

**LIBERTY IN NORTH KOREA
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**



**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, 2020 and 2019, 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, 2020 and 2019, 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 Auditor's 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

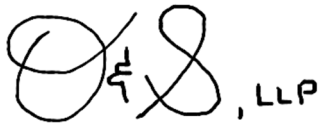
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 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.

A handwritten signature in black ink, consisting of stylized cursive letters that appear to read "O&S, LLP".

O&S CPAs and Business Advisors
Long Beach, California
May 20, 2021

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

| ASSETS | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------------|
| 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><u>\$ 2,071,457</u></u> | <u><u>\$ 369,338</u></u> | <u><u>\$ 2,440,795</u></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><u>\$ 2,071,457</u></u> | <u><u>\$ 369,338</u></u> | <u><u>\$ 2,440,795</u></u> |

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

LIBERTY IN NORTH KOREA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

| ASSETS | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,324,259 | \$ 92,600 | \$ 1,416,859 |
| Contributions receivable | 82,530 | 13,835 | 96,365 |
| Inventory | 11,984 | - | 11,984 |
| Prepaid expenses | 8,470 | - | 8,470 |
| Total Current Assets | <u>1,427,243</u> | <u>106,435</u> | <u>1,533,678</u> |
| Noncurrent Assets | | | |
| Property and equipment, net | 95,475 | - | 95,475 |
| Deposits | 29,961 | - | 29,961 |
| Total Noncurrent Assets | <u>125,436</u> | <u>-</u> | <u>125,436</u> |
| TOTAL ASSETS | <u><u>\$ 1,552,679</u></u> | <u><u>\$ 106,435</u></u> | <u><u>\$ 1,659,114</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 17,701 | \$ - | \$ 17,701 |
| Accrued liabilities | 20,670 | - | 20,670 |
| Total Current Liabilities | <u>38,371</u> | <u>-</u> | <u>38,371</u> |
| Total Liabilities | <u>38,371</u> | <u>-</u> | <u>38,371</u> |
| Net Assets | | | |
| Without Donor Restrictions | | | |
| Board designated | 37,637 | - | 37,637 |
| Undesignated | 1,476,671 | - | 1,476,671 |
| | <u>1,514,308</u> | <u>-</u> | <u>1,514,308</u> |
| With Donor Restrictions | <u>-</u> | <u>106,435</u> | <u>106,435</u> |
| Total Net Assets | <u>1,514,308</u> | <u>106,435</u> | <u>1,620,743</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,552,679</u></u> | <u><u>\$ 106,435</u></u> | <u><u>\$ 1,659,114</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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| 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 | 1,751,799 | - | 1,751,799 |
| Fund-raising | 473,408 | - | 473,408 |
| Management and general | 546,716 | - | 546,716 |
| 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 ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| SUPPORT | | | |
| Contributions | \$ 2,467,201 | \$ 464,752 | \$ 2,931,953 |
| Grants | - | 321,338 | 321,338 |
| Total Support | <u>2,467,201</u> | <u>786,090</u> | <u>3,253,291</u> |
| REVENUE | | | |
| Special events | 15,945 | - | 15,945 |
| Less: cost of direct benefits to donors | (158,609) | - | (158,609) |
| Net special events | <u>(142,664)</u> | <u>-</u> | <u>(142,664)</u> |
| Inventory sales, net of \$16,852 cost of goods sold | 10,597 | - | 10,597 |
| Interest income | 14,222 | - | 14,222 |
| Total Revenue | <u>(117,845)</u> | <u>-</u> | <u>(117,845)</u> |
| Net assets released from restrictions | <u>1,132,993</u> | <u>(1,132,993)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>3,482,349</u> | <u>(346,903)</u> | <u>3,135,446</u> |
| EXPENSES | | | |
| Program services | 2,586,528 | - | 2,586,528 |
| Fund-raising | 561,188 | - | 561,188 |
| Management and general | 512,507 | - | 512,507 |
| TOTAL EXPENSES | <u>3,660,223</u> | <u>-</u> | <u>3,660,223</u> |
| Net loss on sale or exchange of assets | <u>16,916</u> | <u>-</u> | <u>16,916</u> |
| TOTAL EXPENSES AND LOSSES | <u>3,677,139</u> | <u>-</u> | <u>3,677,139</u> |
| CHANGE IN NET ASSETS | <u>(194,790)</u> | <u>(346,903)</u> | <u>(541,693)</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>1,709,098</u> | <u>453,338</u> | <u>2,162,436</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,514,308</u> | <u>\$ 106,435</u> | <u>\$ 1,620,743</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

