

DATA AND SOCIETY RESEARCH INSTITUTE, INC.
FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

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420 Jericho Turnpike,
Suite 101
Jericho, NY 11753
Tel 516-681-4700
Fax 516-681-4050

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, 2017 and 2016, 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 audit. We conducted our audits 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, 2017 and 2016, and the changes in its net assets and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

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

December 15, 2017

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Statement of Financial Position

	May 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,185,848	\$ 3,937,221
Accounts receivable	86,894	-0-
Prepaid expenses	1,579	4,156
Employee Advances	5,248	-0-
Prepaid Credit Cards	1,011	-0-
Total Current Assets	4,280,580	3,941,377
Fixed Assets		
Furniture fixtures and equipment	140,532	97,665
Leasehold improvements	174,927	52,283
Accumulated depreciation	(105,364)	(46,607)
Total fixed assets	210,095	103,341
Other Assets		
Security deposits	394,662	133,200
Total Other Assets	394,662	133,200
TOTAL ASSETS	\$ 4,885,337	\$ 4,177,918
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 11,465	\$ 10,390
Credit cards payable	-0-	25,403
Accrued expenses	41,589	78,121
Total Current Liabilities	53,054	113,914
Deferred Rent		
Total Liabilities	57,198	59,194
Total Liabilities	110,252	173,108
Net Assets		
Unrestricted net assets	3,286,309	3,152,820
Temporarily restricted net assets	1,488,776	851,990
Total Net Assets	4,775,085	4,004,810
TOTAL LIABILITIES AND NET ASSETS	\$ 4,885,337	\$ 4,177,918

See Notes to Financial Statements.

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Statement of Activities

For Year Ended

	<u>May 31</u>	
	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support & Revenue		
Net assets	\$ 1,988,406	\$ 1,966,350
Contributions and miscellaneous	2,149,046	2,558,958
Interest	<u>1,595</u>	<u>1,605</u>
Total Support and Revenues	<u>4,139,047</u>	<u>4,526,913</u>
Expenses		
Program expenses	3,374,736	3,376,510
Management and general expenses	451,803	237,231
Fundraising	<u>179,019</u>	<u>76,317</u>
Total Expenses	<u>4,005,558</u>	<u>3,690,058</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>133,489</u>	<u>836,855</u>
TEMPORARY RESTRICTED NET ASSETS		
Grants	2,625,192	2,335,538
Net assets released from restriction	<u>(1,988,406)</u>	<u>(1,966,350)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>636,786</u>	<u>369,188</u>
INCREASE IN NET ASSETS	770,275	1,206,043
NET ASSETS AT BEGINNING OF YEAR	<u>4,004,810</u>	<u>2,798,767</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,775,085</u>	<u>\$ 4,004,810</u>

See Notes to Financial Statements.

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Statement of Functional Expenses For the Year Ended May 31, 2017

	<u>Program</u>	Management & <u>General</u>	<u>Fundraising</u>	<u>Totals</u>
EXPENSES				
Officer & Directors	\$ 163,291	\$ 133,599	\$ 94,464	\$ 391,354
Salaries & Wages	1,256,516	53,885	34,385	1,344,786
Payroll Tax Expense & Employee Benefits	244,860	32,337	22,216	299,413
Insurance	5,139	1,475	102	6,716
Fellows	232,936	-0-	-0-	232,936
Consultants	521,570	16,063	-0-	537,633
Rental Expense	348,235	30,281	18,000	396,516
Facility Expense	71,094	(7,439)	(4,423)	59,232
Office Expense	69,373	28,234	1,892	99,499
Office Supplies	73,425	4,846	2,780	81,051
Depreciation Expense	51,422	4,600	2,735	58,757
Catering	36,014	477	-0-	36,491
Event Expense	34,098	-0-	-0-	34,098
Travel & Meals	73,952	4,511	6,868	85,331
Subcontractor	137,840	-0-	-0-	137,840
Project Costs	31,856	-0-	-0-	31,856
Professional Fees	10,406	148,793	-0-	159,199
Bad Debt Expense	12,709	-0-	-0-	12,709
All Other	<u>-0-</u>	<u>141</u>	<u>-0-</u>	<u>141</u>
 Total Functional Expenses	 <u>\$ 3,374,736</u>	 <u>\$ 451,803</u>	 <u>\$ 179,019</u>	 <u>\$ 4,005,558</u>

See Notes to Financial Statements.

