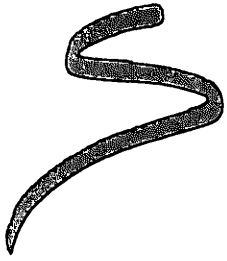


**Machine Intelligence
Research Institute**

Financial Statements

For The Years Ended

December 31, 2015 and 2014



Snow, Bittleston & Company

Certified Public Accountants, LLP

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Machine Intelligence Research Institute
Berkeley, California 94704

We have reviewed the accompanying Statement of Financial Position of the Machine Intelligence Research Institute as of December 31, 2015, and the related Statements of Activities, Functional Expenses and Cash Flows for the years ended December 31, 2015 and 2014. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organizational management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.


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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants.

Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material misstatements that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

SNOW, BITTLESTON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, LLP

By: 
Susan G. Bittleston, CPA

November 10, 2016

MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash in Bank and on hand	\$ 386,398	\$ 885,704
Investment held for sale - Cyro currency	20,081	13,996
Prepaid expenses	47,257	48,843
Unconditional promises to give to be collected in one year	122,740	307,971
Total Current Assets	576,476	1,256,514
Fixed Assets		
Furniture and Fixtures	15,708	10,180
Computer Equipment	7,860	6,759
Web Domain	8,170	8,170
Accumulated Depreciation	(12,306)	(9,497)
Total Fixed Assets	19,432	15,612
Other Assets		
Long Term Investments	1,840,914	1,434,324
Unconditional promises to give	219,000	0
Refundable Rent Deposit	10,277	10,277
Total Other Assets	2,070,191	1,444,601
TOTAL ASSETS	\$ 2,666,099	\$ 2,716,727
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 52,420	\$ 24,084
Accrued Expenses Payable	2,105	0
Credit Cards Payable - Wells Fargo Bank	22,816	8,644
Total Liabilities	77,341	32,728
Net Assets		
Unrestricted	2,161,960	2,002,433
Temporarily Restricted	426,798	681,566
Total Net Assets	2,588,758	2,683,999
TOTAL LIABILITIES AND NET ASSETS	\$ 2,666,099	\$ 2,716,727

See accompanying notes and independent accountant's review report

MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 1,356,501	\$ 227,613	\$ 1,584,114
Program Services	21,947	0	21,947
Miscellaneous Income	4,774	0	4,774
Gain on Sale of Investments	4,040	0	4,040
Dividend Income	43,831	0	43,831
Interest Income	650	0	650
Net Assets Appropriated to Program	0	0	0
Total Revenue and Other Support	1,431,743	227,613	1,659,356
EXPENSES			
Program Services	496,298	482,381	978,679
Management and General	656,700	0	656,700
Fund Raising	17,184	0	17,184
Total Expenses	1,170,182	482,381	1,652,563
CHANGE IN NET ASSETS	261,561	(254,768)	6,793
NET ASSETS AT BEGINNING OF YEAR	2,002,433	681,566	2,683,999
Other Changes	(102,034)	0	(102,034)
NET ASSETS AT END OF YEAR	<u>\$ 2,161,960</u>	<u>\$ 426,798</u>	<u>\$ 2,588,758</u>

See accompanying notes and independent accountant's review report

MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 402,731	\$ 193,571	\$ 12,765	\$ 609,067
Payroll Taxes and Employee Benefits	34,312	85,787	996	121,095
Total Compensation	<u>437,043</u>	<u>279,358</u>	<u>13,761</u>	<u>730,162</u>
Advertising and Marketing	2,829	25	771	3,625
Conferences and Meetings	304,258	5,668	-	309,926
Depreciation	2,247	562	-	2,809
Fees				
Legal	-	171,459	-	171,459
Accounting	-	8,495	-	8,495
Management	-	-	-	-
Investment Management	-	4,902	-	4,902
Benefit Administration	-	796	-	796
Payroll Processing	-	1,004	-	1,004
Total Fees	<u>-</u>	<u>186,656</u>	<u>-</u>	<u>186,656</u>
Grants	20,000	-	-	20,000
Contributions Returned	-	-	-	-
Information Technology	3,757	16,531	132	20,420
Insurance	-	16,965	-	16,965
Meals and Entertainment	944	1,024	20	1,988
Miscellaneous	-	403	-	403
Occupancy	2,468	66,736	-	69,204
Office Expenses	2,010	51,056	-	53,066
Outside Professional Services	168,858	29,179	2,119	200,156
Royalties	-	375	-	375
Taxes, Licenses and Registration	-	617	-	617
Travel	34,265	1,545	381	36,191
	<u>\$ 978,679</u>	<u>\$ 656,700</u>	<u>\$ 17,184</u>	<u>\$ 1,652,563</u>

