

DATA & SOCIETY RESEARCH INSTITUTE, INC.

FINANCIAL STATEMENTS

May 31, 2020 and 2019

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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, 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.

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, 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.

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. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of June 1, 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, slightly slanted style.

Wegner CPAs, LLP
New York, New York
February 26, 2021

DATA & SOCIETY RESEARCH INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
 May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 7,228,911	\$ 5,643,586
Unconditional promises to give, net	3,257,973	3,440,557
Prepaid expenses	67,336	35,712
Security deposits	395,837	394,662
Furniture, equipment, and leasehold improvements, net	<u>14,706</u>	<u>53,343</u>
Total assets	<u><u>\$ 10,964,763</u></u>	<u><u>\$ 9,567,860</u></u>
LIABILITIES		
Accounts payable	\$ 19,819	\$ 49,290
Credit card payable	3,948	8,449
Accrued expenses	12,876	7,943
Deferred rent	-	18,394
Paycheck protection program loan	<u>663,012</u>	<u>-</u>
Total liabilities	699,655	84,076
NET ASSETS		
Without donor restrictions		
Undesignated	1,979,260	1,872,155
Board designated for founder's reserve	491,576	421,542
Board designated for operating reserve	<u>517,715</u>	<u>511,520</u>
Total without donor restrictions	2,988,551	2,805,217
With donor restrictions	<u>7,276,557</u>	<u>6,678,567</u>
Total net assets	<u>10,265,108</u>	<u>9,483,784</u>
Total liabilities and net assets	<u><u>\$ 10,964,763</u></u>	<u><u>\$ 9,567,860</u></u>

See accompanying notes.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
STATEMENT OF ACTIVITIES
Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Grants and contributions	\$ 167,726	\$ 6,269,700	\$ 6,437,426
Interest income	15,609	-	15,609
Other income	6,936	-	6,936
Total revenues	190,271	6,269,700	6,459,971
EXPENSES			
Program services	4,066,678	-	4,066,678
Supporting activities			
Management and general	1,443,356	-	1,443,356
Fundraising	168,613	-	168,613
Total expenses	5,678,647	-	5,678,647
Net assets released from restrictions			
Satisfaction of purpose restrictions	3,925,997	(3,925,997)	-
Satisfaction of time restrictions	1,745,713	(1,745,713)	-
Change in net assets	183,334	597,990	781,324
Net assets at beginning of year	2,805,217	6,678,567	9,483,784
Net assets at end of year	\$ 2,988,551	\$ 7,276,557	\$ 10,265,108

See accompanying notes.

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

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

See accompanying notes.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2020

	Program	Management and General	Fundraising	Total
Other salaries and wages	\$ 2,113,697	\$ 450,643	\$ 12,835	\$ 2,577,175
Officers and directors salaries	359,028	211,575	99,244	669,847
Fellows	62,500	-	-	62,500
Total salaries and wages	2,535,225	662,218	112,079	3,309,522
Payroll tax and employee benefits	435,313	116,581	19,731	571,625
Occupancy	371,118	99,389	16,821	487,328
Professional fees	2,460	386,792	-	389,252
Consultants	266,102	85,568	5,000	356,670
Office	86,509	46,422	4,084	137,015
Travel and meals	121,854	2,518	4,260	128,632
Licenses and fees	71,208	19,069	3,228	93,505
Project and office supplies	50,509	5,609	949	57,067
Depreciation and amortization	29,423	7,880	1,334	38,637
Event expense	37,041	-	-	37,041
Training and professional development	24,865	6,660	1,127	32,652
Catering	27,116	4,650	-	31,766
Subcontractor	7,935	-	-	7,935
Total expenses	\$ 4,066,678	\$ 1,443,356	\$ 168,613	\$ 5,678,647

See accompanying notes.

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

	Program	Management and General	Fundraising	Total
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
Occupancy	350,358	95,169	15,687	461,214
Professional fees	28,331	299,606	1,201	329,138
Consultants	465,201	97,612	6,330	569,143
Office	107,417	62,804	4,783	175,004
Travel and meals	208,995	45,283	593	254,871
Licenses and fees	52,723	14,321	2,361	69,405
Project and office supplies	69,556	7,964	1,313	78,833
Depreciation and amortization	58,411	15,866	2,615	76,892
Event expense	37,314	-	-	37,314
Training and professional development	55,246	15,007	2,474	72,727
Catering	43,265	2,423	895	46,583
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.
STATEMENTS OF CASH FLOWS
Years Ended May 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 781,324	\$ 1,166,181
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	38,637	76,892
Discount on long-term promises to give	23,810	(138)
(Increase) decrease in assets		
Unconditional promises to give	158,774	(600,214)
Prepaid expenses	(31,624)	(27,365)
Security deposits	(1,175)	-
Increase (decrease) in liabilities		
Accounts payable	(29,471)	(7,935)
Credit card payable	(4,501)	(3,816)
Accrued expenses	4,933	(2,147)
Deferred rent	(18,394)	(25,827)
Net cash flows from operating activities	922,313	575,631
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture, equipment, and leasehold improvements	-	(5,807)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from paycheck protection program loan	663,012	-
Net change in cash	1,585,325	569,824
Cash at beginning of year	5,643,586	5,073,762
Cash at end of year	\$ 7,228,911	\$ 5,643,586

See accompanying notes.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

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 amortized using the straight-line method over the shorter of the estimated useful life or 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 statements 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.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 other 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.

