

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

**FINANCIAL STATEMENTS**

May 31, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

We have audited the financial statements of Data & Society Research Institute, Inc., which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Data & Society Research Institute, Inc. as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Data & Society Research Institute, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Data & Society Research Institute, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Data & Society Research Institute, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Data & Society Research Institute, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wegner CPAs, LLP  
New York, New York  
April 12, 2023

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
 May 31, 2022 and 2021

|   | <u>2022</u>                 | <u>2021</u>                 |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |
| Cash  | \$ 8,380,112                | \$ 10,043,405               |
| Unconditional promises to give, net                   | 2,161,135                   | 3,040,271                   |
| Prepaid expenses                                      | 44,897                      | 29,696                      |
| Security deposits                                     | 36,382                      | 26,835                      |
| Furniture, equipment, and leasehold improvements, net | <u>2,032</u>                | <u>4,723</u>                |
| <b>Total assets</b>                                   | <u><u>\$ 10,624,558</u></u> | <u><u>\$ 13,144,930</u></u> |
| <b>LIABILITIES</b>                                    |                             |                             |
| Accounts payable                                      | \$ 99,436                   | \$ 21,776                   |
| Accrued expenses                                      | 32,200                      | 4,265                       |
| Paycheck Protection Program loan                      | <u>705,548</u>              | <u>1,368,560</u>            |
| <b>Total liabilities</b>                              | 837,184                     | 1,394,601                   |
| <b>NET ASSETS</b>                                     |                             |                             |
| Without donor restrictions                            |                             |                             |
| Undesignated  | 5,366,196                   | 1,862,282                   |
| Board designated for founder's reserve                | 499,165                     | 498,831                     |
| Board designated for operating reserve                | <u>912,071</u>              | <u>911,673</u>              |
| <b>Total without donor restrictions</b>               | 6,777,432                   | 3,272,786                   |
| With donor restrictions                               | <u>3,009,942</u>            | <u>8,477,543</u>            |
| <b>Total net assets</b>                               | <u><u>9,787,374</u></u>     | <u><u>11,750,329</u></u>    |
| <b>Total liabilities and net assets</b>               | <u><u>\$ 10,624,558</u></u> | <u><u>\$ 13,144,930</u></u> |

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended May 31, 2022

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| <b>REVENUES</b>                       |                               |                            |                     |
| Contributions                         | \$ 480,487                    | \$ 2,106,479               | \$ 2,586,966        |
| Government grants                     | 636,732                       | 58,196                     | 694,928             |
| Interest income                       | 3,220                         | -                          | 3,220               |
| Other income                          | 2,461                         | -                          | 2,461               |
| <b>Total revenues</b>                 | <b>1,122,900</b>              | <b>2,164,675</b>           | <b>3,287,575</b>    |
| <b>EXPENSES</b>                       |                               |                            |                     |
| Program services                      | 3,529,159                     | -                          | 3,529,159           |
| Supporting activities                 |                               |                            |                     |
| Management and general                | 1,444,528                     | -                          | 1,444,528           |
| Fundraising                           | 276,843                       | -                          | 276,843             |
| <b>Total expenses</b>                 | <b>5,250,530</b>              | <b>-</b>                   | <b>5,250,530</b>    |
| Net assets released from restrictions |                               |                            |                     |
| Satisfaction of purpose restrictions  | 2,594,993                     | (2,594,993)                | -                   |
| Satisfaction of time restrictions     | 5,037,283                     | (5,037,283)                | -                   |
| <b>Change in net assets</b>           | <b>3,504,646</b>              | <b>(5,467,601)</b>         | <b>(1,962,955)</b>  |
| Net assets at beginning of year       | 3,272,786                     | 8,477,543                  | 11,750,329          |
| <b>Net assets at end of year</b>      | <b>\$ 6,777,432</b>           | <b>\$ 3,009,942</b>        | <b>\$ 9,787,374</b> |

