

December 15, 2021

To the Board of Directors and Management of
Zcash Foundation

This letter is provided to advise you of matters required to be communicated to those charged with governance, and to discuss our consideration of internal control in our recently completed audit of the financial statements of Zcash Foundation (“the Organization”) as of and for the year ended December 31, 2020.

REQUIRED COMMUNICATIONS (Governance)

We have audited the financial statements of the Organization as of and for the year ended December 31, 2020 and have issued our report thereon dated December 8, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of the audit. We have communicated such information to you in our letter dated April 28, 2021. Professional standards also require that we communicate to you the following information below related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. Other than the following, no new accounting policies were adopted and the application of existing policies was not changed during the year:

- Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted, if applicable, the presentation in the financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Qualitative Aspects of Accounting Practices (continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements related to revenue recognition, functional expense allocations, and the disclosure of digital assets classification and valuation in Note 2 to the financial statements. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known *uncorrected* misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements noted during our audit.

In addition, professional standards require us to accumulate all significant, *corrected* misstatements identified during the audit, and communicate them to the appropriate level of management. There were no such misstatements noted during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2021. This is a standard letter we are required to obtain prior to issuing our report on the financial statements. A copy of that letter has been retained by management and made available for review by the governing body.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves the application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CONSIDERATION OF INTERNAL CONTROL (Management Letter)

In planning and performing our audit of the financial statements of the Organization as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CONSIDERATION OF INTERNAL CONTROL (Management Letter) (continued)*Status of Prior Year Comments***Direct Journal Entries to Net Assets**

Prior Year Comment: During our prior year audit, we noted a journal entry was made during the year directly to the net asset account. As a result, an audit adjustment was necessary to reconcile beginning net assets per the trial balance provided for the audit to net assets reported in the prior audited financial statements. We recommended that management evaluate its journal entry-making process, to ensure entries are not made directly to net asset accounts, which will help ensure accurate financial reporting on an interim basis in between the Organization's annual audits.

Current Year Status: During the current year audit, we did not notice any journal entry made directly to the net assets account during the year.

Reconciliation and Review of Digital Assets

Prior Year Comment: During our prior year audit, we noted that the digital assets account was not reconciled before the trial balance was submitted for the audit. As a result, the digital assets balance at year end was overstated and required an audit adjustment. We recommended management implement a monthly reconciliation process for the Organization's investments in digital assets. This should provide for the most accurate up-to-date numbers in the monthly internal financial statements, as well as reduce the number of potential post-closing adjustments. We recommended that management monitor the new processes in this area and continue to make improvements as needed.

Current Year Status: During the current year audit, we noticed the Organization performed digital assets reconciliation on a regular basis, and the digital assets at year end were properly recorded in all material aspects.

SUMMARY

The communications in this letter are intended solely for the information and use of the Board of Directors and Management and are not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.**ROGERS & COMPANY PLLC**

Zcash Foundation

Financial Statements
and Independent Auditors' Report

December 31, 2020 and 2019

Zcash Foundation

Financial Statements
December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Zcash Foundation

We have audited the accompanying financial statements of Zcash Foundation (“the Organization”), which comprise the statements of financial position as of December 31, 2020 and 2019; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
December 8, 2021

Zcash Foundation

Statements of Financial Position December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 5,171,125	\$ 4,126,751
Prepaid expenses and deposits	64,625	79,708
Intangible assets, net	<u>5,184,831</u>	<u>4,522,782</u>
Total assets	<u>\$ 10,420,581</u>	<u>\$ 8,729,241</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 99,477</u>	<u>\$ 69,988</u>
Total liabilities	<u>99,477</u>	<u>69,988</u>
Net Assets		
Without donor restrictions	9,445,024	8,659,253
With donor restrictions	<u>876,080</u>	<u>-</u>
Total net assets	<u>10,321,104</u>	<u>8,659,253</u>
Total liabilities and net assets	<u>\$ 10,420,581</u>	<u>\$ 8,729,241</u>

