

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

**FINANCIAL STATEMENTS**

June 30, 2018

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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, 2018, 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. 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Report on Summarized Comparative Information**

We have previously audited Demos: A Network for Ideas and Action, Ltd.'s 2017 financial statements, and our report dated October 18, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wegner CPAs LLP*  
Wegner CPAs, LLP  
Madison, Wisconsin  
October 22, 2018

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2018 with comparative totals for June 30, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,704,614	\$ 5,461,559
Contributions receivable (Note 3)	9,393,890	6,673,546
Other receivables	227,187	103,929
Prepaid expenses	216,763	126,776
Security deposits	83,722	86,992
Equipment and leasehold improvements—net (Note 5)	<u>908,693</u>	<u>936,194</u>
<b>Total assets</b>	<u>\$ 16,534,869</u>	<u>\$ 13,388,996</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 378,607	\$ 235,684
Accrued expenses	120,580	80,602
Grants payable	7,500	20,500
Deferred rent	723,348	457,032
Note payable (Note 6)	<u>683,333</u>	<u>883,333</u>
Total liabilities	1,913,368	1,677,151
<b>NET ASSETS</b>		
Unrestricted	1,724,221	1,138,755
Temporarily restricted (Note 7)	<u>12,897,280</u>	<u>10,573,090</u>
Total net assets	<u>14,621,501</u>	<u>11,711,845</u>
<b>Total liabilities and net assets</b>	<u>\$ 16,534,869</u>	<u>\$ 13,388,996</u>

See accompanying notes.

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

Year ended June 30, 2018 with comparative totals for the year ended June 30, 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND OTHER REVENUE</b>				
Contributions	\$ 5,938,251	\$ 7,678,433	\$ 13,616,684	\$ 6,533,128
Special event	395,102	-	395,102	467,901
Less costs of direct benefits to donors	(155,719)	-	(155,719)	(148,680)
Program revenue	704,238	-	704,238	116,670
Honorarium and book sales	6,500	-	6,500	11,850
Interest income	14,422	-	14,422	5,984
In-kind revenue	5,000	-	5,000	662
Other income	85,889	-	85,889	1,954
<b>Total support and other revenue</b>	<b>6,993,683</b>	<b>7,678,433</b>	<b>14,672,116</b>	<b>7,018,806</b>
<b>EXPENSES</b>				
Program services	7,853,434	-	7,853,434	7,302,233
Supporting activities				
Management and general	2,435,899	-	2,435,899	1,730,407
Fundraising	1,473,127	-	1,473,127	1,302,217
<b>Total expenses</b>	<b>11,762,460</b>	<b>-</b>	<b>11,762,460</b>	<b>10,334,857</b>
Net assets released from restrictions	5,354,243	(5,354,243)	-	-
<b>Change in net assets</b>	<b>585,466</b>	<b>2,324,190</b>	<b>2,909,656</b>	<b>(3,316,051)</b>
Net assets - beginning of year	1,138,755	10,573,090	11,711,845	15,027,896
<b>Net assets - end of year</b>	<b>\$ 1,724,221</b>	<b>\$ 12,897,280</b>	<b>\$ 14,621,501</b>	<b>\$ 11,711,845</b>

See accompanying notes.

**DÉMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2018 with comparative totals for the year ended June 30, 2017

	Program Services							Supporting Activities					2018 Total	2017 Total
	Visionary Opposition on Voting	Movement Building	Race Forward Economic Agenda	Money in Politics	Fellows Program	Progressive Hub	Narrative	Total Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Total Supporting Activities		
Salaries and wages	\$ 925,001	\$ 277,756	\$ 1,100,387	\$ 372,598	\$ 114,936	\$ 96,282	\$ 242,395	\$ 3,129,355	\$ 1,100,484	\$ 740,845	\$ -	\$ 1,841,329	\$ 4,970,684	\$ 4,371,862
Payroll taxes and employee benefits	228,904	69,577	254,199	100,023	20,120	20,386	66,712	759,921	368,749	143,565	-	512,314	1,272,235	1,062,663
Collaborations - publications and research	-	162,500	50,000	-	-	-	-	212,500	-	-	-	-	212,500	496,309
Professional and consulting fees	393,723	57,201	424,034	158,037	20,247	40,289	825,143	1,918,674	181,945	136,456	-	318,401	2,237,075	1,550,714
Occupancy	179,329	63,539	222,829	70,399	23,471	18,247	37,970	615,784	268,354	173,516	-	441,870	1,057,654	1,287,252
Travel	138,721	36,331	101,006	47,432	2,519	22,579	92,669	441,257	67,581	74,837	-	142,418	583,675	483,731
Supplies and office expense	5,018	3,264	6,003	2,105	591	643	1,466	19,090	7,256	11,418	-	18,674	37,764	40,516
Meetings and conferences	11,677	124,900	14,341	4,203	1,090	1,105	2,713	160,029	50,846	8,923	-	59,769	219,798	106,426
Depreciation and amortization	33,945	12,035	42,182	13,313	4,446	3,435	7,171	116,527	50,828	32,865	-	83,693	200,220	140,940
Telecommunications	10,198	3,531	12,594	4,225	1,280	1,332	2,825	35,985	45,103	11,212	-	56,315	92,300	84,636
Utilities	5,643	1,997	7,020	2,219	738	570	1,190	19,377	8,434	5,453	-	13,887	33,264	34,699
Printing and reproduction	3,945	1,935	3,707	1,177	390	13,712	1,028	25,894	7,453	18,407	-	25,860	51,754	29,851
Postage and delivery	2,065	1,259	2,206	1,164	83	790	815	8,382	7,847	4,790	-	12,637	21,019	15,937
Dues and subscriptions	22,673	2,800	5,648	16,966	337	896	2,201	51,521	13,406	21,871	-	35,277	86,798	147,652
Computer expense	12,229	552	13,663	8,963	408	1,243	6,479	43,537	34,929	29,770	-	64,699	108,236	147,084
Repairs and maintenance	8,391	2,924	10,256	3,239	1,081	835	1,747	28,473	12,347	8,088	-	20,435	48,908	23,092
Events	-	-	-	-	-	-	-	-	-	-	155,719	155,719	155,719	148,680
Other	97,898	24,440	70,963	35,943	2,666	9,980	25,238	267,128	210,337	51,111	-	261,448	528,576	311,493
<b>Total expenses</b>	<b>2,079,360</b>	<b>846,541</b>	<b>2,341,038</b>	<b>842,006</b>	<b>194,403</b>	<b>232,324</b>	<b>1,317,762</b>	<b>7,853,434</b>	<b>2,435,899</b>	<b>1,473,127</b>	<b>155,719</b>	<b>4,064,745</b>	<b>11,918,179</b>	<b>10,483,537</b>
Less expenses included with support and other revenue on the statement of activities	-	-	-	-	-	-	-	-	-	-	(155,719)	(155,719)	(155,719)	(148,680)
<b>Total expenses included in the expenses section on the statement of activities</b>	<b>\$ 2,079,360</b>	<b>\$ 846,541</b>	<b>\$ 2,341,038</b>	<b>\$ 842,006</b>	<b>\$ 194,403</b>	<b>\$ 232,324</b>	<b>\$ 1,317,762</b>	<b>\$ 7,853,434</b>	<b>\$ 2,435,899</b>	<b>\$ 1,473,127</b>	<b>\$ -</b>	<b>\$ 3,909,026</b>	<b>\$ 11,762,460</b>	<b>\$ 10,334,857</b>

