

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**

**FINANCIAL STATEMENTS**

June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Dēmos: A Network for Ideas and Action, Ltd.  
New York, New York

### ***Opinion***

We have audited the accompanying financial statements of Demos: A Network for Ideas and Action, Ltd. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Demos: A Network for Ideas and Action, Ltd. as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Demos: A Network for Ideas and Action, Ltd. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Adoption of New Accounting Guidance***

As discussed in Note 1 to the financial statements, Demos: A Network for Ideas and Action, Ltd. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of July 1, 2022. Our opinion is not modified with respect to this matter.

### ***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 Demos: A Network for Ideas and Action, Ltd.'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Demos: A Network for Ideas and Action, Ltd.'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 Demos: A Network for Ideas and Action, Ltd.'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.

### ***Report on Summarized Comparative Information***

We have previously audited Demos: A Network for Ideas and Action, Ltd.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wegner CPAs, LLP  
New York, New York  
October 23, 2023

**DÉMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2023 with comparative totals for June 30, 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,336,308	\$ 8,305,310
Contributions receivable, net (Note 3)	6,223,895	1,504,594
Other receivables	57,830	43,684
Prepaid expenses	299,218	340,583
Security deposits	85,029	79,979
Equipment and leasehold improvements, net (Note 5)	249,612	393,946
Operating lease right-of-use assets (Note 8)	3,985,759	-
Restricted cash (Note 8)	259,875	259,875
<b>Total assets</b>	<b>\$ 17,497,526</b>	<b>\$ 10,927,971</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 101,791	\$ 295,521
Accrued expenses	448,843	395,576
Deferred rent	-	754,516
Operating lease liabilities	4,642,278	-
<b>Total liabilities</b>	<b>5,192,912</b>	<b>1,445,613</b>
<b>NET ASSETS</b>		
Without donor restrictions	3,922,217	3,921,215
With donor restrictions (Note 7)	8,382,397	5,561,143
<b>Total net assets</b>	<b>12,304,614</b>	<b>9,482,358</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,497,526</b>	<b>\$ 10,927,971</b>

See accompanying notes.

**DÉMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with comparative totals for the year ended June 30, 2022

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES</b>				
Contributions	\$ 6,133,655	\$ 6,096,534	\$ 12,230,189	\$ 6,109,035
Employee Retention Credit	-	-	-	543,238
Program revenue	603,185	-	603,185	493,868
Honorarium and book sales	25,827	-	25,827	4,752
Investment income, net	187,817	-	187,817	6,254
Total revenues	6,950,484	6,096,534	13,047,018	7,157,147
<b>EXPENSES</b>				
Program services				
Democracy Reform	1,845,112	-	1,845,112	2,693,318
Power and Movement Building	1,662,969	-	1,662,969	1,794,042
Economic Democracy and Justice	1,742,251	-	1,742,251	1,449,074
Total program services	5,250,332	-	5,250,332	5,936,434
Supporting activities				
Management and general	3,814,296	-	3,814,296	2,395,569
Fundraising	1,160,134	-	1,160,134	1,774,217
Total expenses	10,224,762	-	10,224,762	10,106,220
Net assets released from restrictions				
Satisfaction of purpose restrictions	2,355,280	(2,355,280)	-	-
Satisfaction of time restrictions	920,000	(920,000)	-	-
Total releases from restrictions	3,275,280	(3,275,280)	-	-
<b>Change in net assets</b>	1,002	2,821,254	2,822,256	(2,949,073)
Net assets at beginning of year	3,921,215	5,561,143	9,482,358	12,431,431
<b>Net assets at end of year</b>	<b>\$ 3,922,217</b>	<b>\$ 8,382,397</b>	<b>\$ 12,304,614</b>	<b>\$ 9,482,358</b>

See accompanying notes.

**DEMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2023 with comparative totals for the year ended June 30, 2022

	Program Services				Supporting Activities		2023 Total	2022 Total
	Democracy Reform	Power and Movement Building	Economic Democracy and Justice	Total Program Services	Management and General	Fundraising		
Salaries and wages	\$ 635,686	\$ 510,945	\$ 888,665	\$ 2,035,296	\$ 1,982,118	\$ 607,102	\$ 4,624,516	\$ 4,233,188
Payroll taxes and employee benefits	133,354	150,482	325,025	608,861	709,059	218,486	1,536,406	1,417,614
Collaborations - publications and research	-	179,000	-	179,000	-	-	179,000	158,250
Professional and consulting fees	638,109	342,069	248,861	1,229,039	417,662	58,894	1,705,595	2,152,894
Occupancy	285,107	175,977	175,039	636,123	275,360	181,978	1,093,461	1,067,854
Travel	47,102	64,316	25,843	137,261	72,920	28,634	238,815	112,406
Supplies and office expense	74	575	224	873	10,468	409	11,750	8,713
Meetings and conferences	8,217	166,743	5,943	180,903	31,747	2,623	215,273	192,616
Depreciation and amortization	38,019	23,529	23,404	84,952	37,115	24,331	146,398	199,533
Telecommunications	8,596	8,458	14,077	31,131	58,041	9,287	98,459	91,769
Utilities	-	-	-	-	17,308	-	17,308	19,299
Printing and reproduction	263	225	218	706	8,999	2,729	12,434	14,988
Postage and delivery	442	1,001	607	2,050	9,036	1,001	12,087	12,338
Dues and subscriptions	15,368	11,949	6,748	34,065	12,558	4,319	50,942	38,490
Computer expense	13,392	12,037	17,668	43,097	62,540	6,920	112,557	173,150
Repairs and maintenance	-	-	-	-	16,773	-	16,773	21,167
Insurance	13,886	6,524	6,241	26,651	30,225	7,930	64,806	66,456
Other	7,497	9,139	3,688	20,324	62,367	5,491	88,182	125,495
<b>Total expenses</b>	<b>\$ 1,845,112</b>	<b>\$ 1,662,969</b>	<b>\$ 1,742,251</b>	<b>\$ 5,250,332</b>	<b>\$ 3,814,296</b>	<b>\$ 1,160,134</b>	<b>\$ 10,224,762</b>	<b>\$ 10,106,220</b>

See accompanying notes.

**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**STATEMENT OF CASH FLOWS**  
Year ended June 30, 2023 with comparative totals for June 30, 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,822,256	\$ (2,949,073)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	146,398	199,533
Amortization of discount on contributions receivable	(14,137)	-
Amortization of operating right-of-use lease assets	904,929	-
(Increase) decrease in assets		
Contributions receivable	(4,705,164)	582,739
Other receivables	(14,146)	(12,162)
Prepaid expenses	41,365	(173,547)
Security deposits	(5,050)	-
Increase (decrease) in liabilities		
Accounts payable	(193,730)	154,680
Accrued expenses	53,267	(40,609)
Deferred rent	-	(53,542)
Operating lease liabilities	(1,002,926)	-
Deferred revenue	-	(34,666)
	(1,966,938)	(2,326,647)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and leasehold improvements	(2,064)	(9,745)
<b>Net change in cash and cash equivalents and restricted cash</b>	(1,969,002)	(2,336,392)
Cash and cash equivalents and restricted cash at beginning of year	8,565,185	10,901,577
<b>Cash and cash equivalents and restricted cash at end of year</b>	\$ 6,596,183	\$ 8,565,185

See accompanying notes.



**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 with comparative totals for June 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

Dēmos: A Network for Ideas and Action, Ltd. (“Dēmos”) is a not-for-profit organization, incorporated in February 2000 under the laws of the State of New York. Dēmos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy. Our name means “the people.” It is the root word of democracy, and it reminds us that in America, the true source of our greatness is the diversity of our people. Our nation’s highest challenge is to create a democracy that truly empowers people of all backgrounds, so that we all have a say in setting the policies that shape opportunity and provide for our common future. To help America meet that challenge, Dēmos is working to reduce both political and economic inequality, deploying original research, advocacy, litigation, and strategic communications to create the America the people deserve. Dēmos is primarily funded by contributions from individuals, foundations, and program revenue.

**Cash and Cash Equivalents**

For financial presentation purposes, Dēmos considers all highly liquid investments with original maturities of three months or less at the date of acquisition to be cash equivalents.

**Contributions Receivable**

Contributions are recorded as support upon the receipt of cash or unconditional pledges. Contributions are considered available for use without donor restriction, unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met. Contributions to be received over periods longer than one year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

**Other Receivables**

Dēmos considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded. If receivables become uncollectible, they will be charged to operations when that determination is made.

**Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at their original costs or, if donated, at their fair values on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of 3 to 10 years. Expenditures for leasehold improvements are capitalized and depreciated using the straight-line method over the shorter of the estimated useful life of the specific asset or the term of the lease. Costs incurred during the development of the website to be used internally are capitalized and amortized using the straight-line method.