See accompanying notes and independent accountant's review report

MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT				
Contributions	\$ 1,131,017	\$ 83,470	\$ 23,071	\$ 1,237,558
Program Services	6,794	0	0	6,794
Miscellaneous Income	1,250	0	0	1,250
Loss on Sale of Investments	(129,328)	0	0	(129,328)
Dividend Income	9,044	0	0	9,044
Interest Income	2,530	0	0	2,530
Net Assets Appropriated to Program	(90,838)	90,838	0	0
Total Revenue and Other Support	930,469	174,308	23,071	1,127,848
EXPENSES				
Program Services	270,127	125,312	23,071	418,510
Management and General	480,755	0	0	480,755
Fund Raising	48,521	0	0	48,521
Total Expenses	799,403	125,312	23,071	947,786
CHANGE IN NET ASSETS	131,066	48,996	0	180,062
NET ASSETS AT BEGINNING OF YEAR	1,778,185	0	0	1,778,185
Change in accounting method 481(a)	31,270	632,570	0	663,840
Other Changes	61,912	0	0	61,912
NET ASSETS AT END OF YEAR	\$ 2,002,433	\$ 681,566	\$ 0	\$ 2,683,999

See accompanying notes and independent accountant's review report

MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 258,386	\$ 148,982	\$ 16,283	\$ 423,652
Payroll Taxes and Employee Benefits	22,027	49,752	1,399	73,178
Total Compensation	<u>280,413</u>	<u>198,734</u>	<u>17,682</u>	<u>496,830</u>
Advertising and Marketing	5,606	350	85	6,041
Conferences and Meetings	20,509	411	146	21,066
Depreciation	1,885	471	-	2,356
Fees				
Legal	-	107,971	-	107,971
Accounting	-	8,381	-	8,381
Management	1,695	8,519	-	10,214
Investment Management	-	2,838	-	2,838
Payroll Processing	-	778	-	778
Total Fees	<u>1,695</u>	<u>128,487</u>	<u>-</u>	<u>130,182</u>
Grants	20,000	-	-	20,000
Grants and Contributions Returned	23,071	-	-	23,071
Information Technology	5,259	5,620	33	10,912
Insurance	-	8,723	-	8,723
Meals and Entertainment	1,235	518	189	1,942
Miscellaneous	-	62	-	62
Occupancy	782	69,941	-	70,723
Office Expenses	2,225	37,437	474	40,136
Outside Professional Services	48,902	22,940	29,653	101,495
Taxes, Licenses and Registration	-	4,554	-	4,554
Travel	6,928	2,507	259	9,694
	<u>\$ 418,510</u>	<u>\$ 480,755</u>	<u>\$ 48,521</u>	<u>\$ 947,786</u>

See accompanying notes and independent accountant's review report

MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NON-PROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase(Decrease) in net assets	\$ 6,793	\$ 180,062
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,809	2,356
Settlement recovery	4,275	14,316
Unrealized gains (losses) on investments	(106,309)	47,595
(Increase) Decrease in operating assets:		
Unconditional Promises to give to be collected in one year	185,231	(10,258)
Prepaid Expenses	1,586	(6,683)
Security Deposit	0	(148)
Unconditional Promises to give to be collected after one year	(219,000)	0
Increase (Decrease) in operating liabilities:		
Accounts Payable	28,337	13,194
Accrued Expenses Payable	2,105	0
Credit Card Payable	14,172	50
NET CASH PROVIDED BY OPERATING ACTIVITIES	(80,001)	240,484
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(6,629)	(7,800)
Short term investments, net	(6,085)	842,277
Proceeds from sale of long-term investments	50,260	0
Purchases of long-term investments	(456,851)	(1,434,324)
NET CASH USED BY INVESTING ACTIVITIES	(419,305)	(599,847)
NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS)	(499,306)	(359,363)
BEGINNING CASH AND CASH EQUIVALENTS	885,704	1,245,067
ENDING CASH AND CASH EQUIVALENTS	\$ 386,398	\$ 885,704

