DATA AND SOCIETY RESEARCH INSTITUTE, INC.

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INDEPENDENT AUDITORS’ REPORT

To the Board of Directors of
Data and Society Research Institute, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Data and Society Research Institute, Inc. (a not-for-profit organization) which is comprised of the statement of financial position as of May 31, 2015 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 and the standards applicable to financial audits contained in government auditing standards issued by the controller general of the United States. 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 on 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 and Society Research Institute, Inc. as of May 31, 2015, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Gallo & Company, CPA's LLP
Jericho, New York

March 23, 2016
DATA AND SOCIETY RESEARCH INSTITUTE, INC.
Statement of Financial Position
May 31, 2015

ASSETS

Current Assets
  Cash and cash equivalents $ 2,620,602
  Accounts receivable 52,116
  Prepaid expenses 27,469

  Total Current Assets 2,700,187

Fixed Assets
  Furniture, fixtures and equipment 71,479
  Leasehold improvements 46,283
  Accumulated depreciation (15,365)

  Total Fixed Assets 102,397

Other Assets
  Security deposits 132,075

  Total Other Assets 132,075

TOTAL ASSETS $ 2,934,659

LIABILITIES AND NET ASSETS

Current Liabilities
  Accounts payable $ 48,620
  Credit cards payable 31,818

  Total Current Liabilities 80,438

Deferred Rent 55,454

  Total Liabilities 135,892

Net Asset
  Unrestricted net assets 2,315,965
  Temporary restricted net assets 482,802

  Total Net Assets 2,798,767

TOTAL LIABILITIES AND NET ASSETS $ 2,934,659

See Notes to Financial Statements.
UNRESTRICTED NET ASSETS

Support and Revenues
  Net assets released from restriction $ 607,718
  Contributions and miscellaneous 2,324,000
  Interest income 1,061
  Total Support Revenues 2,932,779

Expenses
  Program expenses 1,474,678
  Management and general expenses 231,857
  Fundraising 67,746
  Total Expenses 1,774,281

INCREASE IN UNRESTRICTED NET ASSETS 1,158,498

TEMPORARY RESTRICTED NET ASSETS

Grants 1,090,520
  Net assets released from restriction (607,718)

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 482,802

INCREASE IN NET ASSETS 1,641,300

NET ASSETS AT BEGINNING OF YEAR 1,157,467

NET ASSETS AT END OF YEAR $ 2,798,767
DATA AND SOCIETY RESEARCH INSTITUTE, INC.
Statement of Functional Expenses
For the Year Ended May 31, 2015

<table>
<thead>
<tr>
<th>Management &amp;</th>
<th>Program</th>
<th>General</th>
<th>Fundraising</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>$462,774</td>
<td>$41,116</td>
<td>$21,019</td>
<td>$524,909</td>
</tr>
<tr>
<td>Payroll Tax Expense</td>
<td>45,421</td>
<td>4,348</td>
<td>1,696</td>
<td>51,465</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>24,610</td>
<td>2,710</td>
<td>1,218</td>
<td>28,538</td>
</tr>
<tr>
<td>Processing Charges</td>
<td>15,163</td>
<td>1,255</td>
<td>635</td>
<td>17,053</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,566</td>
<td>2,567</td>
<td>236</td>
<td>4,369</td>
</tr>
<tr>
<td>Fellows</td>
<td>189,250</td>
<td>-0-</td>
<td>-0-</td>
<td>189,250</td>
</tr>
<tr>
<td>Consultants</td>
<td>171,376</td>
<td>8,143</td>
<td>13,038</td>
<td>192,557</td>
</tr>
<tr>
<td>Rental Expense</td>
<td>164,849</td>
<td>19,394</td>
<td>9,698</td>
<td>193,941</td>
</tr>
<tr>
<td>Relocation Expense</td>
<td>15,617</td>
<td>-0-</td>
<td>-0-</td>
<td>15,617</td>
</tr>
<tr>
<td>Facility Expense</td>
<td>11,995</td>
<td>1,294</td>
<td>647</td>
<td>13,936</td>
</tr>
<tr>
<td>Office Expense</td>
<td>27,963</td>
<td>4,045</td>
<td>1,781</td>
<td>33,789</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>9,356</td>
<td>10,724</td>
<td>54</td>
<td>20,134</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>13,061</td>
<td>1,537</td>
<td>767</td>
<td>15,365</td>
</tr>
<tr>
<td>Catering</td>
<td>90,855</td>
<td>6,565</td>
<td>-0-</td>
<td>97,420</td>
</tr>
<tr>
<td>Event Expense</td>
<td>53,185</td>
<td>-0-</td>
<td>-0-</td>
<td>53,185</td>
</tr>
<tr>
<td>Travel &amp; Meals</td>
<td>38,558</td>
<td>2,091</td>
<td>-0-</td>
<td>40,649</td>
</tr>
<tr>
<td>Subcontractor</td>
<td>90,000</td>
<td>-0-</td>
<td>-0-</td>
<td>90,000</td>
</tr>
<tr>
<td>Project Costs</td>
<td>23,209</td>
<td>614</td>
<td>-0-</td>
<td>23,823</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>25,870</td>
<td>125,454</td>
<td>16,957</td>
<td>168,281</td>
</tr>
</tbody>
</table>