| | <u>Program Services</u> | <u>Fund-raising</u> | <u>Management and General</u> | <u>Total</u> |
|--|-----------------------------|---------------------|-----------------------------------|---------------------|
| Payroll expenses | | | | |
| Salaries and wages | \$ 1,078,233 | \$ 302,174 | \$ 271,556 | \$ 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 | <u>1,275,623</u> | <u>361,348</u> | <u>323,194</u> | <u>1,960,165</u> |
| 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 | <u>1,762,598</u> | <u>473,408</u> | <u>546,716</u> | <u>2,782,722</u> |
| Less expenses included in revenue section of the statement of activities | <u>(10,799)</u> | <u>-</u> | <u>-</u> | <u>(10,799)</u> |
| Total expenses included in the expense section of the statement of activities | <u>\$ 1,751,799</u> | <u>\$ 473,408</u> | <u>\$ 546,716</u> | <u>\$ 2,771,923</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, 2019

| | <u>Program Services</u> | <u>Fund-raising</u> | <u>Management and General</u> | <u>Total</u> |
|--|-----------------------------|---------------------|-----------------------------------|---------------------|
| Payroll expenses | | | | |
| Salaries and wages | \$ 1,095,297 | \$ 279,041 | \$ 244,446 | \$ 1,618,784 |
| Employee benefits | 135,350 | 27,429 | 25,298 | 188,077 |
| Payroll taxes | 48,707 | 22,125 | 17,993 | 88,825 |
| Total payroll expenses | <u>1,279,354</u> | <u>328,595</u> | <u>287,737</u> | <u>1,895,686</u> |
| Advertising | 3,354 | 3,096 | - | 6,450 |
| Bank service charges | - | - | 12,544 | 12,544 |
| Client assistance | 58,364 | - | - | 58,364 |
| Client travel | 199,920 | - | - | 199,920 |
| Consultants | 9,050 | - | - | 9,050 |
| Depreciation expense | 34,155 | 3,997 | 5,410 | 43,562 |
| Dues and subscriptions | 30,398 | 9,252 | 8,075 | 47,725 |
| Equipment expense | 9,801 | 834 | 674 | 11,309 |
| Facility and equipment rentals | 5,688 | 161,785 | - | 167,473 |
| Film production | 95,232 | - | - | 95,232 |
| Gifts and appreciation | 5,207 | 15,152 | 6,397 | 26,756 |
| Insurance | 2,965 | 753 | 11,962 | 15,680 |
| Interest expense | - | - | 29 | 29 |
| Inventory purchases | 16,852 | - | - | 16,852 |
| Legal and professional fees | 74,734 | 75,035 | 71,619 | 221,388 |
| Meals and entertainment | 43,894 | 17,023 | 23,896 | 84,813 |
| Merchant account fees | - | 1,539 | 23,091 | 24,630 |
| Payroll fees | - | - | 2,457 | 2,457 |
| Postage | 764 | 6,704 | 440 | 7,908 |
| Printing and reproduction | 6,177 | 10,564 | 356 | 17,097 |
| Professional fundraising | - | 16,741 | 973 | 17,714 |
| Rent expense | 126,963 | 23,016 | 22,167 | 172,146 |
| Repairs and maintenance | 11,109 | 856 | 3,321 | 15,286 |
| Rescue expense | 392,375 | - | - | 392,375 |
| Staff development | 2,529 | - | 2,944 | 5,473 |
| Staff/Intern housing | 3,700 | - | 600 | 4,300 |
| Supplies | 8,587 | 8,625 | 1,603 | 18,815 |
| Taxes and licenses | - | 68 | 457 | 525 |
| Travel | 155,234 | 28,314 | 19,129 | 202,677 |
| Utilities | 19,944 | 5,850 | 4,871 | 30,665 |
| Worker's compensation | 7,030 | 1,998 | 1,755 | 10,783 |
| Total expenses | <u>2,603,380</u> | <u>719,797</u> | <u>512,507</u> | <u>3,835,684</u> |
| Less expenses included in revenue section of the statement of activities | <u>(16,852)</u> | <u>(158,609)</u> | <u>-</u> | <u>(175,461)</u> |
| Total expenses included in the expense section of the statement of activities | <u>\$ 2,586,528</u> | <u>\$ 561,188</u> | <u>\$ 512,507</u> | <u>\$ 3,660,223</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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| 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 | 968 | - | 968 |
| 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 loan payable | 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>\$ 1,710,918</u> | <u>\$ 369,313</u> | <u>\$ 2,080,231</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, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in net assets | \$ (194,790) | \$ (346,903) | \$ (541,693) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | | |
| Depreciation | 43,562 | - | 43,562 |
| Net realized loss on disposal of assets | 5,536 | - | 5,536 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Contributions receivable | 141,849 | 438,491 | 580,340 |
| Inventory | (1,968) | - | (1,968) |
| Prepaid expenses | 56,251 | - | 56,251 |
| Deposits | 2,780 | - | 2,780 |
| Increase (decrease) in: | | | |
| Accounts payable | (13,679) | - | (13,679) |
| Accrued liabilities | 5,295 | - | 5,295 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>44,836</u> | <u>91,588</u> | <u>136,424</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property and equipment | (21,877) | - | (21,877) |
| Proceeds from sale of property and equipment | 3,079 | - | 3,079 |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(18,798)</u> | <u>-</u> | <u>(18,798)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 26,038 | 91,588 | 117,626 |
| BEGINNING CASH AND CASH EQUIVALENTS | <u>1,298,221</u> | <u>1,012</u> | <u>1,299,233</u> |
| ENDING CASH AND CASH EQUIVALENTS | <u>\$ 1,324,259</u> | <u>\$ 92,600</u> | <u>\$ 1,416,859</u> |