See accompanying notes and independent accountant's review report

THE MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Reviewed)

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Machine Intelligence Research Institute was incorporated in 2000 under the State of Georgia. The Institute has been operating in California since 2004. The primary activity of the Institute is to ensure that the creation of smarter-than-human intelligence has a positive impact.

Basis of Accounting

The accounts of the Institute are maintained, and the financial statements are prepared on the accrual basis of accounting. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates

Management uses estimates and assumptions, such as depreciation, in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Institute considers cash and cash equivalents to include all funds in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturity of those financial instruments.

Promises to Give

Contributions and grants are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions and grants are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted and are reported in the statements of activities as net assets released

THE MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Reviewed)

from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

Unrestricted net assets were \$2,247,018 and \$2,002,433 as of December 31, 2015 and 2014 respectively. Temporarily restricted assets were \$426,798 and \$681,566 as of December 31, 2015 and 2014 respectively.

The Institute had unconditional promises to give representing the following at December 31, 2015:

Receivable in less than one year	\$122,740
Receivable in one to seven years	<u>219,000</u>
Total unconditional promises to give	<u>\$341,740</u>

The Institute uses the allowance method to determine uncollectible promises to give. No allowance for doubtful promises to give has been provided based on Management's analysis of specific promises made and based on prior years' experience. Doubtful promises to give are expected to be immaterial in amount and will be expensed in the period it is certain that they are uncollectable.

Basis of Presentation

The Institute's financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets,

Unrestricted net assets represent unrestricted resources available to support the Institute's operations and temporarily restricted resources that become available for use by the Institute in accordance with the intentions of donors.

Temporarily restricted net assets represent contributions that are limited in use by the Institute in accordance with temporary donor imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Institute according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the Institute classifies the support as unrestricted.

Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the original donor.

THE MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Reviewed)

Income Taxes

The Institute is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Institute's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Institute's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2015, 2014, 2013 are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

The Institute's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and virtual currency investments held.

The Institute places its cash and temporary cash investments with high credit quality institutions. The Institute has deposits held in two institutions in excess of the \$250,000 federally insured limit by Federal Deposit Insurance Corporation. As of December 31, 2015 and 2014 the balances in these institutions exceeded the limits by approximately \$0 and \$309,811 respectively.

The Institute holds investments consisting of publicly traded securities with high credit quality financial institutions. The Institute has deposits held in one institution in excess of the \$500,000 coverage provided by the Securities Investor Protection Corporation. As of December 31, 2015 and 2014 the balance in this institution exceeded the limits by approximately \$845,277 and \$434,332 respectively.

The virtual currencies are not backed by the government and deposits are not federally insured. At December 31, 2015 and 2014, the risk of loss is \$20,081 and \$13,996 respectively.

Investments

The Institute has investments consisting of mainly publicly traded securities which are classified as available-for-sale. Available for sale securities are recorded at fair value on the balance sheet, with the change in fair value during the period excluded from earnings and recorded as a component of other changes to net assets until realized unless

THE MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Reviewed)

management estimates the decline in fair market value to be other than temporary. Declines in fair market value that are other than temporary are included in earnings. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings.

At December 31, 2015 and 2014 the Institute had realized gains from publicly traded securities of \$4,040 and \$9,117 respectively.

At December 31, 2015 and 2014 The Institute had unrealized gains and (losses) from publicly traded securities of (\$111,491) and \$64,918 respectively.

Virtual Currency

The Institute has received various donations of virtual currency, consisting of Ripples “XRP” and Bitcoins. Both of these currencies are considered by the Internal Revenue Service as a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value. In some environments, it operates like real currency, the coin and paper money of the United States or of any other country that is designated as legal tender, circulates, and is customarily used and accepted as a medium of exchange in the country of issuance. Since it does not have legal tender status in any jurisdiction, the Internal Revenue Service has ruled that virtual currency be treated as property and deposits are additionally not federally insured.

