, and incubating new ideas to empower the North Korean people inside the country with access to information and technology.** Through marketization and access to foreign information, the North Korean people have been creating and driving change inside the country over the last 20 years. The people’s increasing autonomy and the proliferation of information from the outside world poses a powerful threat to the North Korean government’s propaganda, ideology and control. The Organization develops key strategies and projects around creating and curating content for North Korean audiences, new technologies to increase access to foreign media and information, and ways to improve digital security for North Korean people inside the country.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

- 4) **Changing the Narrative on North Korea - Amplifying the stories and voices of North Korean people and mobilizing a global movement of support.** North Korea is more than dictators and nuclear weapons. When North Korean refugees share their voices, they challenge the regime's portrayal of an unchanging and monolithic country, instead highlighting the humanity and dynamism of North Korean people. Changing the narrative to focus on the people, not missiles, is crucial to accelerating progress on this issue and mobilizing the global community. The Organization creates short and long-form videos and other media that focus on the North Korean people's challenges as well as their potential, and shares these with international audiences. The Organization also engages with international journalists, filmmakers, diplomats, and other policymakers to influence the way the media reports on North Korea as well as the way that governments and policymakers think about the issue. Through events and global online campaigns, the Organization shares the stories of the North Korean people and a broader perspective on the issue. Hundreds of Rescue Teams (chapters) around the world fundraise to rescue North Korean refugees and build support for the North Korean people in their local communities

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Description of Net Asset Classes

The net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor imposed restrictions may be designated for specific purposes by action of the Board of Directors.

With donor restrictions - Net assets subject to donor-imposed stipulations that may be maintained permanently, or be fulfilled by actions of the Organization, pursuant to those stipulations, or that expire by the passage of time. Donor-imposed restricted net assets for the years ended December 31, 2021 and 2020 were \$359,033 and \$369,338, respectively.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Contributions

Generally accepted accounting principles require that the Organization reports information about its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

Inventories

Inventories, which consist primarily of store items such as T-shirts, sweatshirts, tote bags, books, and DVDs, are valued at the lower of cost and net realizable value. Cost is determined by using the average cost method.

Property and Equipment

Property and equipment are stated at cost, if purchased or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Expenditures for major additions and improvements that exceed \$500 are capitalized. Minor replacements, maintenance, and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

Long-Lived Assets

The Organization reviews long-lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and may not be recoverable. No circumstances have occurred during the years to cause the Organization to believe there has been any impairment of the carrying value of its long lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Goods and Services

The Organization receives periodic donations of professional services, such as bookkeeping, legal fees, and media consulting, which are recorded at estimated fair market value at the date of donation, if significant. The amount of contributed services for the years ended December 31, 2021 and 2020 were \$22,602 and \$62,608, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. These services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Compensated Absences

Employees of the Organization are entitled to paid vacation days which are accrued in the statement of financial position. Full-time employees may accrue up to a maximum of 336 hours, based on years of service, which may be paid out at the end of their employment period. Employees are also granted twelve sick days per calendar year, which are not an earned benefit. No payment of sick leave will be made upon termination of employment.

Concentration of Credit Risk

The Organization's cash and cash equivalents are maintained in various banks and financial institutions. The Organization has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance (FDIC) up to \$250,000. The uninsured cash balances at December 31, 2021 and 2020, were \$2,963,879 and \$1,479,483, respectively. The Organization has three foreign bank accounts held in South Korea. The foreign bank accounts are covered by Korea Deposit Insurance Corporation (KDIC) up to 50,000,000 Korean Won (approx. \$42,000 and \$46,000 at December 31, 2021 and 2020, respectively, after conversion to U.S. dollars). At times during the year, the Organization maintained cash balances in excess of the foreign insured limits.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. Consequently, the accompanying financial statements do not reflect any provision for income taxes. Contributions to the Organization are deductible for tax purposes under Section 170(b)(1) of the IRC.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years after they are filed, respectively.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Advertising Costs

The Organization uses advertising to change the narrative on North Korea. Advertising costs are expenses as incurred. Advertising expense for the years ended December 31, 2021 and 2020 were \$5,199 and \$17,880, respectively.

Fair Value of Financial Instruments

The Organization's financial instruments, including cash and cash equivalents, receivables, prepaid expenses, accounts payable, and accrued expenses, are carried at cost, which approximates fair value because of the short-term nature of these instruments.

Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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 allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In June 2020, the FASB issued ASU 2020-05, "Revenue from Contracts with Customers: Topic 606: Deferral of Effective Date". This standard delays the effective date for non-public entities to fiscal years beginning after December 15, 2019, with early adoption permitted.

