

DATA & SOCIETY RESEARCH INSTITUTE, INC.

FINANCIAL STATEMENTS

May 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Wegner CPAs, LLP
New York, New York
December 17, 2021

DATA & SOCIETY RESEARCH INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 10,043,405	\$ 7,228,911
Unconditional promises to give, net	3,040,271	3,257,973
Prepaid expenses	29,696	67,336
Security deposits	26,835	395,837
Furniture, equipment, and leasehold improvements, net	4,723	14,706
Total assets	\$ 13,144,930	\$ 10,964,763
LIABILITIES		
Accounts payable	\$ 21,776	\$ 23,767
Accrued expenses	4,265	12,876
Paycheck Protection Program loan	1,368,560	663,012
Total liabilities	1,394,601	699,655
NET ASSETS		
Without donor restrictions		
Undesignated	1,862,282	1,979,260
Board designated for founder's reserve	498,831	491,576
Board designated for operating reserve	911,673	517,715
Total without donor restrictions	3,272,786	2,988,551
With donor restrictions	8,477,543	7,276,557
Total net assets	11,750,329	10,265,108
Total liabilities and net assets	\$ 13,144,930	\$ 10,964,763

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Grants and contributions	\$ 1,014,339	\$ 5,172,635	\$ 6,186,974
Interest income	3,812	-	3,812
Other income	2,687	-	2,687
	<u>1,020,838</u>	<u>5,172,635</u>	<u>6,193,473</u>
EXPENSES			
Program services	3,472,734	-	3,472,734
Supporting activities			
Management and general	1,039,782	-	1,039,782
Fundraising	195,736	-	195,736
	<u>4,708,252</u>	<u>-</u>	<u>4,708,252</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	3,160,745	(3,160,745)	-
Satisfaction of time restrictions	810,904	(810,904)	-
	<u>284,235</u>	<u>1,200,986</u>	<u>1,485,221</u>
Change in net assets			
Net assets at beginning of year	<u>2,988,551</u>	<u>7,276,557</u>	<u>10,265,108</u>
Net assets at end of year	<u><u>\$ 3,272,786</u></u>	<u><u>\$ 8,477,543</u></u>	<u><u>\$ 11,750,329</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
	<u>190,271</u>	<u>6,269,700</u>	<u>6,459,971</u>
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
	<u>5,678,647</u>	<u>-</u>	<u>5,678,647</u>
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)	-
	<u>183,334</u>	<u>597,990</u>	<u>781,324</u>
Change in net assets			
Net assets at beginning of year	<u>2,805,217</u>	<u>6,678,567</u>	<u>9,483,784</u>
Net assets at end of year	<u>\$ 2,988,551</u>	<u>\$ 7,276,557</u>	<u>\$ 10,265,108</u>

See accompanying notes.

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

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

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
	<u>2,535,225</u>	<u>662,218</u>	<u>112,079</u>	<u>3,309,522</u>
Total salaries and wages				
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
	<u>7,935</u>	<u>-</u>	<u>-</u>	<u>7,935</u>
Total expenses	<u>\$ 4,066,678</u>	<u>\$ 1,443,356</u>	<u>\$ 168,613</u>	<u>\$ 5,678,647</u>

See accompanying notes.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
Years Ended May 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,485,221	\$ 781,324
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	9,983	38,637
Discount on long-term promises to give	(55,036)	23,810
(Increase) decrease in assets		
Unconditional promises to give	272,738	158,774
Prepaid expenses	37,640	(31,624)
Security deposits	369,002	(1,175)
Increase (decrease) in liabilities		
Accounts payable	(1,991)	(33,972)
Accrued expenses	(8,611)	4,933
Deferred rent	-	(18,394)
Net cash flows from operating activities	2,108,946	922,313
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	705,548	663,012
Net change in cash	2,814,494	1,585,325
Cash at beginning of year	7,228,911	5,643,586
Cash at end of year	<u>\$ 10,043,405</u>	<u>\$ 7,228,911</u>

See accompanying notes.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

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, we work to ensure that knowledge guides development and governance of technology.

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.

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. For the years ended May 31, 2021 and 2020, 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, 2021 and 2020

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 amortization, 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 December 17, 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.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 2 – CONCENTRATIONS 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 one institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At May 31, 2021 and 2020, the Institute's uninsured cash balances amounted to \$9,813,782 and \$7,032,885.

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.

Rent expense for the years ended May 31, 2021 and 2020 was \$38,814 and \$435,290.

NOTE 4 – CONDITIONAL PROMISES TO GIVE

As of May 31, 2021 and 2020, the Institute had been made aware of promises to give totaling \$894,149 and \$1,939,954 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, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 97,949	\$ 97,949
Equipment	48,390	48,390
Leasehold improvements	<u>-</u>	<u>174,928</u>
Furniture, equipment, and leasehold improvements	146,339	321,267
Less accumulated depreciation and amortization	<u>(141,616)</u>	<u>(306,561)</u>
Furniture, equipment, and leasehold improvements, net	<u>\$ 4,723</u>	<u>\$ 14,706</u>

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

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.

	<u>2021</u>	<u>2020</u>
Cash	\$ 10,043,405	\$ 7,228,911
Unconditional promises to give, net	<u>3,040,271</u>	<u>3,257,973</u>
Financial assets at year-end	13,083,676	10,486,884
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time and purpose restrictions	3,759,618	3,030,087
Less board designated funds	<u>1,410,504</u>	<u>1,009,291</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 7,913,554</u></u>	<u><u>\$ 6,447,506</u></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.

NOTE 7 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at May 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 1,939,557	\$ 3,257,973
Receivable in one to five years	<u>1,155,750</u>	<u>-</u>
	3,095,307	3,257,973
Less: discount to present value	<u>(55,036)</u>	<u>-</u>
Total unconditional promises to give, net	<u><u>\$ 3,040,271</u></u>	<u><u>\$ 3,257,973</u></u>

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, 2021 and 2020

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted at May 31, 2021 and 2020 were available for the following purposes or periods:

	2021	2020
Research capacity	\$ 1,129,055	\$ 1,335,171
Health	503,514	386,215
Democracy	-	325,000
Media manipulation	201,043	314,856
Data integrity	-	196,008
Census	148,898	149,250
Disinformation lab project	-	100,000
Destabilizing data	-	99,309
Fellowship	106,033	88,289
Wage discrimination	-	21,234
Training	-	14,755
Labor	496,116	-
Platform governance	19,209	-
Subsequent years' operations	5,873,675	4,246,470
Net assets with donor restrictions	<u>\$ 8,477,543</u>	<u>\$ 7,276,557</u>

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. The Institute is in the process of applying for forgiveness of the 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.

On November 1, 2021, the SBA preliminarily approved forgiveness of \$636,732, plus accrued interest, of the first PPP loan that the Institute received, leaving a balance of \$26,280 plus accrued interest at a rate of 1%. The total remaining principal of \$26,280 and accrued interest is to be paid in full no later than May 11, 2022.

DATA & SOCIETY RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 10 – CONTINGENCY

The Institute is involved in a complaint by a former employee and has retained legal counsel. As of December 17, 2021, it is not possible to determine whether there is a loss potential or what that amount might be.

NOTE 11 – COVID-19 CONSIDERATIONS

The COVID-19 pandemic has impacted and may continue to impact the Organization's operations and employees as a result of restrictions on gathering and travel. Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its operations as a result of any economic recession or depression that has occurred or may occur in the future, all of which are uncertain and cannot be predicted. Therefore, the Organization cannot reasonably estimate the impact at this time.