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

**LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

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 Seoul, South Korea and Southeast Asia. The Organization’s main purpose is to work alongside the North Korean people to accelerate change by focusing on two primary strategic areas: working directly with North Korean refugees and changing the way the world sees North Korea.

Working with North Korean Refugees

The Organization works with North Korean refugees because of the humanitarian imperative, but also because of their potential as agents of change on this issue. This strategy is implemented through two programs:

- 1) **Refugee Rescues:** 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.
- 2) **Post-Resettlement Cooperation:** 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 the following services: resettlement counseling, interpretation and translation services, education grants, workshops and community events, and by providing information and referrals for additional support services. The Organization also seeks to invest in the long-term ambitions, potential and strength of the North Korean people by focusing on building a community that will equip them to pursue their dreams and empower them to become agents of change on the issue.

Changing the Narrative

The Organization works directly with North Korean defectors and other experts to develop new insights and ways of understanding the issue, and then disseminates this to people worldwide through multiple strategies:

- 1) **Creating Media & Documentaries:** 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.
- 2) **Engaging with International Journalists and Policymakers:** The Organization 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.
- 3) **Direct Grassroots Engagement:** 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 Liberty in North Korea 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

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, 2020 and 2019 were \$369,338 and \$106,435, respectively.

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.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2020 and 2019 were \$62,608 and \$34,906, 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 unlimited paid vacation days with approval of supervisors. No payout of vacation days will be made upon termination of employment; therefore, no liability for such absences is included in accrued liabilities on the statement of financial position. 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, 2020 and 2019, were \$1,479,483 and \$726,212, 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. \$46,000 and \$43,000 at December 31, 2020 and 2019, respectively, after conversion to U.S. dollars). At times during the year, the Organization maintained cash balances in excess of the foreign insured limits.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2020 and 2019 were \$17,880 and \$6,450, 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.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2020 for general expenditures:

Financial assets at year-end:

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 1,710,918 |
| Receivables | 217,502 |
| Inventory | 11,016 |
| | <u>\$ 1,939,436</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.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 4 – PROPERTY AND EQUIPMENT

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 10,619 | \$ 10,619 |
| Computer equipment | 90,090 | 106,986 |
| Camera equipment | 21,769 | 22,148 |
| Phone equipment | 1,466 | - |
| Leasehold improvements | 13,520 | 13,520 |
| Vehicles | 59,655 | 69,101 |
| | <u>197,119</u> | <u>222,374</u> |
| Less accumulated depreciation | <u>(140,286)</u> | <u>(126,899)</u> |
| | <u>\$ 56,833</u> | <u>\$ 95,475</u> |

Depreciation expense for the years ended December 31, 2020 and 2019 were \$40,157 and \$43,562, respectively.