Total Functional Expenses $1,474,678 $231,857 $67,746 $1,774,281

See Notes to Financial Statements.
CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets $1,641,300

Adjustments to Reconcile Changes in Net Assets
to Cash Provided By Operating Activities

Depreciation expense 15,365
Increase in Accounts receivable (52,116)
Increase in Prepaid expenses (23,244)
Increase in Security Deposits (132,075)
Increase in Accounts payable 30,893
Increase in Credit Cards 31,818
Increase in Deferred Rent 55,454

Net Cash Provided By Operating Activities 1,567,395

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to Furniture, Fixtures & Equipment (71,479)
Additions to Leasehold Improvements (46,283)

Net Cash Used By Investing Activities (117,762)

NET INCREASE IN CASH 1,449,633

CASH AT BEGINNING OF YEAR 1,170,969

CASH AT END OF YEAR $2,620,602

See Notes to Financial Statements.
Data and Society Research Institute, Inc. (the "Organization") was incorporated on June 4, 2013 as a not-for-profit organization under the laws of the State of Delaware and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Data and 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 organization will host events, do directed research, create policy frameworks and build demonstration projects. Data and Society Research Institute, Inc's mission is to advance the public's understanding of the challenges and opportunities presented by a networked society.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid.

Financial Statement Presentation
The classification of an organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets; permanently restricted, temporarily restricted, and unrestricted be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

**Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

**Temporarily Restricted-Deferred Revenue** - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

**Unrestricted** - The part of the net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The organization did not have any permanently restricted net assets during the year.

Cash and Cash Equivalents
For the purpose of cash flows, the organization includes cash on deposit and money market funds with maturities of less than three months to be cash and cash equivalents.
Note 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets
Furniture, fixtures and equipment are capitalized at time of purchase and depreciation is recorded on a straight-line method over the estimated useful life of the asset, estimated to be five years. Leasehold improvements are capitalized when purchased and amortized on a straight line method over the life of the lease at 36 West 20th Street, which expires on November 30, 2019.

Support and Revenues
Revenues are recorded on the accrual basis of accounting in the year for which the income is earned.

Income Taxes
The Organization is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is provided for in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require the Organization management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not, wouldn't be sustained upon examination by the applicable authorities. The Organization management has analyzed the tax positions taken by the Organization, and has concluded that as of May 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset), or disclosures in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Generally, tax authorities can examine tax returns filed for the last three years.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Contributed Services
During the year the Organization received services from volunteers for certain activities. The value of these services has not been reflected in the accompanying financial statements since they do not require a specialized skill, and therefore do not meet the criteria for recognition as contributed services.

Concentration of Credit Risk
The Organization has a substantial portion of its cash located in banks located in New York, which are insured for only certain limits through FDIC insurance. The FDIC permanently increased coverage to $250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing accounts. Concentration of credit is inherent when failure of the bank could result in the company being able to recoup only a portion of its cash.

Functional Allocation of Expenses
The cost of providing various programs and supporting services have been summarized by function in the accompanying Statement of Activities. Accordingly certain costs have been allocated among program services and management and general expenses in reasonable ratios determined by management.
Note 3 – EQUIPMENT

As of May 31, 2015 fixed assets consisted of the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture &amp; fixtures</td>
<td>$47,830</td>
</tr>
<tr>
<td>Equipment</td>
<td>$23,649</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$46,283</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td><strong>$117,762</strong></td>
</tr>
<tr>
<td><strong>Less accumulated depreciation</strong></td>
<td><strong>$(15,365)</strong></td>
</tr>
<tr>
<td><strong>Book Value</strong></td>
<td><strong>$102,397</strong></td>
</tr>
</tbody>
</table>

Note 4 – OPERATING LEASES

The Organization entered into a lease for office space in July 2014. The lease will be accounted for as an operating lease. The lease is effective October 1, 2014 and continues until November 30, 2019. In addition to minimum lease payments the Organization will be responsible for any increases in real estate taxes and energy charges.

Scheduled future minimum payments to be paid for the five years ended May 31 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$300,109</td>
</tr>
<tr>
<td>2017</td>
<td>$309,112</td>
</tr>
<tr>
<td>2018</td>
<td>$318,385</td>
</tr>
<tr>
<td>2019</td>
<td>$327,937</td>
</tr>
<tr>
<td>2020</td>
<td>$167,232</td>
</tr>
</tbody>
</table>

Note 5 – SUBSEQUENT EVENTS

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through March 23, 2016. Based on this evaluation, no adjustments were required to the Financial Statements, except as noted above, as of May 31, 2015.