Program – Data & Society works to balance our commitment to rigorous empirical research with engagement efforts to ensure that this knowledge reaches those shaping the development and governance of technology. The objectives are 1) To challenge existing narratives about the purpose and power of technology in society using rigorous interdisciplinary research, 2) To expand and support a diverse field of people and organizations grappling with cultural, legal, political, and technical approaches to issues raised by data-centric technologies, 3) To ensure that civil society, media, policymakers, and industry engage with our research insights-and those of our broader network-to inform and reframe decision-making around technology, and 4) To encourage a culture and practice of experimentation and new forms of knowledge production.

Management and General – Includes the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities, and perform other administrative functions.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and others.

Government Grants

The Institute's programs are funded in part by grants from government agencies that are conditioned upon the Institute incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by the Institute, both a receivable from the grantor agency and revenue are recorded. Costs are allocated to these grants in accordance with established procedures and are subject to audit by the various government agencies. No determination has been made regarding the effect, if any, such audits could have on the financial statements. For the years ended May 31, 2020 and 2019, all of the Institute's total government grant revenue was derived from one agency.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

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

Date of Management’s Review

Management has evaluated subsequent events through February 26, 2021, the date which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that could impact operating results. The related financial impact and duration cannot be reasonably estimated at this time.

Adoption of New Accounting Guidance

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Organization adopted the requirements of the ASU as of May 31, 2020. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of June 1, 2019, or entered into after that date.

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 one institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At May 31, 2020 and 2019, the Institute’s uninsured cash balances amounted to \$7,032,885 and \$5,393,145.

NOTE 3 – OPERATING LEASES

The Institute leased two floors of office space requiring monthly payments of \$38,814, subject to 3% annual rate increases. The lease expired in June 2020 and was not renewed as the Institute transitioned to a remote environment. The Institute’s future minimum obligation under the lease for the year ended May 31, 2021 is \$38,814.

Rent expense for the years ended May 31, 2020 and 2019 was \$435,290 and \$415,370.

NOTE 4 – CONDITIONAL PROMISES TO GIVE

As of May 31, 2020 and 2019, the Institute had been made aware of promises to give totaling \$1,939,954 and \$2,075,000 that contained donor conditions, including raising matching funds, production of case studies, and incurring allowable expenses. Since these grants are promises conditioned on future uncertain events, they are not recorded as contribution revenue until donor conditions have been met.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

NOTE 5 – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements at May 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 97,949	\$ 97,949
Equipment	48,390	48,390
Leasehold improvements	<u>174,928</u>	<u>174,928</u>
Furniture, equipment, and leasehold improvements	321,267	321,267
Less accumulated depreciation and amortization	<u>(306,561)</u>	<u>(267,924)</u>
Furniture, equipment, and leasehold improvements, net	<u>\$ 14,706</u>	<u>\$ 53,343</u>

NOTE 6 – 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.

	<u>2020</u>	<u>2019</u>
Cash	\$ 7,228,911	\$ 5,643,586
Unconditional promises to give, net	<u>3,257,973</u>	<u>3,440,557</u>
Financial assets at May 31	10,486,884	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	<u>3,030,087</u>	<u>3,936,384</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,456,797</u>	<u>\$ 5,147,759</u>

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.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

NOTE 7 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at May 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 3,257,973	\$ 2,964,367
Receivable in one to five years	-	500,000
Less: discount to present value	-	(23,810)
Total unconditional promises to give, net	<u>\$ 3,257,973</u>	<u>\$ 3,440,557</u>

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

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at May 31, 2020 and 2019 were available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Research capacity	\$ 1,335,171	\$ -
Health	386,215	841,819
Democracy	325,000	-
Media manipulation	314,856	1,646,385
Data integrity	196,008	326,458
Census	149,250	-
Disinformation lab project	100,000	-
Destabilizing data	99,309	-
Fellowship	88,289	-
Wage discrimination	21,234	-
Training	14,755	-
Labor	-	357,138
Media & journalist engagement	-	222,135
Intelligence & autonomy	-	10,904
Artificial intelligence	-	31,545
Subsequent years' operations	4,246,470	3,242,183
Net assets with donor restrictions	<u>\$ 7,276,557</u>	<u>\$ 6,678,567</u>

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2020 and 2019

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN

On May 4, 2020, the Institute received a \$663,012 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan accrues interest at 1% but payments and interest accrual are deferred for six months. As of May 31, 2020, a determination of the amount of forgiveness has not been made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Institute during the covered period. Eligible expenses include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over two years.

NOTE 10 – CONTINGENCY

The Institute is involved in a complaint by a former employee and has retained legal counsel. As of February 26, 2021, it is not possible to determine whether there is a loss potential or what that amount might be.