

LIBERTY IN NORTH KOREA

FINANCIAL STATEMENTS

December 31, 2022 and 2021

**LIBERTY
IN
NORTH
KOREA**

LIBERTY IN NORTH KOREA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Liberty in North Korea
Long Beach, California

Opinion

We have audited the financial statements of Liberty in North Korea, which comprise the statements of financial position as of December 31, 2022, and the related statement of financial position, activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Liberty in North Korea as of December 31, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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 U.S. GAAP, 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 for one year after the date that the financial statements are 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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Prior Period Financial Statements

The financial statements of Liberty in North Korea as of and for the year ended December 31, 2021, were audited by O&S CPAs & Business Advisors, LLP, who merged with BPM LLP effective as of January 1, 2023. O&S CPAs & Business Advisors' report dated May 24, 2022, expressed an unmodified opinion on those statements.

BPM LLP

Long Beach, California
October 23, 2023

LIBERTY IN NORTH KOREA
STATEMENT OF FINANCIAL POSITION
As of December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,003,057	\$ 225,600	\$ 3,228,657
Contributions receivable	62,336	650,000	712,336
Inventory	13,933	-	13,933
Prepaid expenses	17,264	-	17,264
	<u>3,096,590</u>	<u>875,600</u>	<u>3,972,190</u>
Total current assets			
	<u>3,096,590</u>	<u>875,600</u>	<u>3,972,190</u>
Noncurrent assets:			
Property and equipment, net	55,757	-	55,757
Deposits	19,493	-	19,493
Right-of-use asset	42,000	-	42,000
	<u>117,250</u>	<u>-</u>	<u>117,250</u>
Total noncurrent assets			
	<u>117,250</u>	<u>-</u>	<u>117,250</u>
Total assets	<u>\$ 3,213,840</u>	<u>\$ 875,600</u>	<u>\$ 4,089,440</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 5,814	\$ -	\$ 5,814
Accrued liabilities	148,684	-	148,684
Right-of-use liability	42,000	-	42,000
	<u>196,498</u>	<u>-</u>	<u>196,498</u>
Total current liabilities			
	<u>196,498</u>	<u>-</u>	<u>196,498</u>
Total liabilities			
	<u>196,498</u>	<u>-</u>	<u>196,498</u>
Net assets:			
Without donor restrictions:			
Undesignated	3,017,342	-	3,017,342
With donor restrictions	-	875,600	875,600
	<u>3,017,342</u>	<u>875,600</u>	<u>3,892,942</u>
Total net assets			
	<u>3,017,342</u>	<u>875,600</u>	<u>3,892,942</u>
Total liabilities and net assets	<u>\$ 3,213,840</u>	<u>\$ 875,600</u>	<u>\$ 4,089,440</u>

LIBERTY IN NORTH KOREA
STATEMENT OF FINANCIAL POSITION
As of 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	3,522,322	359,033	3,881,355
Noncurrent assets:			
Property and equipment, net	45,282	-	45,282
Deposits	11,125	-	11,125
Total noncurrent assets	56,407	-	56,407
Total assets	\$ 3,578,729	\$ 359,033	\$ 3,937,762
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 15,744	\$ -	\$ 15,744
Accrued liabilities	126,186	-	126,186
Total current liabilities	141,930	-	141,930
Total liabilities	141,930	-	141,930
Net assets:			
Without donor restrictions:			
Undesignated	3,436,799	-	3,436,799
With donor restrictions	-	359,033	359,033
Total net assets	3,436,799	359,033	3,795,832
Total liabilities and net assets	\$ 3,578,729	\$ 359,033	\$ 3,937,762