Zcash Foundation

Statement of Activities For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	\$ 3,432,148	\$ 876,080	\$ 4,308,228
Total operating revenue and support	3,432,148	876,080	4,308,228
Expenses			
Program services:			
Community	421,651	-	421,651
Protocol	1,557,435	-	1,557,435
Zcash Open Major Grants	4,548	-	4,548
Science	416,397	-	416,397
Total program services	2,400,031	-	2,400,031
Supporting services:			
Management and general	418,702	-	418,702
Total supporting services	418,702	-	418,702
Total expenses	2,818,733	-	2,818,733
Change in Net Assets from Operations	613,415	876,080	1,489,495
Non-Operating Activities			
Realized gain on sale of digital assets	158,967	-	158,967
Interest	13,389	-	13,389
Total non-operating activities	172,356	-	172,356
Change in Net Assets	785,771	876,080	1,661,851
Net Assets, beginning of year	8,659,253	-	8,659,253
Net Assets, end of year	\$ 9,445,024	\$ 876,080	\$ 10,321,104

See accompanying notes.

Zcash Foundation

Statement of Activities For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	\$ 5,537,112	\$ -	\$ 5,537,112
In-kind contributions	889,026	-	889,026
Meetings	52,986	-	52,986
Total operating revenue and support	<u>6,479,124</u>	<u>-</u>	<u>6,479,124</u>
Expenses			
Program services:			
Community	583,252	-	583,252
Protocol	625,287	-	625,287
Research	808,200	-	808,200
Science	170,752	-	170,752
Total program services	<u>2,187,491</u>	<u>-</u>	<u>2,187,491</u>
Supporting services:			
Management and general	483,888	-	483,888
Total supporting services	<u>483,888</u>	<u>-</u>	<u>483,888</u>
Total expenses	<u>2,671,379</u>	<u>-</u>	<u>2,671,379</u>
Change in Net Assets from Operations	3,807,745	-	3,807,745
Non-Operating Activities			
Impairment losses	(3,550,398)	-	(3,550,398)
Interest	26,346	-	26,346
Total non-operating activities	<u>(3,524,052)</u>	<u>-</u>	<u>(3,524,052)</u>
Change in Net Assets	283,693	-	283,693
Net Assets, beginning of year	<u>8,375,560</u>	<u>-</u>	<u>8,375,560</u>
Net Assets, end of year	<u>\$ 8,659,253</u>	<u>\$ -</u>	<u>\$ 8,659,253</u>

See accompanying notes.

Zcash Foundation

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services				Total Program Services	Supporting Services	Total Expenses
	Community	Protocol	Zcash Open Major Grants	Science		Management and General	
Personnel costs	\$ 111,372	\$ 996,147	\$ 2,063	\$ 344,615	\$ 1,454,197	\$ 272,718	\$ 1,726,915
Consultants	36,000	91,370	1,000	69,480	197,850	35,953	233,803
Professional fees	155,327	8,300	-	-	163,627	34,336	197,963
Travel and events	45,963	1,927	-	2,302	50,192	91	50,283
Sales and marketing	1,556	-	150	-	1,706	-	1,706
Office expenses	5,040	6,693	-	-	11,733	4,954	16,687
Postage and printing	244	-	-	-	244	952	1,196
Insurance	-	-	-	-	-	21,500	21,500
Bank fees	-	-	1,335	-	1,335	36,641	37,976
Merchandise	-	-	-	-	-	2,151	2,151
Equipment	-	-	-	-	-	9,000	9,000
Grants and sponsorships	66,149	452,998	-	-	519,147	-	519,147
Miscellaneous	-	-	-	-	-	406	406
Total Expenses	\$ 421,651	\$ 1,557,435	\$ 4,548	\$ 416,397	\$ 2,400,031	\$ 418,702	\$ 2,818,733

See accompanying notes.