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended May 31, 2021

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|---------------------------------------|-------------------------------|----------------------------|----------------------|
| <b>REVENUES</b>                       |                               |                            |                      |
| Contributions                         | \$ 906,993                    | \$ 5,172,635               | \$ 6,079,628         |
| Government grants                     | 107,346                       | -                          | 107,346              |
| Interest income                       | 3,812                         | -                          | 3,812                |
| Other income                          | 2,687                         | -                          | 2,687                |
| <b>Total revenues</b>                 | <b>1,020,838</b>              | <b>5,172,635</b>           | <b>6,193,473</b>     |
| <b>EXPENSES</b>                       |                               |                            |                      |
| Program services                      | 3,472,734                     | -                          | 3,472,734            |
| Supporting activities                 |                               |                            |                      |
| Management and general                | 1,039,782                     | -                          | 1,039,782            |
| Fundraising                           | 195,736                       | -                          | 195,736              |
| <b>Total expenses</b>                 | <b>4,708,252</b>              | <b>-</b>                   | <b>4,708,252</b>     |
| Net assets released from restrictions |                               |                            |                      |
| Satisfaction of purpose restrictions  | 3,160,745                     | (3,160,745)                | -                    |
| Satisfaction of time restrictions     | 810,904                       | (810,904)                  | -                    |
| <b>Change in net assets</b>           | <b>284,235</b>                | <b>1,200,986</b>           | <b>1,485,221</b>     |
| Net assets at beginning of year       | 2,988,551                     | 7,276,557                  | 10,265,108           |
| <b>Net assets at end of year</b>      | <b>\$ 3,272,786</b>           | <b>\$ 8,477,543</b>        | <b>\$ 11,750,329</b> |

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended May 31, 2022

|                                       | <u>Program</u>      | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
|---------------------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Other salaries and wages              | \$ 2,157,758        | \$ 308,834                        | \$ 156,273         | \$ 2,622,865        |
| Officers and directors salaries       | 320,529             | 359,738                           | 43,232             | 723,499             |
| Fellows                               | 72,500              | -                                 | -                  | 72,500              |
| <b>Total salaries and wages</b>       | <b>2,550,787</b>    | <b>668,572</b>                    | <b>199,505</b>     | <b>3,418,864</b>    |
| Payroll tax and employee benefits     | 504,770             | 136,173                           | 40,635             | 681,578             |
| Consultants                           | 233,828             | 264,349                           | 6,376              | 504,553             |
| Professional fees                     | 34,268              | 309,330                           | 16,096             | 359,694             |
| Office                                | 42,219              | 42,299                            | 2,915              | 87,433              |
| Licenses and fees                     | 63,232              | 17,059                            | 5,090              | 85,381              |
| Project and office supplies           | 46,826              | 166                               | 50                 | 47,042              |
| Travel and meals                      | 34,853              | 3,386                             | 5,223              | 43,462              |
| Occupancy                             | 8,095               | 2,184                             | 652                | 10,931              |
| Subcontractor                         | 5,755               | -                                 | -                  | 5,755               |
| Depreciation                          | 1,993               | 538                               | 160                | 2,691               |
| Training and professional development | 1,752               | 472                               | 141                | 2,365               |
| Event expenses                        | 781                 | -                                 | -                  | 781                 |
| <b>Total expenses</b>                 | <b>\$ 3,529,159</b> | <b>\$ 1,444,528</b>               | <b>\$ 276,843</b>  | <b>\$ 5,250,530</b> |