LIBERTY IN NORTH KOREA

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions	\$ 2,271,277	\$ 430,126	\$ 2,701,403
Donated assets	46,181	-	46,181
Donated services	2,017	-	2,017
Grants	30,000	1,525,000	1,555,000
Total support	2,349,475	1,955,126	4,304,601
Revenue:			
Special events	37,000	-	37,000
Less: cost of direct benefits to donors	(216,202)	-	(216,202)
Net special events	(179,202)	-	(179,202)
Inventory sales, net of \$6,033 cost of goods sold	4,147	-	4,147
Interest income	39,367	-	39,367
Total revenue	(135,688)	-	(135,688)
Net assets released from restrictions	1,438,559	(1,438,559)	-
Total support and revenue	3,652,346	516,567	4,168,913
Expenses:			
Program services	2,918,750	-	2,918,750
Fundraising	670,371	-	670,371
Management and general	458,912	-	458,912
Total expenses	4,048,033	-	4,048,033
Net loss on sale or exchange of assets	23,770	-	23,770
Total expenses and losses	4,071,803	-	4,071,803
Change in net assets	(419,457)	516,567	97,110
Net assets, beginning of year	3,436,799	359,033	3,795,832
Net assets, end of year	\$ 3,017,342	\$ 875,600	\$ 3,892,942

LIBERTY IN NORTH KOREA

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions	\$ 3,103,628	\$ 409,406	\$ 3,513,034
Donated assets	1,100	-	1,100
Donated services	21,502	-	21,502
Grants	511,400	650,000	1,161,400
Total support	3,637,630	1,059,406	4,697,036
Revenue:			
Special events	115,000	10,000	125,000
Less: cost of direct benefits to donors	(171,382)	-	(171,382)
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	1,947	-	1,947
Total revenue	(45,408)	10,000	(35,408)
Net assets released from restrictions	1,079,711	(1,079,711)	-
Total support and revenue	4,671,933	(10,305)	4,661,628
Expenses:			
Program services	2,003,956	-	2,003,956
Fundraising	512,928	-	512,928
Management and general	474,696	-	474,696
Total expenses	2,991,580	-	2,991,580
Net loss on sale or exchange of assets	8,671	-	8,671
Total expenses and losses	3,000,251	-	3,000,251
Change in net assets	1,671,682	(10,305)	1,661,377
Net assets, beginning of year	1,765,117	369,338	2,134,455
Net assets, end of year	\$ 3,436,799	\$ 359,033	\$ 3,795,832

LIBERTY IN NORTH KOREA
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	Program Services	Fundraising	Management and General	Total
Payroll expenses:				
Salaries and wages	\$ 1,361,653	\$ 342,076	\$ 228,595	\$ 1,932,324
Employee benefits	262,446	66,091	49,691	378,228
Payroll taxes	71,086	27,198	16,211	114,495
Total payroll expenses	1,695,185	435,365	294,497	2,425,047
Advertising	22,666	70	-	22,736
Bank service charges	-	-	6,480	6,480
Client assistance	117,139	2,147	-	119,286
Client travel	15,871	276	-	16,147
Consultants	19,618	15,400	-	35,018
Depreciation expense	15,691	1,432	2,884	20,007
Dues and subscriptions	38,877	26,595	10,312	75,784
Equipment expense	5,192	1,440	1,362	7,994
Facility and equipment rentals	12,205	260,938	256	273,399
Film production	408,763	886	-	409,649
Gifts and appreciation	10,724	8,171	8,944	27,839
Insurance	197	-	13,549	13,746
Inventory purchases	6,033	-	-	6,033
Legal and professional fees	41,923	9,024	33,065	84,012
Meals and entertainment	40,304	11,413	15,767	67,484
Merchant account fees	-	-	41,906	41,906
Payroll fees	-	-	214	214
Postage	1,842	5,590	76	7,508
Printing and reproduction	1,353	2,540	124	4,017
Professional fundraising	-	13,000	-	13,000
Rent expense	93,849	15,547	12,464	121,860
Repairs and maintenance	6,683	2,154	1,283	10,120
Rescue expense	159,251	-	-	159,251
Research and development	150	-	-	150
Staff development	987	-	3,505	4,492
Staff/Intern housing	24,750	-	-	24,750
Supplies	14,188	10,073	812	25,073
Taxes and licenses	-	170	621	791
Travel	149,499	59,462	7,671	216,632
Utilities	14,961	3,595	2,140	20,696
Workers' compensation	6,882	1,285	980	9,147
Total expenses	2,924,783	886,573	458,912	4,270,268
Less: expenses included in revenue section of the statement of activities	(6,033)	(216,202)	-	(222,235)
Total expenses included in the expense section of the statement of activities	\$ 2,918,750	\$ 670,371	\$ 458,912	\$ 4,048,033