**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.

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 with comparative totals for June 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leases**

Dēmos does not recognize short-term leases in the statement of financial position. For these leases, Dēmos recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Dēmos also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Dēmos uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Revenue Recognition**

Dēmos contracts with numerous organizations to provide various consulting services. This program revenue consists of consulting and legal assistance with single performance obligations that are satisfied at a point in time (when deliverables are provided), as well as over time within the designated contract period.

Honorarium and book sales are recognized based upon services rendered in accordance with contractual provisions. Amounts received in advance of the period to which the services are delivered are reported as deferred revenue.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses incurred by Dēmos that benefits a specific program or supportive service is treated as a direct expense of that program or supportive service and recorded as such. Accordingly, certain categories of expenses cannot be directly attributed to a specific program or benefit the organization as a whole; those expenses are allocated based on an estimate of the time and effort each employee devotes to Dēmos' programs and supportive activities. Those expenses include salaries and wages, payroll taxes and employee benefits, certain professional and consulting fees, certain travel expenses, occupancy, supplies and office expense, depreciation and amortization, telecommunications, certain meetings and conferences, printing and reproduction, postage and delivery, dues and subscriptions, computer expense, insurance, and other. The time and effort estimates used to allocate these expenses are reviewed and updated every quarter.

**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 with comparative totals for June 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following program services and supporting activities are included in the accompanying financial statements:

*Democracy Reform* – Dēmos is committed to creating an inclusive democracy by protecting our freedom to vote and ensuring the democratic process reflects our diverse electorate. We analyze policies, practices, and power dynamics that maintain racial inequality and exclude Americans from full participation in our democracy and generate bold solutions.

*Power and Movement Building* – Dēmos works to connect the ideas of Dēmos with strategies to support grassroots organizations. Our inclusive democracy project works with grassroots partners around the country to ensure that racial equity is at the center of advocacy campaigns for democracy reform. We employ research and policy expertise, communications strategies, and litigation capacities in partnership with movement organizations to work for a more equitable economy and democracy.

*Economic Democracy and Justice* – Dēmos is working to combat the inequality of our current economic system. This includes in-depth analysis, narrative development, and policy proposals to build economic power for black and brown people, improve job quality and access, advance worker rights, and seek reform in our flawed credit system.

*Management and general* – Includes the activities necessary to ensure proper administrative functioning of the board of trustees, 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.

**Adoption of New Accounting Guidance**

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and creates FASB ASC Topic 842, *Leases*. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

Dēmos adopted the requirements of Topic 842 as of July 1, 2022, using the optional transition method that allows Dēmos to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Dēmos' reporting for the year ended June 30, 2022, is in accordance with the previous guidance in Topic 840.

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 with comparative totals for June 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dēmos elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed Dēmos to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating lease right-of-use assets of \$4,985,371 and operating lease liabilities of \$4,985,371 as of July 1, 2022. The adoption of Topic 842 did not have a material effect on Dēmos' change in net assets and cash flows.

**Income Tax Status**

Dēmos is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Dēmos qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

**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 October 23, 2023, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT AND DONOR RISK

Dēmos maintains its cash and cash equivalent balances in two financial institutions. At June 30, 2023 and 2022, Dēmos' cash and cash equivalent balances exceeded federally insured limits by \$5,314,354 and \$6,296,046. Of these amounts, \$4,620,256 and \$3,463,446, respectively, was invested in broker/dealer money market accounts.

For the year ended June 30, 2023, 64% of Dēmos' revenue came from two donors.

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023 with comparative totals for June 30, 2022

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Contributions receivable in less than one year	\$ 2,795,209	\$ 1,268,731
Contributions receivable in one to five years	<u>3,960,000</u>	<u>250,000</u>
Total contributions receivable	6,755,209	1,518,731
Less discount to net present value	<u>(531,314)</u>	<u>(14,137)</u>
Contributions receivable, net	<u>\$ 6,223,895</u>	<u>\$ 1,504,594</u>

Contributions receivable in one to five years were discounted at effective rates ranging from 3.73% to 5.17%.

**NOTE 4 – LINE OF CREDIT**

Dēmos has a \$2,000,000 line of credit with a bank. The line is secured by Dēmos' general business assets, carries interest at 5.75%, and expires on January 6, 2024. There was no outstanding balance at June 30, 2023 and 2022.