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Statement of Functional Expenses

For the Year Ended May 31, 2016

	<u>Program</u>	Management & <u>General</u>	<u>Fundraising</u>	<u>Totals</u>
EXPENSES				
Salaries & Wages	\$ 1,236,861	\$ 31,507	\$ 54,427	\$ 1,322,795
Payroll Tax Expense & Employee Benefits	175,624	6,317	7,138	189,079
Processing Charges	34,845	1,837	1,451	38,133
Insurance	3,821	1,138	603	5,562
Fellows	333,171	-0-	-0-	333,171
Consultants	444,485	6,086	-0-	450,571
Rental Expense	276,084	19,072	7,568	302,724
Facility Expense	30,392	1,973	830	33,195
Office Expense	43,829	7,865	1,586	53,280
Office Supplies	65,202	3,486	1,354	70,042
Depreciation Expense	28,493	1,968	781	31,242
Catering	109,910	256	102	110,268
Event Expense	121,693	(222)	2	121,473
Travel & Meals	139,844	1,478	241	141,563
Subcontractor	299,720	-0-	-0-	299,720
Project Costs	25,366	465	234	26,065
Professional Fees	<u>7,170</u>	<u>154,005</u>	<u>-0-</u>	<u>161,175</u>
 Total Functional Expenses	 <u>\$ 3,376,510</u>	 <u>\$ 237,231</u>	 <u>\$ 76,317</u>	 <u>\$ 3,690,058</u>

See Notes to Financial Statements.

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Statement of Cash Flows

For the Year Ended

	<u>May 31</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITES		
Increase in Net Assets	\$ 770,275	\$ 1,206,043
Adjustments to Reconcile Changes in Net Assets to Cash Provided By Operating Activities		
Depreciation expense	58,757	31,242
Decrease (Increase) in Accounts receivable	(86,894)	52,116
Decrease (Increase) in Prepaid expenses	2,577	23,313
(Increase) in Security Deposits	(261,462)	(1,125)
(Decrease) Increase in Accounts payable	1,075	(38,230)
(Decrease) in Credit Cards	(26,414)	(6,415)
(Decrease) Increase in Deferred Rent	(1,996)	3,740
(Decrease) Increase in Accrued Expenses	(36,532)	78,121
(Increase) Employee Advances	(5,248)	-0-
Net Cash Provided By Operating Activities	<u>414,138</u>	<u>1,348,805</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Furniture, Fixtures & Equipment	(42,867)	(26,186)
Additions to Leasehold Improvements	<u>(122,644)</u>	<u>(6,000)</u>
Net Cash Used By Investing Activities	<u>(165,511)</u>	<u>(32,186)</u>
NET INCREASE IN CASH	248,627	1,316,619
CASH AT BEGINNING OF YEAR	<u>3,937,221</u>	<u>2,620,602</u>
CASH AT END OF YEAR	<u>\$ 4,185,848</u>	<u>\$ 3,937,221</u>

See Notes to Financial Statements.

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Notes to Financial Statements

May 31, 2017

Note 1 - ORGANIZATION

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.

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Notes to Financial Statements

May 31, 2017

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. (See Recent Accounting Standards).

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, 2017, 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 has 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.

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Notes to Financial Statements

May 31, 2017

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent & Accounting Standards

The Financial Accounting Standards Board recently issued ASU No.2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes accounting standards that currently exist under GAAP and provides a single revenue model to address revenue recognition that is to be applied by all companies. Under the new standard, companies recognize revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the company expects to be entitled in exchange for those good and services. The new standard requires companies to disclose additional information, including the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, FASB issued ASU 2015-14, deferring the effective date of ASU 2014-09, which is now effective for annual reporting periods beginning after December 15, 2018, and interim reporting period within annual reporting period beginning after December 15, 2019. The Company has not yet selected a transition method nor has it determined the effect of the standard on its financial statements, but expects that the new standard will have an immaterial effect on its consolidated financial position for the year ended May 31, 2019. Our opinion is not modified with respect to that matter.

Note 3 - EQUIPMENT

As of May 31, 2017 fixed assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture & fixtures	\$ 97,949	\$ 57,976
Equipment	42,583	39,689
Leasehold improvements	<u>174,927</u>	<u>52,283</u>
Total fixed assets	315,459	149,948
Less accumulated depreciation	<u>(105,364)</u>	<u>(46,607)</u>
Book Value	<u>\$ 210,095</u>	<u>\$ 103,341</u>

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.

The Organization entered into an additional lease for office space on July 28, 2016 that continues until November 30, 2019.

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

<u>Year</u>	<u>Total Payments</u>
2018	\$ 428,347
2019	\$ 441,198
2020	\$ 225,277

DATA AND SOCIETY RESEARCH INSTITUTE, INC.

Notes to Financial Statements

May 31, 2017

Note 4 - OPERATING LEASES (continued)

Rental expense is recognized on a straight line basis, in accord with ASC 840, Accounting for Leases. The excess of actual rent payments over recognized expense has been recorded as deferred rent.

Note 5 - SUBSEQUENT EVENTS

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through December 7, 2017. Based on this evaluation, no adjustments were required to the Financial Statements, as of May 31, 2017.