LIBERTY IN NORTH KOREA
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Program Services	Fundraising	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	1,391,317	340,372	275,219	2,006,908
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	-	12,241.00
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
Workers' compensation	4,456	605	607	5,668
Total expenses	2,013,525	684,310	474,696	3,172,531
Less: expenses included in revenue section of the statement of activities	(9,569)	(171,382)	-	(180,951)
Total expenses included in the expense section of the statement of activities	\$ 2,003,956	\$ 512,928	\$ 474,696	\$ 2,991,580

LIBERTY IN NORTH KOREA
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities:			
Change in net assets	\$ (419,457)	\$ 516,567	\$ 97,110
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Depreciation	20,007	-	20,007
Net realized gain on disposal of assets	(1,741)	-	(1,741)
Right-of-use asset	42,000	-	42,000
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Contributions receivable	214,296	(650,000)	(435,704)
Inventory	1,111	-	1,111
Prepaid expenses	44,480	-	44,480
Deposits	(8,368)	-	(8,368)
Increase (decrease) in:			
Accounts payable	(9,930)	-	(9,930)
Accrued liabilities	22,498	-	22,498
Right of use liability	-	-	-
Net cash used in operating activities	<u>(95,104)</u>	<u>(133,433)</u>	<u>(228,537)</u>
Cash flows from investing activities:			
Purchases of property and equipment	(32,716)	-	(32,716)
Proceeds from sale of property and equipment	3,975	-	3,975
Net cash used in investing activities	<u>(28,741)</u>	<u>-</u>	<u>(28,741)</u>
Net decrease in cash and cash equivalents	(123,845)	(133,433)	(257,278)
Cash and cash equivalents, beginning of year	<u>3,168,902</u>	<u>359,033</u>	<u>3,527,935</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,045,057</u></u>	<u><u>\$ 225,600</u></u>	<u><u>\$ 3,270,657</u></u>

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 (used in) operating activities:			
Depreciation	28,631	-	28,631
Forgiveness of Paycheck Protection Program loan	(461,400)	-	(461,400)
Net realized loss 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 by (used in) operating activities	1,251,757	(10,280)	1,241,477
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 in investing activities	(16,573)	-	(16,573)
Cash flows from financing activities:			
Proceeds from Paycheck Protection Program loan	222,800	-	222,800
Net cash provided by financing activities	222,800	-	222,800
Net increase (decrease) in cash and cash equivalents	1,457,984	(10,280)	1,447,704
Cash and cash equivalents, beginning of year	1,710,918	369,313	2,080,231
Cash and cash equivalents, end of year	\$ 3,168,902	\$ 359,033	\$ 3,527,935

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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.
- 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.

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 ("U.S. GAAP").

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 (the "Board").

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, 2022 and 2021 were \$875,600 and \$359,033, respectively.

Accounting for Contributions

U.S. GAAP 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.

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Property and Equipment, continued

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.

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, 2022 and 2021 were \$2,017 and \$21,502, respectively.

The Organization receives miscellaneous donated items such as supplies and equipment for operating use, and event tickets to be sold at fundraising events. The donated items are recorded at estimated fair market value at the date of donation, if significant. The amount of contributed items for the years ended December 31, 2022 and 2021 were \$46,181 and \$1,100, 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.

