

DATA & SOCIETY RESEARCH INSTITUTE, INC.

FINANCIAL STATEMENTS

May 31, 2018

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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 statement of financial position as of May 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Correction of an Error

As described in Note 6 to the financial statements, certain errors resulting in the omission of unconditional promises to give received in previous years were discovered by management during the current year. Accordingly, an adjustment has been made to net assets as of the beginning of the year to correct the error. Our opinion is not modified with respect to that matter.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
February 1, 2019

DATA & SOCIETY RESEARCH INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
May 31, 2018

ASSETS

Cash	\$ 5,073,762
Unconditional promises to give - net	2,840,205
Prepaid expenses	7,357
Security deposits	395,652
Furniture, equipment and leasehold improvements - net	<u>124,428</u>

Total assets

\$ 8,441,404

LIABILITIES

Accounts payable	\$ 57,225
Credit card payable	12,265
Accrued expenses	10,090
Deferred rent	<u>44,221</u>

Total liabilities

123,801

NET ASSETS

Unrestricted	4,049,135
Temporarily restricted	<u>4,268,468</u>

Total net assets

8,317,603

Total liabilities and net assets

\$ 8,441,404

See accompanying notes.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND OTHER REVENUE			
Grants and contributions	\$ 2,006,904	\$ 5,169,541	\$ 7,176,445
Interest income	6,119	-	6,119
Total support and other revenue	2,013,023	5,169,541	7,182,564
EXPENSES			
Program services	3,960,773	-	3,960,773
Supporting activities			
Management and general	1,018,990	-	1,018,990
Fundraising	171,115	-	171,115
Total expenses	5,150,878	-	5,150,878
Net assets released from restrictions	3,978,837	(3,978,837)	-
Change in net assets	840,982	1,190,704	2,031,686
Net assets - beginning of year	3,208,153	3,077,764	6,285,917
Net assets - end of year	\$ 4,049,135	\$ 4,268,468	\$ 8,317,603

See accompanying notes.

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

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

See accompanying notes.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
STATEMENT OF CASH FLOWS
Year ended May 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,031,686
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	85,667
(Increase) decrease in assets	
Unconditional promises to give - net	(1,242,479)
Prepaid expenses	(5,778)
Security deposits	4,258
Increase (decrease) in liabilities	
Accounts payable	45,760
Credit card payable	13,276
Accrued expenses	(31,499)
Deferred rent	(12,977)
	<hr/>
Net cash flows from operating activities	887,914
Cash - beginning of year	<hr/> 4,185,848
Cash - end of year	<u><u>\$ 5,073,762</u></u>

See accompanying notes.

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

Data & Society Research Institute, Inc. 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. Data & Society Research Institute, Inc. will host events, do directed research, create policy frameworks and build demonstration projects. Data & Society Research Institute, Inc.'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

Basis of Presentation

Data & Society Research Institute, Inc. reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments. At May 31, 2018, \$372,064 and \$502,006 of unrestricted net assets are designated by the board as the Founder Reserve and Operating Reserve, respectively.

Temporarily restricted net assets - Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets - Net assets that have been restricted by donors to be maintained by Data & Society Research Institute, Inc. in perpetuity.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The costs of providing Data & Society Research Institute, Inc.'s various program services and supporting activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status

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

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.

Date of Management's Review

Management has evaluated subsequent events through February 1, 2019, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Data & Society Research Institute, Inc. maintains its cash with two major financial 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. Accounts at the other institution are not insured by the FDIC. At May 31, 2018, Data & Society Research Institute, Inc.'s uninsured cash balance amounted to approximately \$4,822,000.

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

NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at May 31, 2018 consisted of the following:

Furniture and fixtures	\$ 97,949
Equipment	42,583
Leasehold improvements	<u>174,928</u>
Equipment and leasehold improvements	315,460
Less accumulated depreciation and amortization	<u>(191,032)</u>
Equipment and leasehold improvements - net	<u><u>\$ 124,428</u></u>

Depreciation expense was \$85,667 for the year ended May 31, 2018.

NOTE 4 – OPERATING LEASE

Data & Society Research Institute, Inc. leases two floors of office space requiring monthly payments of \$34,194, subject to 3% annual rate increases. The lease expires in November 2019. Future minimum obligations under the leases for the years ending May 31 are as follows:

2019	\$ 441,198
2020	<u>225,276</u>
Total	<u><u>\$ 666,474</u></u>

Rent expense for the year ended May 31, 2018 was \$415,370.

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE - NET

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

Receivable in less than one year	\$ 2,163,877
Receivable in one to five years	700,000
Less: discount to present value	<u>(23,672)</u>
Total unconditional promises to give - net	<u><u>\$ 2,840,205</u></u>

Unconditional promises to give receivable in more than one year are discounted at 3.5%.

NOTE 6 – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in the omission of unconditional promises to give received in previous years were discovered during the current year. Accordingly, an adjustment of \$1,510,832 was made during the year ended May 31, 2018 to increase unconditional promises to give and temporarily restricted net assets as of the beginning of the year.

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

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at May 31, 2018 were available for the following purposes or periods:

Media manipulation	\$ 1,998,812
Labor	645,822
Media & journalist engagement	420,530
Health	347,195
Data integrity	185,878
Intelligence & autonomy	153,963
Human rights & human security	106,892
Platform accountability	9,922
Subsequent years' operations	<u>399,454</u>
Temporarily restricted net assets	<u><u>\$ 4,268,468</u></u>