Zcash Foundation

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services				Total Program Services	Supporting Services	Total Expenses
	Community	Protocol	Research	Science		Management and General	
Personnel costs	\$ 166,141	\$ 588,648	\$ -	\$ 126,087	\$ 880,876	\$ 224,754	\$ 1,105,630
Consultants	36,000	35,354	-	43,380	114,734	34,168	148,902
Professional fees	-	-	806,915	-	806,915	100,358	907,273
Travel and events	257,745	-	-	-	257,745	-	257,745
Sales and marketing	3,905	-	-	-	3,905	-	3,905
Office expenses	5,040	-	-	-	5,040	4,727	9,767
Postage and printing	-	-	-	-	-	686	686
Insurance	-	-	-	-	-	18,500	18,500
Bank fees	-	-	-	-	-	51,077	51,077
Merchandise	-	-	-	-	-	115	115
Equipment	-	-	-	-	-	7,000	7,000
Grants and sponsorships	113,136	-	-	-	113,136	42,503	155,639
Miscellaneous	1,285	1,285	1,285	1,285	5,140	-	5,140
Total Expenses	\$ 583,252	\$ 625,287	\$ 808,200	\$ 170,752	\$ 2,187,491	\$ 483,888	\$ 2,671,379

See accompanying notes.

Zcash Foundation

Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 1,661,851	\$ 283,693
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gain on sale of digital assets	(158,967)	-
Impairment losses	-	3,550,398
Donated digital assets	(4,308,228)	(5,544,242)
Donated intellectual property	-	(889,026)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses and deposits	15,083	(75,038)
Increase in:		
Accounts payable and accrued expenses	29,489	33,796
	(2,760,772)	(2,640,419)
Net cash used in operating activities		
Cash Flows from Investing Activities		
Distribution of digital assets	451,265	426,530
Proceeds from sales of digital assets	3,490,140	1,625,200
Purchase of digital assets	(136,259)	(274,400)
	3,805,146	1,777,330
Net cash provided by investing activities		
Cash Flows from Financing Activity		
Repayments of note payable	-	(465)
	-	(465)
Net cash used in financing activity		
	1,044,374	(863,554)
Net Increase (Decrease) in Cash		
Cash and Cash Equivalents, beginning of year	4,126,751	4,990,305
Cash and Cash Equivalents, end of year	\$ 5,171,125	\$ 4,126,751
Supplementary Disclosure of Cash Flow Information		
Noncash activities:		
Donated digital assets	\$ 4,308,228	\$ 5,544,242
Donated intellectual property	\$ -	\$ 889,026

See accompanying notes.

Zcash Foundation

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Operations

The Zcash Foundation (“the Organization”) was founded on February 14, 2017 and was organized as a nonprofit corporation under the laws of the State of Delaware. The Organization is a public charity that builds and supports privacy infrastructure for the public good. The Organization works on strengthening financial privacy with technology, focused on the Zcash protocol and blockchain. The Organization’s goal is to create tools that help sustain open networks, enabling anyone and everyone to protect their own privacy on their own terms. The essence of privacy itself is being able to choose what is or isn’t shared with others. Privacy comprises both autonomy and consent; it is essential to human dignity and the healthy continuation of civil society.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Organization’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition are amounts held for investments.

Zcash Foundation

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of digital assets and intellectual property.

Digital assets consist of cryptocurrencies, which are accounted for as indefinite-lived intangible assets. Indefinite-lived assets are recorded at cost or the estimated fair value at the date of gift and are tested for impairment annually or when events or circumstances indicate that the carrying value more likely than not exceeds its fair value. The Organization estimates fair value of its cryptocurrency holdings for purposes of impairment testing taking quoted prices from multiple currency exchanges with active markets near the measurement date. Impairment in the carrying value of digital assets is recorded as an impairment loss in the accompanying statements of activities. Impairment loss totaled \$3,550,398 for the year ended December 31, 2019, which was included in the accompanying statement of activities. There was no impairment loss recognized on digital assets for the year ended December 31, 2020.

Gains and losses realized upon the sale of digital assets are also recorded in the accompanying statements of activities. Realized gain on the sale of digital assets was \$158,967 for the year ended December 31, 2020. There was no realized gain or loss on sale of digital assets for the year ended December 31, 2019.

Intellectual property consists of Zcash Brand Intellectual Property (“Zcash Brand IP”) that was donated by Electric Coin Company during 2019. The Organization’s valuation of the donated fair value of the Zcash Brand IP was based on established techniques that reflect the consideration of a number of factors, including valuations performed by third-party appraisers. The Organization performs the indefinite-lived intangible asset impairment test annually. In performing the annual qualitative impairment assessment for indefinite-lived intangible assets, the Organization considers various factors in determining if it is more likely than not that the fair values of these indefinite-lived intangible assets are greater than their carrying values. No impairment charges for intellectual property were recorded for the years ended December 31, 2020 and 2019.