	Amount Recognized	Program/Activity Utilization	Donor Restrictions	Valuation Techniques and Inputs
Legal services	\$ 2,017	Management and General	None	Fair market value was provided by the donor
Donated equipment	2,400	Management and General	None	Fair market value was provided by the donor
Donated tickets	3,131	Program and Supporting services	None	Fair market value was provided by the donor
Donated suites	40,650	Program and Supporting services	Vision Fund	Fair market value was provided by the donor
	<u>\$ 48,198</u>			

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. The balance of accrued vacation was \$90,645 and \$80,422 for the years ended December 31, 2022 and 2021, respectively.

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

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 as of December 31, 2022 and 2021, were \$2,691,066 and \$2,963,879, 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 (approximately \$38,000 and \$42,000 at December 31, 2022 and 2021, 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. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

U.S. 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, 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 expense was \$22,736 and \$5,199 for the years ended December 31, 2022 and 2021, 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.

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

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.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which sets out the principles for the recognition measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to recognize the following for all leases with terms longer than twelve months: (a) a lease liability, and (b) a right-of-use (“ROU”) 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 twelve months or less will be accounted for similarly to existing guidance for operating leases.

This standard is effective for not-for-profit entities for fiscal years beginning after December 15, 2021. In 2022, a building lease under contract with the Organization, was deemed to fall under the new accounting standard pronouncement, thus adjusting journal entries were recorded to reflect the application of the new lease standard.

Comparative financial statements, for nonprofit organizations as of December 31, 2022, require adjustment of comparative periods or no adjustment but disclosure of Accounting Standards Codification (“ASC”) 840 for all periods to which ASC 840 applies. The Organization, elected to forgo the retrospective application and adjustment of the earliest comparative period presented in the financial statements. Based on the election, for the earliest comparative period, leases in 2021 under Note 5 were disclosed under ASC 840. The presentation of leases under ASC 842 for year 2022 and comparative period 2021 under ASC 840 are disclosed in Note 5.

On September 17, 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized. The Organization adopted the standard effective January 1, 2022. The adoption of this accounting standard had no material effect on the financial statements for the years ended December 31, 2022 and 2021.

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

3. Liquidity and Availability of Financial Assets

The following represents financial assets that could readily be made available within one year as of December 31, 2022 for general expenditures:

Financial assets at year-end:

	2022	2021
Cash and cash equivalents	\$ 3,003,057	\$ 3,168,902
Receivables	62,336	276,632
Inventory	13,933	15,044
	<u>\$ 3,079,326</u>	<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.

4. Property and Equipment

Property and equipment consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Furniture and fixtures	\$ 10,619	\$ 10,619
Computer equipment	89,894	82,614
Camera equipment	25,833	21,278
Phone equipment	9,919	7,837
Leasehold improvements	13,520	13,520
Vehicles	47,439	52,887
	197,224	188,755
Less: accumulated depreciation	<u>(141,467)</u>	<u>(143,473)</u>
	<u>\$ 55,757</u>	<u>\$ 45,282</u>

Depreciation expense was \$20,007 and \$28,631 for the years ended December 31, 2022 and 2021, respectively.

5. Operating Leases

Leases reported under ASC 842 for 2022

The Organization is committed under one real property lease for premises in Long Beach, California expiring July 31, 2023.

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

5. Operating Leases, continued

Leases reported under ASC 842 for 2022, continued

A minimum lease payment required under the lease is as follows:

Year ending December 31, 2023	\$ 42,000
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The Organization is committed under two real property leases for premises in South Korea expiring June 30, 2024.

Minimum lease payments required under the leases are as follows:

Year ending December 31, 2023	\$ 52,377
2024	26,189
	\$ 78,566

Rental expenses for all operating leases, except those with terms of a month or less that were not renewed, were \$121,860 and \$146,016 for the years ended December 31, 2022 and 2021.

