

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**

**FINANCIAL STATEMENTS**

May 31, 2019 and 2018

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Data & Society Research Institute, Inc.  
New York, New York

We have audited the accompanying financial statements of Data & Society Research Institute, Inc., which comprise the statements of financial position as of May 31, 2019 and 2018, and 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 control 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 Data & Society Research Institute, Inc. as of May 31, 2019 and 2018, 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.

***Adoption of New Accounting Pronouncement***

As discussed in Note 1 to the financial statements, Data & Society Research Institute, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended May 31, 2019. The requirements of the update have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
New York, New York  
January 10, 2020

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
 May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 5,643,586	\$ 5,073,762
Unconditional promises to give, net	3,440,557	2,840,205
Prepaid expenses	35,712	8,347
Security deposits	394,662	394,662
Furniture, equipment, and leasehold improvements, net	<u>53,343</u>	<u>124,428</u>
<b>Total assets</b>	<u><u>\$ 9,567,860</u></u>	<u><u>\$ 8,441,404</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 49,290	\$ 57,225
Credit card payable	8,449	12,265
Accrued expenses	7,943	10,090
Deferred rent	<u>18,394</u>	<u>44,221</u>
Total liabilities	84,076	123,801
<b>NET ASSETS</b>		
Without donor restrictions	2,805,217	4,049,135
With donor restrictions	<u>6,678,567</u>	<u>4,268,468</u>
Total net assets	<u>9,483,784</u>	<u>8,317,603</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 9,567,860</u></u>	<u><u>\$ 8,441,404</u></u>

See accompanying notes.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Grants and contributions	\$ 175,898	\$ 6,649,876	\$ 6,825,774
Interest income	20,456	-	20,456
Other income	17,331	-	17,331
<b>Total revenues</b>	<b>213,685</b>	<b>6,649,876</b>	<b>6,863,561</b>
<b>EXPENSES</b>			
Program services	4,198,753	-	4,198,753
Supporting activities			
Management and general	1,346,554	-	1,346,554
Fundraising	152,073	-	152,073
<b>Total expenses</b>	<b>5,697,380</b>	<b>-</b>	<b>5,697,380</b>
Net assets released from restrictions			
Satisfaction of purpose restrictions	2,882,505	(2,882,505)	-
Satisfaction of time restrictions	1,357,272	(1,357,272)	-
<b>Change in net assets</b>	<b>(1,243,918)</b>	<b>2,410,099</b>	<b>1,166,181</b>
Net assets at beginning of year	4,049,135	4,268,468	8,317,603
<b>Net assets at end of year</b>	<b>\$ 2,805,217</b>	<b>\$ 6,678,567</b>	<b>\$ 9,483,784</b>

See accompanying notes.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended May 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND OTHER REVENUE</b>			
Grants and contributions	\$ 2,006,904	\$ 5,169,541	\$ 7,176,445
Interest income	6,119	-	6,119
<b>Total support and other revenue</b>	<b>2,013,023</b>	<b>5,169,541</b>	<b>7,182,564</b>
<b>EXPENSES</b>			
Program services	3,960,773	-	3,960,773
Supporting activities			
Management and general	1,018,990	-	1,018,990
Fundraising	171,115	-	171,115
<b>Total expenses</b>	<b>5,150,878</b>	<b>-</b>	<b>5,150,878</b>
<b>Net assets released from restrictions</b>			
Satisfaction of purpose restrictions	2,722,763	(2,722,763)	-
Satisfaction of time restrictions	1,256,074	(1,256,074)	-
<b>Change in net assets</b>	<b>840,982</b>	<b>1,190,704</b>	<b>2,031,686</b>
Net assets at beginning of year	3,208,153	3,077,764	6,285,917
<b>Net assets at end of year</b>	<b>\$ 4,049,135</b>	<b>\$ 4,268,468</b>	<b>\$ 8,317,603</b>

