

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.

FINANCIAL STATEMENTS

June 30, 2017 and 2016

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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

We have audited the accompanying financial statements of Dēmos: A Network for Ideas and Action, Ltd., which comprise the statements of financial position as of June 30, 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 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 Dēmos: A Network for Ideas and Action, Ltd. as of June 30, 2017 and 2016, 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
Wegner CPAs, LLP
Madison, Wisconsin
October 18, 2017

New York Office:
230 Park Avenue, 10th Floor
New York, NY 10146
P: (212) 551-1724
F: (262) 522-7550

Washington DC Office:
400 North Washington Street
Second Floor
Alexandria, VA 22314
P: (703) 519-0990

Wisconsin Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 5,461,559	\$ 1,414,834
Contributions receivable (Note 3)	6,673,546	13,900,609
Other receivables	103,929	65,986
Prepaid expenses	126,776	62,043
Security deposits	86,992	119,196
Equipment and leasehold improvements (Note 4)	<u>936,194</u>	<u>81,938</u>
Total assets	<u>\$ 13,388,996</u>	<u>\$ 15,644,606</u>
LIABILITIES		
Accounts payable	\$ 235,684	\$ 223,913
Security deposit payable	-	11,150
Accrued expenses	80,602	133,288
Lease payable (Note 6)	-	27,124
Grants payable	20,500	27,500
Deferred rent	457,032	36,510
Refundable advance	-	125,470
Deferred revenue	-	31,755
Note payable (Note 7)	<u>883,333</u>	<u>-</u>
Total liabilities	1,677,151	616,710
NET ASSETS		
Unrestricted	1,138,755	573,400
Temporarily restricted (Note 8)	<u>10,573,090</u>	<u>14,454,496</u>
Total net assets	<u>11,711,845</u>	<u>15,027,896</u>
Total liabilities and net assets	<u>\$ 13,388,996</u>	<u>\$ 15,644,606</u>

See accompanying notes.

DÉMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUE			
Contributions	\$ 4,115,237	\$ 2,417,891	\$ 6,533,128
Special event	467,901	-	467,901
Less costs of direct benefits to donors	(148,680)	-	(148,680)
Program revenue	116,670	-	116,670
Honorarium and book sales	11,850	-	11,850
Rental revenue	29,337	-	29,337
Interest income	5,984	-	5,984
In-kind revenue	662	-	662
Other income	1,954	-	1,954
	<u>4,600,915</u>	<u>2,417,891</u>	<u>7,018,806</u>
Total support and other revenue			
EXPENSES			
Program services			
Freedom to Vote	2,613,933	-	2,613,933
Upward Mobility	1,318,343	-	1,318,343
Public Investment	1,015,160	-	1,015,160
Money in Politics	1,509,200	-	1,509,200
Fellows Program	511,644	-	511,644
Affiliated Programs	333,953	-	333,953
Supporting activities			
Management and general	1,730,407	-	1,730,407
Fundraising	1,302,217	-	1,302,217
	<u>10,334,857</u>	<u>-</u>	<u>10,334,857</u>
Total expenses			
Net assets released from restrictions	<u>6,299,297</u>	<u>(6,299,297)</u>	<u>-</u>
Change in net assets	565,355	(3,881,406)	(3,316,051)
Net assets - beginning of year	<u>573,400</u>	<u>14,454,496</u>	<u>15,027,896</u>
Net assets - end of year	<u>\$ 1,138,755</u>	<u>\$ 10,573,090</u>	<u>\$ 11,711,845</u>

See accompanying notes.

DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUE			
Contributions	\$ 5,406,597	\$ 13,846,829	\$ 19,253,426
Special event	357,850	-	357,850
Less costs of direct benefits to donors	(119,937)	-	(119,937)
Program revenue	264,235	-	264,235
Honorarium and book sales	3,490	-	3,490
Rental revenue	171,505	-	171,505
Interest income	4,078	-	4,078
In-kind revenue	54,426	-	54,426
Other income	2,686	-	2,686
	<u>6,144,930</u>	<u>13,846,829</u>	<u>19,991,759</u>
EXPENSES			
Program services			
Freedom to Vote	1,950,044	-	1,950,044
Upward Mobility	1,494,636	-	1,494,636
Money in Politics	1,355,163	-	1,355,163
Fellows Program	561,796	-	561,796
Affiliated Programs	1,073,074	-	1,073,074
Supporting activities			
Management and general	1,501,161	-	1,501,161
Fundraising	1,081,466	-	1,081,466
	<u>9,017,340</u>	<u>-</u>	<u>9,017,340</u>
Net assets released from restrictions	<u>3,235,438</u>	<u>(3,235,438)</u>	<u>-</u>
Change in net assets	363,028	10,611,391	10,974,419
Net assets - beginning of year	<u>210,372</u>	<u>3,843,105</u>	<u>4,053,477</u>
Net assets - end of year	<u>\$ 573,400</u>	<u>\$ 14,454,496</u>	<u>\$ 15,027,896</u>

See accompanying notes.

DÉMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	Program Services						Supporting Activities					Total
	Freedom to Vote	Upward Mobility	Public Investment	Money in Politics	Fellows Program	Affiliated Programs	Total Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Total Supporting Activities	
Salaries and wages	\$ 1,095,189	\$ 598,531	\$ 393,265	\$ 679,050	\$ 224,223	\$ 6,506	\$ 2,996,764	\$ 786,759	\$ 588,339	\$ -	\$ 1,375,098	\$ 4,371,862
Payroll taxes and employee benefits	281,208	137,997	92,659	164,836	37,519	568	714,787	244,092	103,784	-	347,876	1,062,663
Collaborations - publications and research	74,800	-	75,000	19,700	-	326,809	496,309	-	-	-	-	496,309
Professional and consulting fees	367,614	245,329	199,591	215,046	82,424	-	1,110,004	314,375	126,335	-	440,710	1,550,714
Occupancy	332,618	143,511	138,770	186,984	97,997	-	899,880	204,879	182,493	-	387,372	1,287,252
Travel	183,514	80,024	30,055	90,040	14,733	-	398,366	10,235	75,130	-	85,365	483,731
Supplies and office expense	9,947	4,358	4,166	6,018	2,872	-	27,361	5,827	7,328	-	13,155	40,516
Meetings and conferences	19,894	9,436	7,097	12,681	4,032	-	53,140	41,649	11,637	-	53,286	106,426
Depreciation and amortization	36,427	15,715	15,197	20,446	10,732	-	98,517	22,438	19,985	-	42,423	140,940
Telecommunications	21,757	9,601	8,833	12,267	6,203	-	58,661	12,907	13,068	-	25,975	84,636
Utilities	8,968	3,869	3,742	5,034	2,642	-	24,255	5,524	4,920	-	10,444	34,699
Printing and reproduction	6,525	1,336	1,107	2,029	781	-	11,778	1,617	16,456	-	18,073	29,851
Postage and delivery	4,076	1,471	1,209	1,831	936	-	9,523	1,614	4,800	-	6,414	15,937
Dues and subscriptions	72,532	9,350	17,842	27,007	5,541	-	132,272	2,184	13,196	-	15,380	147,652
Computer expense	39,291	25,184	8,418	27,556	5,875	50	106,374	8,135	32,575	-	40,710	147,084
Repairs and maintenance	5,941	2,563	2,479	3,335	1,750	-	16,068	3,618	3,406	-	7,024	23,092
Events	-	-	-	-	-	-	-	-	-	148,680	148,680	148,680
Other	53,632	30,068	15,730	35,340	13,384	20	148,174	64,554	98,765	-	163,319	311,493
Total expenses	2,613,933	1,318,343	1,015,160	1,509,200	511,644	333,953	7,302,233	1,730,407	1,302,217	148,680	3,181,304	10,483,537
Less expenses included with support and other revenue on the statement of activities	-	-	-	-	-	-	-	-	-	(148,680)	(148,680)	(148,680)
Total expenses included in the expenses section on the statement of activities	\$ 2,613,933	\$ 1,318,343	\$ 1,015,160	\$ 1,509,200	\$ 511,644	\$ 333,953	\$ 7,302,233	\$ 1,730,407	\$ 1,302,217	\$ -	\$ 3,032,624	\$ 10,334,857

See accompanying notes.

DÉMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2016

	Program Services					Supporting Activities					Total
	Freedom to Vote	Upward Mobility	Money in Politics	Fellows Program	Affiliated Programs	Total Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Total Supporting Activities	
Salaries and wages	\$ 986,454	\$ 793,272	\$ 641,878	\$ 315,522	\$ 296,114	\$ 3,033,240	\$ 728,323	\$ 646,290	\$ -	\$ 1,374,613	\$ 4,407,853
Payroll taxes and employee benefits	237,819	181,279	140,188	55,885	49,388	664,559	196,286	131,396	-	327,682	992,241
Collaborations - publications and research	127,250	150,000	127,250	-	64,384	468,884	-	-	-	-	468,884
Professional and consulting fees	115,818	47,285	114,570	26,373	521,334	825,380	248,753	31,339	-	280,092	1,105,472
Occupancy	206,355	150,699	121,560	88,335	44,330	611,279	123,842	113,795	-	237,637	848,916
Travel	109,507	54,547	76,436	11,337	49,076	300,903	36,339	33,641	-	69,980	370,883
Supplies and office expense	8,510	5,393	5,739	3,061	3,497	26,200	5,555	4,961	-	10,516	36,716
Meetings and conferences	13,564	2,217	28,060	249	6,754	50,844	55,929	3,548	-	59,477	110,321
Depreciation and amortization	19,016	14,233	11,481	8,343	-	53,073	13,444	10,748	-	24,192	77,265
Telecommunications	15,744	11,764	9,568	6,887	279	44,242	11,883	8,772	-	20,655	64,897
Utilities	10,016	7,496	6,047	4,394	-	27,953	7,019	5,661	-	12,680	40,633
Printing and reproduction	4,885	2,335	2,958	1,381	4,270	15,829	5,507	19,174	-	24,681	40,510
Postage and delivery	2,790	1,611	1,216	838	1,484	7,939	4,434	2,493	-	6,927	14,866
Dues and subscriptions	28,870	8,789	21,996	2,569	1,071	63,295	9,369	11,091	-	20,460	83,755
Computer expense	13,254	8,228	6,042	5,701	2,075	35,300	11,902	14,171	-	26,073	61,373
Repairs and maintenance	7,161	5,358	4,328	3,143	-	19,990	5,407	4,107	-	9,514	29,504
Events	-	-	-	-	-	-	-	-	119,937	119,937	119,937
Other	43,031	50,130	35,846	27,778	29,018	185,803	37,169	40,279	-	77,448	263,251
Total expenses	1,950,044	1,494,636	1,355,163	561,796	1,073,074	6,434,713	1,501,161	1,081,466	119,937	2,702,564	9,137,277
Less expenses included with support and other revenue on the statement of activities	-	-	-	-	-	-	-	-	(119,937)	(119,937)	(119,937)
Total expenses included in the expenses section on the statement of activities	\$ 1,950,044	\$ 1,494,636	\$ 1,355,163	\$ 561,796	\$ 1,073,074	\$ 6,434,713	\$ 1,501,161	\$ 1,081,466	\$ -	\$ 2,582,627	\$ 9,017,340

See accompanying notes.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,316,051)	\$ 10,974,419
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	140,940	77,265
Amortization of deferred rent	(36,510)	(84,439)
Discount on contributions receivable	(63,647)	308,801
(Increase) decrease in assets		
Contributions receivable	7,290,710	(12,495,050)
Other receivables	(37,943)	30,505
Prepaid expenses	(64,733)	134,585
Security deposits	32,204	(2,043)
Increase (decrease) in liabilities		
Accounts payable	11,771	16,284
Security deposit payable	(11,150)	(3,550)
Accrued expenses	(52,686)	31,839
Grants payable	(7,000)	(70,000)
Deferred rent	457,032	-
Refundable advance	(125,470)	125,470
Deferred revenue	(31,755)	14,019
Net cash flows from operating activities	4,185,712	(941,895)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	-	(5,584)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	4,804	-
Principal payments on note payable	(116,667)	-
Principal portion of lease payable payments	(27,124)	(40,015)
Net cash flows from financing activities	(138,987)	(40,015)
Net change in cash	4,046,725	(987,494)
Cash and cash equivalents - beginning of year	1,414,834	2,402,328
Cash and cash equivalents - end of year	\$ 5,461,559	\$ 1,414,834
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 34,116	\$ -
Purchase of equipment and leasehold improvements with note payable	\$ 995,196	\$ -

See accompanying notes.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Dēmos is required to report 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.

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 Dēmos in perpetuity.

Cash and Cash Equivalents

For financial presentation purposes, Dēmos consider 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 unrestricted use, 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 a single year are discounted at an interest rate commensurate with risk involved if material to the financial statements. Amounts received but not earned are reported as a refundable advance.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at their original costs or at their fair values at the dates 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 amortized 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 website to be used internally are capitalized and amortized using the straight-line method.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 period, is reported as deferred rent in the accompanying statements of financial position.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the 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.

Honorarium and Other Revenue

Honorarium, book sales, management fees and rental revenue are recognized based upon services rendered in accordance with contractual provisions.

Expense Allocation

The costs of providing Dēmos' 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 in reasonable ratios determined by management.

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 under Section 509(a)(2).