NOTE 5 – OPERATING LEASES

The Organization is committed under one real property lease for premises in Long Beach, California expiring July 31, 2021. 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> |
|-------------------------------------|-------------------|
| 2021 | \$ 114,934 |
| 2022 | - |
| 2023 | - |
| 2024 | - |
| 2025 | - |
| | <u>\$ 114,934</u> |

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, 2020 and 2019 were \$116,323 and \$172,146, respectively.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable for the years ended December 31, 2020 and 2019 are expected to be collected in the following periods:

| | <u>2020</u> | <u>2019</u> |
|--------------------|-------------------|------------------|
| Less than one year | <u>\$ 217,527</u> | <u>\$ 96,365</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. Though the Organization believes the loan will be wholly forgiven, it will not know, what if any, of the loan is forgivable until such time as an application for forgiveness is submitted to the bank and the bank determines the final amount of forgiveness. Any loan amounts not forgiven are repayable over two years with interest at 1.00%.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 are available for the following purposes:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------------|-------------------|
| Rescue fund | \$ 25 | \$ 13,835 |
| Changing the Narrative fund - Korea | 10,076 | 14,106 |
| Vision fund (see Note 9) | 45,631 | - |
| Red Zone fund | 295,673 | 51,609 |
| Staff Care fund | 17,933 | 26,885 |
| | <u>\$ 369,338</u> | <u>\$ 106,435</u> |

Net assets were released from restrictions during the years ended December 31, 2020 and 2019 by incurring expenses satisfying the restricted purpose as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|--------------------|--------------------|
| Rescue fund | \$ 163,604 | \$ 342,376 |
| Resettlement fund | 680 | 760 |
| Changing the Narrative fund | 125 | 187,339 |
| Changing the Narrative fund - Korea | 27,675 | - |
| Stateless Children fund | - | 1,012 |
| Vision fund (see Note 9) | 982,273 | - |
| Red Zone fund | 5,936 | 198,391 |
| Staff Care fund | 9,152 | 3,115 |
| Due to time | - | 400,000 |
| | <u>\$1,189,445</u> | <u>\$1,132,993</u> |

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 9 – BOARD DESIGNATED FUNDS

Beginning in 2016, the Board approved the establishment of the Vision fund. Its goal is to ensure sufficient funding to cover all of the organization's non-program (supporting services) expenses. Prior to allocating new funds for this purpose, the Board and/or management communicate explicitly with donors whose contributions they would like to be included. In 2020, the Board communicated with donors regarding the conversion of the Vision fund from board restricted to donor restricted. Each donor contributes with the intention that their donation will be used for supporting services expenses and for no other purpose. The balance in the fund before the conversion was fully released and a new Vision fund was created to track the amount of donor restricted funds.

NOTE 10 – FOREIGN OPERATIONS

Operations outside the United States include offices in South Korea and Southeast Asia. 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, 2020 and 2019 were \$103,023 and \$93,846, respectively. See Note 2, Concentration of Credit Risk, for foreign cash amounts held in the Organization.

NOTE 11 – CONCENTRATIONS

During the years ended December 31, 2020 and 2019, the Organization received approximately 46 percent of its support from seven donors and 37 percent of its support from seven donors, respectively.

During the years ended December 31, 2020 and 2019, the Organization's contribution receivables are approximately 92 percent from one donor and 62 percent from three donors, respectively.

During the years ended December 31, 2020 and 2019, the Organization received \$683,645 and \$321,338 in grants, respectively. Of those amounts, \$10,000 and \$0 were from government grants, respectively.

NOTE 12 – RELATED PARTIES

The Organization received donations from board members for the years ended December 31, 2020 and 2019 in the amounts of \$561,979 and \$539,100, respectively.

LIBERTY IN NORTH KOREA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the years ended December 31, 2020 and 2019, the Organization paid \$11 and \$29 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, 2020 and 2019 the Organization contributed \$32,343 and \$26,992, 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, 2020 and 2019 the Organization contributed \$15,429 and \$16,548.

NOTE 15 – SUBSEQUENT EVENTS

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.

In January 2021, the Organization received a second PPP loan from the bank in the amount of \$222,800. The Organization will apply for loan forgiveness in the full amount after the 24 week period has ended. Any loan amounts not forgiven are repayable over two years with interest at 1.00%.

Management has evaluated subsequent events through May 20, 2021 the date the financial statements were available to be issued.