**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended May 31, 2021

|                                       | Program             | Management<br>and General | Fundraising       | Total               |
|---------------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Other salaries and wages              | \$ 2,284,646        | \$ 403,055                | \$ 94,535         | \$ 2,782,236        |
| Officers and directors salaries       | 269,378             | 204,469                   | 43,900            | 517,747             |
| Fellows                               | 50,000              | -                         | -                 | 50,000              |
| <b>Total salaries and wages</b>       | <b>2,604,024</b>    | <b>607,524</b>            | <b>138,435</b>    | <b>3,349,983</b>    |
| Payroll tax and employee benefits     | 471,712             | 112,206                   | 25,568            | 609,486             |
| Consultants                           | 114,237             | 4,605                     | -                 | 118,842             |
| Professional fees                     | 59,055              | 256,390                   | 23,100            | 338,545             |
| Office                                | 50,570              | 29,390                    | 2,242             | 82,202              |
| Licenses and fees                     | 67,555              | 16,069                    | 3,662             | 87,286              |
| Project and office supplies           | 48,958              | 1,173                     | 267               | 50,398              |
| Travel and meals                      | 1,643               | 1,623                     | -                 | 3,266               |
| Occupancy                             | 34,923              | 8,307                     | 1,893             | 45,123              |
| Subcontractor                         | 9,570               | -                         | -                 | 9,570               |
| Depreciation                          | 7,726               | 1,838                     | 419               | 9,983               |
| Training and professional development | 2,761               | 657                       | 150               | 3,568               |
| <b>Total expenses</b>                 | <b>\$ 3,472,734</b> | <b>\$ 1,039,782</b>       | <b>\$ 195,736</b> | <b>\$ 4,708,252</b> |

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended May 31, 2022 and 2021

|   | <u>2022</u>         | <u>2021</u>          |
|---|---------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                      |
| Change in net assets  | \$ (1,962,955)      | \$ 1,485,221         |
| Adjustments to reconcile change in net assets to net cash flows from operating activities |                     |                      |
| Depreciation  | 2,691               | 9,983                |
| Paycheck Protection Program loan forgiveness  | (636,732)           | -                    |
| Discount on long-term promises to give  | -                   | (55,036)             |
| Amortization of discount on long-term promises to give                                    | 55,036              | -                    |
| (Increase) decrease in assets   |                     |                      |
| Unconditional promises to give  | 824,100             | 272,738              |
| Prepaid expenses  | (15,201)            | 37,640               |
| Security deposits   | (9,547)             | 369,002              |
| Increase in liabilities   |                     |                      |
| Accounts payable  | 77,660              | (1,991)              |
| Accrued expenses  | 27,935              | (8,611)              |
| <b>Net cash flows from operating activities</b>   | <u>(1,637,013)</u>  | <u>2,108,946</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                      |
| Proceeds from Paycheck Protection Program loan  | -                   | 705,548              |
| Payments on Paycheck Protection Program loan  | (26,280)            | -                    |
| <b>Net cash flows from financing activities</b>   | <u>(26,280)</u>     | <u>705,548</u>       |
| <b>Net change in cash</b>   | (1,663,293)         | 2,814,494            |
| Cash at beginning of year   | <u>10,043,405</u>   | <u>7,228,911</u>     |
| <b>Cash at end of year</b>  | <u>\$ 8,380,112</u> | <u>\$ 10,043,405</u> |

See accompanying notes.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2022 and 2021

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

Data & Society Research Institute, Inc. (the "Institute") is incorporated as a not-for-profit organization under the laws of the State of Delaware. Data & Society advances public understanding of the social and cultural implications of data-centric technologies and automation. Through interdisciplinary research and engagement, the Institute works to ensure that knowledge guides development and governance of technology. The Institute is funded primarily by contributions and government grants.

**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 and Equipment**

Furniture and equipment 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.

**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.

**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.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2022 and 2021

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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 other salaries & wages, officers & directors wages, payroll tax and employee benefits, occupancy, office, licenses & fees, depreciation, and training and professional development, 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.

**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.

**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 April 12, 2023, the date which the financial statements were available to be issued.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2022 and 2021

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NOTE 2 – CONCENTRATIONS

**Concentration of Credit Risk**

The Institute maintains its cash with two national financial 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, 2022 and 2021, the Institute’s uninsured cash balances totaled approximately \$7,888,000 and \$9,814,000.

**Donor Concentration**

For the year ended May 31, 2022, 70% of contributions came from two donors and 100% of government grants came from two grantors. For the year ended May 31, 2021, 100% of government grants came from one grantor.