See accompanying notes.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended May 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Other salaries and wages	\$ 1,779,536	\$ 377,873	\$ 16,476	\$ 2,173,885
Officers and directors salaries	304,418	188,197	76,834	569,449
Fellows	174,750	-	-	174,750
Total salaries and wages	2,258,704	566,070	93,310	2,918,084
Payroll tax and employee benefits	458,077	124,429	20,511	603,017
Consultants	465,201	97,612	6,330	569,143
Occupancy	350,358	95,169	15,687	461,214
Professional fees	28,331	299,606	1,201	329,138
Travel and meals	208,995	45,283	593	254,871
Office	107,417	62,804	4,783	175,004
Depreciation and amortization	58,411	15,866	2,615	76,892
Training and professional development	55,246	15,007	2,474	72,727
Licenses and fees	52,723	14,321	2,361	69,405
Catering	43,265	2,423	895	46,583
Project costs	40,239	-	-	40,239
Office supplies	29,317	7,964	1,313	38,594
Event expense	37,314	-	-	37,314
Subcontractor	5,155	-	-	5,155
Total expenses	<u>\$ 4,198,753</u>	<u>\$ 1,346,554</u>	<u>\$ 152,073</u>	<u>\$ 5,697,380</u>

See accompanying notes.



**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended May 31, 2018

	Program	Management and General	Fundraising	Total
Other salaries and wages	\$ 2,000,703	\$ 286,808	\$ 18,033	\$ 2,305,544
Officers and directors salaries	119,379	173,281	94,778	387,438
Fellows	144,593	-	-	144,593
<b>Total salaries and wages</b>	<b>2,264,675</b>	<b>460,089</b>	<b>112,811</b>	<b>2,837,575</b>
Payroll tax and employee benefits	431,867	93,722	22,980	548,569
Consultants	309,241	74,089	-	383,330
Occupancy	350,033	75,963	18,626	444,622
Professional fees	31,656	198,561	1,475	231,692
Travel and meals	188,159	30,726	521	219,406
Office	139,680	55,821	7,416	202,917
Depreciation and amortization	67,442	14,636	3,589	85,667
Training and professional development	24,083	5,227	1,282	30,592
Licenses and fees	34,583	7,505	1,840	43,928
Catering	41,809	2,651	575	45,035
Project costs	40,568	-	-	40,568
Meetings and conferences	36,977	-	-	36,977
<b>Total expenses</b>	<b>\$ 3,960,773</b>	<b>\$ 1,018,990</b>	<b>\$ 171,115</b>	<b>\$ 5,150,878</b>

See accompanying notes.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended May 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,166,181	\$ 2,031,686
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	76,892	85,667
(Increase) decrease in assets		
Unconditional promises to give	(600,352)	(1,242,479)
Prepaid expenses	(27,365)	(5,778)
Security deposits	-	4,258
Increase (decrease) in liabilities		
Accounts payable	(7,935)	45,760
Credit card payable	(3,816)	13,276
Accrued expenses	(2,147)	(31,499)
Deferred rent	(25,827)	(12,977)
<b>Net cash flows from operating activities</b>	<b>575,631</b>	<b>887,914</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of furniture, equipment, and leasehold improvements	(5,807)	-
<b>Net change in cash</b>	<b>569,824</b>	<b>887,914</b>
Cash at beginning of year	5,073,762	4,185,848
<b>Cash at end of year</b>	<b>\$ 5,643,586</b>	<b>\$ 5,073,762</b>

See accompanying notes.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2019 and 2018

---

---

Data & Society Research Institute, Inc. (the "Institute") was incorporated on June 4, 2013 as a not-for-profit organization under the laws of the State of Delaware. Data & Society Research Institute, Inc. is a think/do tank dedicated to addressing social, technical, ethical, legal, and policy issues because of Data-Centric Technological Development. The Institute will host events, do directed research, create policy frameworks and build demonstration projects. The Institute's mission is to advance the public's understanding of the challenges and opportunities presented by a networked society.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Promises to Give**

Conditional promises to give are not recognized in the financial statements until conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due dates.