**NOTE 5 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 126,865	\$ 124,802
Leasehold improvements	556,643	556,643
Website	335,505	335,505
Furniture and fixtures	<u>352,918</u>	<u>352,918</u>
Equipment and leasehold improvements	1,371,931	1,369,868
Less accumulated depreciation	<u>(1,122,319)</u>	<u>(975,922)</u>
Equipment and leasehold improvements, net	<u>\$ 249,612</u>	<u>\$ 393,946</u>

**NOTE 6 – RETIREMENT PLAN**

Dēmos maintains a contributory, defined-contribution 403(b) plan covering all employees who meet specific eligibility requirements. The plan is an elective, deferred-salary arrangement. Dēmos may contribute to the 403(b) plan on behalf of the employees, at the discretion of the board of trustees. Dēmos' contributions to the plan during the years ended June 30, 2023 and 2022, on behalf of active employees, totaled \$230,951 and \$212,728.

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023 with comparative totals for June 30, 2022

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2023 and 2022 were available for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subsequent years	\$ 3,208,686	\$ 4,605,862
Capacity Building	4,690,000	-
Economic Democracy	383,711	-
Democracy Project	100,000	335,000
Democracy Reform	-	570,281
Race Forward Economic Agenda	-	50,000
	<u>\$ 8,382,397</u>	<u>\$ 5,561,143</u>

**NOTE 8 – OPERATING LEASES**

Dēmos has leases for the use of office facilities which will expire May 2027 and September 2027. These leases include options to extend the leases for up to 5 years, and one lease include the option to terminate the lease within 1 year. Variable lease costs consist of real estate taxes that are assessed annually and billed by the landlord to the tenants in the office building.

The components of total lease cost are as follows:

Operating lease cost	\$ 1,070,446
Short-term lease cost	8,369
Variable lease cost	<u>44,682</u>
Total lease cost	<u>\$ 1,123,497</u>

Other information related to operating leases for the year ended June 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 1,149,664
Weighted-average remaining lease term for operating leases	4.07 years
Weighted-average discount rate for operating leases	2.88%

The maturities of lease liabilities as of June 30, 2023 are as follows:

2024	\$ 1,174,004
2025	1,198,864
2026	1,224,255
2027	1,170,120
2028	<u>150,430</u>
Total minimum lease payments	4,917,673
Imputed interest	<u>(275,395)</u>
Total	<u>\$ 4,642,278</u>

**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023 with comparative totals for June 30, 2022

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NOTE 8 – OPERATING LEASES (continued)

Rent expense for the years ended June 30, 2022 was \$1,067,854.

If Dēmos were to default on the lease payments in the first five years of the lease, Dēmos would be liable for a maximum of \$624,911 in abatement repayments. In lieu of providing the security deposit of \$259,875 for the office space, the landlord required Dēmos to establish a letter of credit with the bank to hold the security deposit amount. The letter of credit has an annual interest rate of 1%. This is included in restricted cash on the statement of financial position.

NOTE 9 – LIQUIDITY AND AVAILABILITY

The following reflects Dēmos' financial assets as of the dates of the statements of financial position, reduced by amounts not available for general use within one year of the dates of the statements of financial position due to contractual or donor-imposed restrictions.

	2023	2022
Cash and cash equivalents	\$ 6,336,308	\$ 8,305,310
Contributions receivable, net	6,223,895	1,504,594
Other receivables	57,830	43,684
 Total financial assets at year end	 12,618,033	 9,853,588
 Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Contributions receivable scheduled to be collected in more than one year, net	(3,428,686)	(235,863)
Restricted by donor with purpose restrictions	(5,173,711)	(955,281)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 4,015,636	 \$ 8,662,444

Dēmos has a goal to maintain financial assets on hand to meet three months of normal operating expenses. Financial assets in excess of the amount on hand to cover normal operating expenses are invested in money market mutual funds and other cash equivalents. Dēmos also has a \$2,000,000 line of credit which it could draw upon in the event of an unanticipated liquidity need.

**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 with comparative totals for June 30, 2022

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**NOTE 10 – PAYCHECK PROTECTION PROGRAM**

On April 13, 2020, Dēmos received a \$964,000 loan 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). On December 8, 2020, the SBA approved forgiveness of the loan and accrued interest. Dēmos 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 Dēmos' good-faith certification concerning the necessity of its loan request, whether Dēmos calculated the loan amount correctly, whether Dēmos used loan proceeds for the allowable uses specified in the CARES Act, and whether Dēmos is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Dēmos was ineligible for the loan or for forgiveness in whole or in part, SBA may seek repayment of the outstanding loan balance.

**NOTE 11—EMPLOYEE RETENTION CREDIT**

During the year ended June 30, 2022, Dēmos claimed Employee Retention Credits (ERC) totaling \$543,238 under the provisions the Coronavirus Aid, Relief, and Economic Security Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit Dēmos' eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines Dēmos was ineligible for the ERC, Dēmos could be required to repay the amount claimed along with penalties and interest.