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 currently has a month to month storage lease.

Rent expense for the years ended May 31, 2022 and 2021 totaled \$10,931 and \$38,814.

NOTE 4 – CONDITIONAL PROMISES TO GIVE

As of May 31, 2022 and 2021, the Institute had been made aware of promises to give totaling \$2,027 and \$894,149 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.

NOTE 5 – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

|                                | 2022      | 2021      |
|--------------------------------|-----------|-----------|
| Furniture and fixtures         | \$ 97,949 | \$ 97,949 |
| Equipment                      | 48,390    | 48,390    |
| Furniture and equipment        | 146,339   | 146,339   |
| Less: Accumulated depreciation | (144,307) | (141,616) |
| Furniture and equipment, net   | \$ 2,032  | \$ 4,723  |

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2022 and 2021

NOTE 6 – LIQUIDITY AND AVAILABILITY

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

|  | 2022         | 2021          |
|--|--------------|---------------|
| Cash   | \$ 8,380,112 | \$ 10,043,405 |
| Unconditional promises to give, net  | 2,161,135    | 3,040,271     |
| Financial assets at year-end   | 10,541,247   | 13,083,676    |
| Less: Those unavailable for general expenditures within one year due to:               |              |               |
| Contractual or donor-imposed restrictions:   |              |               |
| Restricted by donor with time and purpose restrictions                                 | (1,826,276)  | (3,759,618)   |
| Less: Board designated funds   | (1,411,236)  | (1,410,504)   |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 7,303,735 | \$ 7,913,554  |

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.

Subsequent to year-end, the board of directors voted to release funds designated by the board as Founder’s Reserve for general operations.

NOTE 7 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at May 31, 2022 and 2021 are as follows:

|   | 2022         | 2021         |
|---|--------------|--------------|
| Receivable in less than one year          | \$ 2,161,135 | \$ 1,939,557 |
| Receivable in one to five years           | -            | 1,155,750    |
|   | 2,161,135    | 3,095,307    |
| Less: Discount to present value           | -            | (55,036)     |
| Total unconditional promises to give, net | \$ 2,161,135 | \$ 3,040,271 |

Unconditional promises to give receivable in more than one year are discounted at 5.0%.

**DATA & SOCIETY RESEARCH INSTITUTE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2022 and 2021

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

Net assets with donor restrictions are restricted at May 31, 2022 and 2021 were available for the following purposes or periods:

|                                    | 2022         | 2021         |
|------------------------------------|--------------|--------------|
| Research capacity                  | \$ 1,025,907 | \$ 1,129,055 |
| Policy                             | 229,148      | -            |
| Labor                              | 214,148      | 496,116      |
| Health                             | 175,775      | 503,514      |
| Platform governance and mediation  | 146,027      | 19,209       |
| DEI efforts                        | 23,359       | -            |
| Fellowship                         | 8,875        | 106,033      |
| Media manipulation                 | 3,037        | 201,043      |
| Census                             | -            | 148,898      |
| Subsequent years' operations       | 1,183,666    | 5,873,675    |
| Net assets with donor restrictions | \$ 3,009,942 | \$ 8,477,543 |

**NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN**

The Institute received loans totaling \$1,368,560 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Institute during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over five years. On November 1, 2021, the SBA preliminarily approved forgiveness of \$636,732, plus accrued interest, of the Institute's first draw PPP loan. The remaining principal of \$26,280 was paid in full during the year ended May 31, 2022. On December 21, 2022, the SBA preliminarily approved forgiveness of the Institute's second draw PPP loan. The Institute must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Institute's good-faith certification concerning the necessity of its loan request, whether the Institute calculated the loan amount correctly, whether the Institute used loan proceeds for the allowable uses specified in the CARES Act, and whether the Institute is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Institute was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

**NOTE 10 – CONTINGENCY**

The Institute is involved in a complaint by a former employee and has retained legal counsel. As of April 12, 2023, it is not possible to determine whether there is a loss potential or what that amount might be.