6. Contributions Receivable

Contributions receivable are expected to be collected in the following periods for the years ended December 31, 2022 and 2021:

	2022	2021
Less than one year	\$ 712,336	\$ 276,632

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes for the years ended December 31, 2022 and 2021:

	2022	2021
Rescue fund	\$ -	\$ 68,400
Rescue and Resettlement fund	395,850	-
Film fund	4,750	-
Bao Sei Scholarship fund	75,000	-
Vision fund	400,000	-
Red Zone fund	-	268,679
Staff Care fund	-	21,954
	\$ 875,600	\$ 359,033

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

7. Net Assets with Donor Restrictions, continued

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose as follows during the years ended December 31, 2022 and 2021:

	2022	2021
Rescue fund	\$ 120,071	\$ 262,982
Resettlement fund	761	1,032
Rescue and Resettlement fund	104,150	-
Changing the Narrative fund	-	159,055
Changing the Narrative fund - Korea	-	10,076
Film fund	406,250	-
Vision fund	516,694	603,593
Red Zone fund	268,679	26,994
Staff Care fund	21,954	15,979
	<u>\$ 1,438,559</u>	<u>\$ 1,079,711</u>

8. Special Events

Revenue generated from special events is summarized as follows for the years ended December 31, 2022 and 2021:

	2022		
	LA Gala Night	NY Gala Night	Total
Contributions received at fundraiser	\$ 249,923	\$ 351,636	\$ 601,559
Sponsorships received at fundraiser	27,000	10,000	37,000
Less: costs of direct benefit to donors	(98,450)	(117,752)	(216,202)
	<u>\$ 178,473</u>	<u>\$ 243,884</u>	<u>\$ 422,357</u>
	2021		
	LA Gala Night	NY Gala Night	Total
Contributions received at fundraiser	\$ 372,941	\$ 439,098	\$ 812,039
Sponsorships received at fundraiser	85,000	40,000	125,000
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>

9. 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 were \$88,435 and \$95,306 for the years ended December 31, 2022 and 2021, respectively. Concentration of Credit Risk, for foreign cash amounts held in the Organization (see Note 2).

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

10. Concentrations

During the years ended December 31, 2022 and 2021, the Organization received approximately 30% of its support from six donors and 54% of its support from seven donors, respectively.

During the years ended December 31, 2022 and 2021, the Organization's contribution receivables were approximately 91% and 90% from two donors, respectively.

During the years ended December 31, 2022 and 2021, the Organization received \$1,555,000 and \$1,161,400 in grants, respectively of which those amounts, \$0 and \$461,400 were from government grants, respectively.

11. Related Parties

The Organization received donations from Board members of \$292,528 and \$367,084 for the years ended December 31, 2022 and 2021, respectively.

12. Accrued Liabilities

Accrued liabilities consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Sales tax	\$ -	\$ 23
Accrued vacation	90,645	80,422
Accrued payroll taxes	-	16,166
ROU liabilities	56,842	27,657
Other accrued expenses	1,197	1,918
	<u>\$ 148,684</u>	<u>\$ 126,186</u>

13. Supplemental Disclosure of Cash Flow Information

During the years ended December 31, 2022 and 2021, the Organization paid no taxes and no interest.

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. Effective January 1, 2022, the Organization no longer offers the SIMPLE IRA plan, instead, the Organization provides full-time employees an opportunity to participate in a 401(k) plan in which the Organization will match up to 5% of the employees' contributions. For the years ended December 31, 2022 and 2021, the Organization contributed \$65,546 and \$34,975, 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, 2022 and 2021, the Organization contributed \$18,243 and \$10,909, respectively.

LIBERTY IN NORTH KOREA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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.

16. Subsequent Events

Management has evaluated subsequent events through October 23, 2023, the date the financial statements were available to be issued. Management concluded that, other than stated below, no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the financial statements.

On June 23, 2023, the Board of Directors of Liberty in North Korea approved the vote to change the Organization’s name from Liberty in North Korea to LiNK Global, with plans to use Liberty in North Korea as a DBA name. The California Secretary of State approved the name change on July 24, 2023.

On July 5, 2023, Liberty in North Korea entered into a new 5-year and 3-month rental lease agreement for a smaller office in Long Beach, California.