In-Kind Contributions

Donated noncash items are recorded as revenue and support at their estimated fair values at the date of donation. Donated services are recognized if the services received create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided as donations.

Zcash Foundation

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Until November 2020, the Organization received contributions from individuals and as a distribution from the Founders Reward. The Founders Reward expired in November 2020 at first Zcash halving, which occurs every four years. Block rewards were halved to 3.125 and a new development fund was implemented by the Zcash community. The new structure stipulates that 80% of Zcash issuance continues to be distributed to miners, while 20% is allocated to Zcash development funding. Of this 20%, the Organization will receive 5% for general support of its operations and 8% will be restricted for Zcash Open Major Grants (ZOMG) fund, and the rest 7% of the total reward will be allocated to Electric Coin Company (ECC).

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, meeting revenues are recognized at the time of the meeting. Meeting registrations received that are applicable to the following year are included in deferred revenue in the accompanying statements of financial position. There was no deferred revenue at December 31, 2020 and 2019.

Zcash Foundation

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising costs for the years ended December 31, 2020 and 2019.

Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net change in unrealized appreciation or depreciation from digital assets and interests.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the change in net assets previously reported.

Zcash Foundation

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 8, 2021, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews the Organization's liquid asset needs and adjusts the cash and cash equivalent balances as necessary.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,171,125	\$ 4,126,751
Digital assets	4,295,805	3,633,756
Less: net assets with donor restrictions	<u>(876,080)</u>	<u>-</u>
Total available for general expenditures	<u>\$ 8,590,850</u>	<u>\$ 7,760,507</u>

Zcash Foundation

Notes to Financial Statements
December 31, 2020 and 2019

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents. The Organization maintains cash deposit and transaction accounts with financial institutions and the values, from time to time, exceeds insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal. Digital assets held are not subject to the protections of FDIC or Securities Investor Protection Corporation member institutions.

Revenue Risk

A substantial portion of contributions revenue was received from one major contributor. For the years ended December 31, 2020 and 2019, two donors and one donor accounted for \$4,201,809 and \$5,062,771, respectively, of the Organization's total contributions, which represents approximately 98% and 78%, respectively, of the Organization's total operating revenue and support for the years ended December 31, 2020 and 2019.

Digital Assets Risk

Several factors may affect the price of digital assets, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, and currency exchange rates or future regulatory measures (if any) that restrict the trading of digital assets or the use of digital assets as a form of payment.

There is no assurance that digital assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of digital asset payments by mainstream retail merchants and commercial businesses will continue to grow. Digital assets represent a speculative investment and involve a high degree of risk. Prices of digital assets have fluctuated widely for a variety of reasons, including uncertainties in government regulation, and may continue to experience significant price fluctuations.

Zcash Foundation

Notes to Financial Statements
December 31, 2020 and 2019

5. Intangible Assets

Digital Assets

Digital assets consist of Zcash cryptocurrency (ZEC), Bitcoin cryptocurrency (BTC), and Ethereum (ETH), which are accounted for as indefinite-lived intangible assets. The following tables present the rollforward of digital assets carried at cost on the statements of financial position for the years ended December 31, 2020 and 2019. For comparative purposes, the rollforward tables include the digital assets at fair value.

Digital assets were as follows for the year ended December 31, 2020:

	Units	Cost	Estimated Fair Value
ZEC balance, January 1	\$ 122,641	\$ 3,366,509	\$ 3,366,509
Gifts	72,431	4,308,228	4,308,228
Purchases	32	997	997
Sales	(55,261)	(3,489,456)	(3,489,456)
Distribution	(14,624)	(451,265)	(451,265)
Realized gains	-	158,967	158,967
Unrealized gains	-	-	4,050,176
ZEC balance, December 31	<u>\$ 125,219</u>	<u>\$ 3,893,980</u>	<u>\$ 7,944,156</u>
BTC balance, January 1	\$ 37	\$ 265,566	\$ 265,566
Purchases	15	135,262	135,262
Sales	(1)	(684)	(684)
Unrealized gains	-	-	1,057,093
BTC balance, December 31	<u>\$ 51</u>	<u>\$ 400,144</u>	<u>\$ 1,457,237</u>
ETH balance, January 1	\$ 13	\$ 1,681	\$ 1,681
Unrealized gains	-	-	7,882
ETH balance, December 31	<u>\$ 13</u>	<u>\$ 1,681</u>	<u>\$ 9,563</u>