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 18, 2017, the date which the financial statements were available to be issued.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Dēmos maintains its cash with two major banking institutions in amounts which, from time to time, may be in excess of federal insurance limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017 and 2016, Dēmos uninsured cash balances per bank statements amounted to \$1,114,948 and \$499,709.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Contributions receivable in less than one year	\$ 3,918,700	\$ 9,209,410
Contributions receivable in one to five years	<u>3,000,000</u>	<u>5,000,000</u>
Total contributions receivable	6,918,700	14,209,410
Less discount to net present value	<u>(245,154)</u>	<u>(308,801)</u>
Contributions receivable - net	<u>\$ 6,673,546</u>	<u>\$ 13,900,609</u>

Contributions receivable in one to five years are discounted at 3.73%.

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 208,301	\$ 140,494
Leasehold improvements	507,392	33,574
Website development	106,316	117,951
Furniture and fixtures	347,201	7,940
Capital lease	<u>-</u>	<u>138,102</u>
Equipment and leasehold improvements	1,169,210	438,061
Less accumulated depreciation and amortization	<u>(233,016)</u>	<u>(356,123)</u>
Equipment and leasehold improvements - net	<u>\$ 936,194</u>	<u>\$ 81,938</u>

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – LINE OF CREDIT

Dēmos has a \$1,000,000 line of credit with a bank. The line is secured by the general business assets and carries interest at LIBOR plus 4.293% that expires on January 12, 2018. There was no outstanding balance at June 30, 2017 and 2016.

NOTE 6 – CAPITAL LEASE

Dēmos leased office equipment under a non-cancelable lease arrangement which was classified as a capital lease and ended in the current year. The related cost and accumulated depreciation were included with equipment and leasehold improvements in the accompanying statement of financial position at June 30, 2016 as follows:

Capital lease	\$ 138,102
Less accumulated depreciation	<u>(119,990)</u>
Capital lease - net	<u><u>\$ 18,112</u></u>

NOTE 7 – NOTE PAYABLE

Note payable at June 30, 2017 consisted of the following:

Note payable with required monthly principal installments of \$16,667 plus interest of 30 day LIBOR plus 4% (5.06% at June 30, 2017) ending November 2021. The note payable is secured by property.	<u><u>\$ 883,333</u></u>
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Dēmos is required to maintain a minimum of \$500,000 at Amalgamated Bank at all times for the duration of the note.

Future minimum payments for the years ending June 30 are as follows:

2018	\$ 200,000
2019	200,000
2020	200,000
2021	200,000
2022	<u>83,333</u>
Total	<u><u>\$ 883,333</u></u>

Interest expense for the year ended June 30, 2017 was \$34,116.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes or periods:

	2017	2016
Freedom to Vote	\$ 436,379	\$ 693,943
Upward Mobility	-	72,535
Public Investment	339,205	207,500
Money in Politics	287,500	678,500
Fellows Program	45,000	27,410
New Economic Paradigm	-	55,000
Affiliated Programs	-	353,281
Subsequent years	5,168,847	5,477,866
Racial Equity	-	63,461
Democracy Project	275,000	625,000
Capacity Building	4,021,159	6,200,000
Temporarily restricted net assets	\$ 10,573,090	\$ 14,454,496

NOTE 9 – OPERATING LEASES

Dēmos had leases for the use of office facilities which expired January 1, 2017. Dēmos also sub-leased a portion of the office facilities to several unrelated not-for-profit organizations. Dēmos entered into new operating leases for the use of office facilities which will expire May 2027 and September 2027. Certain leases are subject to escalations for increases in real estate taxes and other operating expenses. Future minimum obligations under the leases for the years ending June 30 are as follows:

2018	\$ 784,846
2019	981,497
2020	1,033,070
2021	1,054,989
2022	1,106,831
Thereafter	6,000,858
Total	\$ 10,962,091

Rent expense for the years ended June 30, 2017 and 2016 was \$1,172,384 and \$824,799.

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 \$247,500 for the new 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%.

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NOTE 10 – DONATED SERVICES

Dēmos received donated legal services during the years ended June 30, 2017 and 2016 of \$662 and \$54,426. These amounts have been included with professional and consulting fees in the statements of functional expenses and allocated to management and general.

NOTE 11 – RETIREMENT PLAN

Dēmos maintains a contributory, defined-contribution 401(k) plan covering all employees who meet specific eligibility requirements. The plan is an elective, deferred-salary arrangement. Dēmos may contribute to the 401(k) plan on behalf of the employees, at the discretion of the Board of Directors. Dēmos' contributions to the 401(k) plan during the years ended June 30, 2017 and 2016, on behalf of active employees totaled \$42,931 and \$47,237.

NOTE 12 – AFFILIATED PROGRAMS

As of October 31, 2016, The Building Movement Project was no longer housed at Dēmos. The Building Movement Project was the last of Dēmos' affiliated programs.