The Organization adopted this new standard effective January 1, 2020. The adoption of this ASU 2014-09 did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements generally consist of contributions from individuals, Foundations, Organizations, and other entities. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)”, which sets out the principles for the recognition measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-2 requires lessees to recognize the following for all leases with terms longer than 12 months: (a) a lease liability, and (b) a right-of-use asset. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases. The FASB issued ASU 2020-05 delaying the effective date for non-public entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is evaluating the impact the pronouncement may have on the financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents financial assets that could readily be made available within one year at December 31, 2021 for general expenditures:

Financial assets at year-end:

Cash and cash equivalents	\$ 3,168,902
Receivables	276,632
Inventory	15,044
	<u>\$ 3,460,578</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operated with a balanced budget and anticipates covering its general expenditures by collection of the sufficient donations. The Organization reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 consists of the following:

	2021	2020
Furniture and fixtures	\$ 10,619	\$ 10,619
Computer equipment	82,614	90,090
Camera equipment	21,278	21,769
Phone equipment	7,837	1,466
Leasehold improvements	13,520	13,520
Vehicles	52,887	59,655
	<u>188,755</u>	<u>197,119</u>
Less accumulated depreciation	<u>(143,473)</u>	<u>(140,286)</u>
	<u>\$ 45,282</u>	<u>\$ 56,833</u>

Depreciation expense for the years ended December 31, 2021 and 2020 were \$28,631 and \$40,157, respectively.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 5 – OPERATING LEASES

The Organization is committed under one real property lease for premises in Long Beach, California expiring July 31, 2022. Two leases are also held in South Korea: one that is expired June 1, 2020 and the other expiring January 1, 2022.

Minimum lease payments required under the leases are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ 35,000

Rental expenses for all operating leases, except those with terms of a month or less that were not renewed, for the years ended December 31, 2021 and 2020 were \$146,016 and \$116,323, respectively.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable for the years ended December 31, 2021 and 2020 are expected to be collected in the following periods:

	<u>2021</u>	<u>2020</u>
Less than one year	<u>\$ 276,632</u>	<u>\$ 217,527</u>

NOTE 7 – LOAN PAYABLE

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Securities (CARES) Act was signed into law including the Payroll Protection Program (PPP), a new forgivable loan product offered through the SBA. In April 2020, the Organization received a PPP loan in the amount of \$238,600 and in January 2021, the Organization received a PPP loan in the amount of \$222,800. In September 2021, both PPP loans were fully forgiven and recorded as a total of \$461,400 to grants on the statement of activities.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Rescue fund	\$ 68,400	\$ 25
Changing the Narrative fund - Korea	-	10,076
Vision fund	-	45,631
Red Zone fund	268,679	295,673
Staff Care fund	21,954	17,933
	<u>\$ 359,033</u>	<u>\$ 369,338</u>

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from restrictions during the years ended December 31, 2021 and 2020 by incurring expenses satisfying the restricted purpose as follows:

	2021	2020
Rescue fund	\$ 262,982	\$ 163,604
Resettlement fund	1,032	680
Changing the Narrative fund	159,055	125
Changing the Narrative fund - Korea	10,076	27,675
Vision fund	603,593	982,273
Red Zone fund	26,994	5,936
Staff Care fund	15,979	9,152
	<u>\$1,079,711</u>	<u>\$1,189,445</u>

NOTE 9 – SPECIAL EVENTS

Revenue generated from special events is summarized as follows for the year ended December 31, 2021. Due to COVID-19 there were no special events in 2020.

	2021		
	LA Gala Night	NY Gala Night	Total
Contributions received at fundraiser	\$ 457,941	\$479,098	\$ 937,039
Less: costs of direct benefit to donors	(93,219)	(78,163)	(171,382)
	<u>\$ 364,722</u>	<u>\$ 400,935</u>	<u>\$ 765,657</u>

NOTE 10 – FOREIGN OPERATIONS

Operations outside the United States include an office in South Korea. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Total property and equipment held outside of the United States for the years ended December 31, 2021 and 2020 were \$95,306 and \$103,023, respectively. See Note 2, Concentration of Credit Risk, for foreign cash amounts held in the Organization.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 11 – CONCENTRATIONS

During the years ended December 31, 2021 and 2020, the Organization received approximately 54 percent of its support from seven donors and 46 percent of its support from seven donors, respectively.

During the years ended December 31, 2021 and 2020, the Organization's contribution receivables are approximately 90 percent from two donors and 92 percent from one donors, respectively.

During the years ended December 31, 2021 and 2020, the Organization received \$1,161,400 and \$683,645 in grants, respectively. Of those amounts, \$461,400 and \$10,000 were from government grants, respectively.

NOTE 12 – RELATED PARTIES

The Organization received donations from board members for the years ended December 31, 2021 and 2020 in the amounts of \$367,084 and \$561,979, respectively.

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the years ended December 31, 2021 and 2020, the Organization paid \$0 and \$11 in interest, respectively, and no income taxes.

NOTE 14 – RETIREMENT PLAN

The Organization started a Savings Incentive Match Plan for Employees (SIMPLE) IRA on May 1, 2015. Under the SIMPLE IRA plan, eligible employees may make elective contributions of up to \$13,500. The Organization will make a matching contribution equal to 100% of the employee's contribution up to a limit of 3% of the employee's compensation for the calendar year. For the years ended December 31, 2021 and 2020 the Organization contributed \$34,975 and \$32,343, respectively, to the plan.

In addition to the SIMPLE IRA, the Organization also participates in government-mandated pension plan contributions for its employees in South Korea. Under this plan, both the employee and the employer are required to contribute 4.5% of an employee's starting pay towards retirement. For the years ended December 31, 2021 and 2020 the Organization contributed \$10,909 and \$15,429.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 15 – RISK AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies of many countries including the geographical area where the Organization operates. It is unknown how long this condition will last and management of the Organization cannot reasonably estimate at this time, its complete financial impact to the Organization’s financial statements.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2022 the date the financial statements were available to be issued.