**Furniture, Equipment, and Leasehold Improvements**

Furniture, equipment, and leasehold improvements are stated at their original cost. Depreciation is provided using the straight-line method over the estimated useful lives between 3-5 years. Expenditures for leasehold improvements are capitalized and depreciated using the straight-line method over the life of the lease.

**Deferred Rent**

Rent expense is recognized using the straight-line method over the terms of the lease. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases and rent abatement periods, is reported as deferred rent in the accompanying statement of financial position.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Contributions**

Contributions received are recorded as increases in net assets with and without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, 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.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2019 and 2018

---

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries & wages, officers & directors wages, payroll tax and employee benefits, training and professional development, office, licenses & fees, depreciation and amortization, and occupancy, which are allocated on the basis of estimates of time and effort.

**Income Tax Status**

Data & Society Research Institute, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Adoption of New Accounting Pronouncement**

The Institute adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended May 31, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Date of Management's Review**

Management has evaluated subsequent events through January 10, 2020, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Institute maintains its cash with two major banking institutions in amounts which, from time to time, may be in excess of federal insurance limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At May 31, 2019 and 2018, the Institute's uninsured cash balances amounted to \$5,393,145 and \$4,822,000.

NOTE 3 – OPERATING LEASES

The Institute leases two floors of office space requiring monthly payments of \$38,193, subject to 3% annual rate increases. The lease expires in February 2020. The Institute's future minimum obligation under the lease for the year ended May 31, 2020 is \$337,371.

Rent expense for the years ended May 31, 2019 and 2018 was \$415,370.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2019 and 2018

**NOTE 4 – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Furniture, equipment, and leasehold improvements at May 31, 2019 and 2018 consisted of the following:

	2019	2018
Furniture and fixtures	\$ 97,949	\$ 97,949
Equipment	48,390	42,583
Leasehold improvements	174,928	174,928
Furniture, equipment, and leasehold improvements	321,267	315,460
Less accumulated depreciation and amortization	(267,924)	(191,032)
Furniture, equipment, and leasehold improvements, net	\$ 53,343	\$ 124,428

**NOTE 5 – LIQUIDITY AND AVAILABILITY**

The following represents the Institute’s financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year because of contractual or donor-imposed restrictions.

Cash	\$ 5,643,586
Unconditional promises to give, net	3,440,557
Financial assets, at year-end	9,084,143
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time and purpose restrictions	3,936,384
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,147,759

The Institute’s cash flows have seasonal variations during the year attributable to cash receipts for contributions received. The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As a not-for-profit, donor-funded organization, The Institute regularly receives contributions from donors that are available to meet annual cash needs for general operating expenditures.

**NOTE 6 – CONDITIONAL PROMISES TO GIVE**

During 2019, the Institute received restricted grants totaling \$2,075,000 that contained donor conditions (primarily matching funds requirements). Since these grants are promises, conditioned on future uncertain events, they are not recorded as contribution revenue until donor conditions are met.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2019 and 2018

---

**NOTE 7 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at May 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 2,964,367	\$ 2,163,877
Receivable in one to five years	500,000	700,000
Less: discount to present value	<u>(23,810)</u>	<u>(23,672)</u>
Total unconditional promises to give, net	<u>\$ 3,440,557</u>	<u>\$ 2,840,205</u>

Unconditional promises to give to be received in one to five years are discounted at an effective rate of 5.00% and 3.5% for the years ended May 31, 2019 and 2018.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at May 31, 2019 and 2018 were available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Media manipulation	\$ 1,646,385	\$ 1,998,812
Labor	357,138	645,822
Media & journalist engagement	222,135	420,530
Health	841,819	347,195
Data integrity	326,458	185,878
Intelligence & autonomy	10,904	153,963
Human rights & human security	-	106,892
Platform accountability	-	9,922
Artificial intelligence	31,545	-
Subsequent years' operations	<u>3,242,183</u>	<u>399,454</u>
Net assets with donor restrictions	<u>\$ 6,678,567</u>	<u>\$ 4,268,468</u>