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Notes to Financial Statements
December 31, 2020 and 2019

5. Intangible Assets (continued)

Digital Assets (continued)

Digital assets were as follows for the year ended December 31, 2019:

	Units	Cost	Estimated Fair Value
ZEC balance, January 1	\$ 60,073	\$ 3,380,284	\$ 3,380,284
Gifts	90,057	5,538,264	5,538,264
Sales	(19,702)	(1,625,200)	(1,625,200)
Distribution	(7,787)	(407,757)	(407,757)
Impairment losses	-	(3,519,082)	-
Unrealized losses	-	-	(3,519,082)
ZEC balance, December 31	<u>\$ 122,641</u>	<u>\$ 3,366,509</u>	<u>\$ 3,366,509</u>
BTC balance, January 1	\$ 6	\$ 36,958	\$ 36,958
Gifts	1	3,121	3,121
Purchases	33	274,400	274,400
Distribution	(3)	(18,773)	(18,773)
Impairment losses	-	(30,140)	-
Unrealized losses	-	-	(30,140)
BTC balance, December 31	<u>\$ 37</u>	<u>\$ 265,566</u>	<u>\$ 265,566</u>
ETH balance, January 1	\$ -	\$ -	\$ -
Gifts	13	2,857	2,857
Impairment losses	-	(1,176)	-
Unrealized losses	-	-	(1,176)
ETH balance, December 31	<u>\$ 13</u>	<u>\$ 1,681</u>	<u>\$ 1,681</u>

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Notes to Financial Statements
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5. Intangible Assets (continued)

Intellectual Property

Intellectual property consists of Zcash Brand IP and was valued at \$889,026 at both December 31, 2020 and 2019. Zcash Brand IP was donated to the Organization in 2019, and the Organization plans to continue its operations using Zcash Brand IP as it has strong recognition in the marketplace without additional marketing investments. The donated intangible assets were valued by a third-party appraiser using a combination of the market approach and the relief from royalty approach as the most reasonable indication of value for the Zcash Brand IP. The market approach was used to determine a reasonable royalty fee, and the relief from royalty approach was used to determine the value of the Zcash Brand IP.

6. Net Assets With Donor Restrictions

Contributions to the ZOMG fund are restricted for privacy-focused blockchain technology projects that meet the needs of a rapidly-accelerating Zcash ecosystem. The key areas include core infrastructure, social impact, improved developer tooling, security, and access to education, integrations, research, and more. There were no approved ZOMG grants in 2020. Net assets with donor restrictions were restricted for ZOMG fund and totaled \$876,080 at December 31, 2020. There were no net assets with donor restrictions at December 31, 2019.

7. Related Party Transactions

Coin Center

Antonie Hodge, who is the Operations Director at Coin Center, was the Operations Director at the Organization until July 2020. During August 2020 through February 2021, she served as Interim Director of the Organization. A Board member of the Organization is the Research Director of Coin Center. Coin Center is a separate 501(c)(4) organization that was established to provide better understanding of cryptocurrency technologies, such as Bitcoin, and to promote a regulatory climate that preserves the freedom to innovate using blockchain technologies.

8. Retirement Plan

Effective March 27, 2018, the Organization adopted a Section 401(k) plan for its employees. This plan is available to all eligible employees and permits employee contributions up to limits established by law. The Organization does not make contributions to the plan.

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Notes to Financial Statements
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9. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, and other, which are allocated on the basis of estimates of time and effort.

10. Income Taxes

The Organization is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the years ended December 31, 2020 and 2019, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Management has evaluated the Organization's tax positions and concluded that the financial statements do not include any uncertain tax positions.