Since they are available to be traded much like an investment, they have been classified as other available-for-sale investments. Available for sale investments are recorded at fair value on the balance sheet, with the change in fair value during the period excluded from earnings and recorded as a component of other changes to net assets until realized unless management estimates the decline in fair market value to be other than temporary. Declines in fair market value that are other than temporary are included in earnings. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings.

At December 31, 2015 and 2014 the Institute had realized losses from virtual currency holdings of \$0 and (\$138,446) respectively.

At December 31, 2015 and 2014 The Institute had unrealized gains and (losses) from virtual currency holdings of \$5,182 and (\$17,323) respectively.

THE MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Reviewed)

Property, Plant and Equipment and Depreciation

Property, plant and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Institute reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchases in excess of \$500 are capitalized. Property and equipment are depreciated using the straight-line and double declining balance methods using useful lives ranging from three years to 40 years.

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Furniture and Fixtures	\$15,708	\$10,180
Computer Equipment	7,860	6,759
Domains	8,170	8,170
Less accumulated depreciation	<u>(12,306)</u>	<u>(9,497)</u>
Net Cost	<u>\$19,432</u>	<u>\$15,612</u>

Depreciation expense for the year ended December 31, 2015 and 2014 amounted to \$2,809 and \$2,356 respectively.

Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services, management and fund-raising based on management's judgment.

Building Lease and Security Deposits

Operating Lease – The Institute leases its current office space located at 2030 Addison Street, 7th Floor, Berkeley, CA. The Institute entered into a three year lease on December 1, 2015. The Institute has paid a security deposit in the amount of \$10,273.63, which is classified under Other Assets.

THE MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
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(Reviewed)

The Institute entered into a co-location agreement in 2013 with the Center for Applied Rationality (CFAR). CFAR agreed to occupy a percentage of the overall office with the Institute and share rental expense based on the amount of square footage occupied each month. This arrangement continues with the commencement of the new three year lease. Since the percentage of space occupied during the year may change, future rent expenses have been projected using the original lease obligation of the Institute.

The minimum rent commitments under this lease is as follows for the years ending December 31:

<u>Years</u>	
2016	\$ 189,081
2017	\$ 195,037
2017	<u>\$ 183,575</u>
TOTAL	<u>\$ 567,693</u>

Rent expense for the facilities lease totaled \$66,736 and \$56,425 for the years ended December 31, 2015 and 2014, respectively.

Advertising

The Institute uses advertising and marketing to promote its programs among the audiences it serves. The costs of advertising and marketing are expensed as incurred. During 2015 and 2014, advertising and marketing costs totaled \$3,625 and \$6,042, respectively.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Institute generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Institute with carrying out their programs. Management estimates the fair value of those services for the years ended December 31, 2015 and 2014 to be approximately \$15,159 and \$26,614, respectively.

Changes in Accounting Principle

The Institute has changed its basis of accounting from cash basis to the accrual basis of accounting as of January 1, 2014. This change is preferred by management in order to

THE MACHINE INTELLIGENCE RESEARCH INSTITUTE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Reviewed)

conform with accounting principles generally accepted in the United States of America.

The Institute has determined that the effect of changing from cash basis to accrual basis of accounting has the following effects on unrestricted and total net assets for the year beginning January 1, 2014. There were no effects of this change in 2015.

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Balance December 31, 2013, as previously stated	\$ 1,778,185	\$ 0	\$ 1,778,185
Record value of promise to give	0	288,403	288,403
Record installment sale receivable	0	344,167	344,167
Record prepaid expenses	42,160	0	42,160
Record accrued expenses payable	<u>(10,889)</u>	<u>0</u>	<u>(10,889)</u>
Balance, December 31, 2013, as restated	<u>\$ 1,809,456</u>	<u>\$ 632,570</u>	<u>\$ 2,442,025</u>

Subsequent Events

Management has evaluated subsequent events through November 10, 2016, which is the date the financial statements were available to be issued.