See accompanying notes.

**DÉMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**STATEMENT OF CASH FLOWS**  
Year ended June 30, 2018 with comparative totals for June 30, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,909,656	\$ (3,316,051)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	200,220	140,940
Amortization of deferred rent	-	(36,510)
Discount on contributions receivable	228,545	(63,647)
(Increase) decrease in assets		
Contributions receivable	(2,948,889)	7,290,710
Other receivables	(123,258)	(37,943)
Prepaid expenses	(89,987)	(64,733)
Security deposits	3,270	32,204
Increase (decrease) in liabilities		
Accounts payable	142,923	11,771
Security deposit payable	-	(11,150)
Accrued expenses	39,978	(52,686)
Grants payable	(13,000)	(7,000)
Deferred rent	266,316	457,032
Refundable advance	-	(125,470)
Deferred revenue	-	(31,755)
<b>Net cash flows from operating activities</b>	<b>615,774</b>	<b>4,185,712</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and leasehold improvements	(172,719)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	4,804
Principal payments on note payable	(200,000)	(116,667)
Principal portion of lease payable payments	-	(27,124)
<b>Net cash flows from financing activities</b>	<b>(200,000)</b>	<b>(138,987)</b>
<b>Net change in cash</b>	<b>243,055</b>	<b>4,046,725</b>
Cash and cash equivalents - beginning of year	5,461,559	1,414,834
<b>Cash and cash equivalents - end of year</b>	<b>\$ 5,704,614</b>	<b>\$ 5,461,559</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 43,502	\$ 34,116
Purchase of equipment and leasehold improvements financed by note payable	-	995,196

See accompanying notes.



**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 with comparative totals for June 30, 2017

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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 reports 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 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 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.

**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.

**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 with comparative totals for June 30, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 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 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.

**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). Dēmos is subject to unrelated business income tax on qualified transportation benefits provided to employees.

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 with comparative totals for June 30, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 22, 2018, the date which the financial statements were available to be issued.

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, 2018 and 2017, Dēmos’ uninsured cash balances amounted to \$3,419,493 and \$1,114,948.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Contributions receivable in less than one year	\$ 4,848,889	\$ 3,918,700
Contributions receivable in one to five years	5,018,700	3,000,000
Total contributions receivable	9,867,589	6,918,700
Less discount to net present value	(473,699)	(245,154)
Contributions receivable - net	\$ 9,393,890	\$ 6,673,546

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

At June 30, 2018, Dēmos had conditional contributions receivable of \$64,500 from a funding source based on successful progress of the project.

NOTE 4 – LINE OF CREDIT

Dēmos has a \$1,000,000 line of credit with a bank. The line is secured by the general business assets, carries interest at LIBOR plus 4.293%, and expires on January 11, 2019. There was no outstanding balance at June 30, 2018 and 2017.

**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 with comparative totals for June 30, 2017

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**NOTE 5 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Equipment	\$ 262,700	\$ 208,301
Leasehold improvements	531,264	507,392
Website	106,316	106,316
Website in progress	92,305	-
Furniture and fixtures	349,344	347,201
Equipment and leasehold improvements	1,341,929	1,169,210
Less accumulated depreciation and amortization	(433,236)	(233,016)
Equipment and leasehold improvements - net	\$ 908,693	\$ 936,194

Depreciation expense was \$200,220 and \$129,305 for the years ended June 30, 2018 and 2017. Amortization expense was \$0 and \$11,635 for the years ended June 30, 2018 and 2017.

**NOTE 6 – NOTE PAYABLE**

Dēmos has a note payable with required monthly principal installments of \$16,667 plus interest at 30 day LIBOR plus 6% ending November 2021. The note payable is secured by equipment. The note payable at June 30, 2018 and 2017 was \$683,333 and \$883,333.

Dēmos is required to maintain a minimum cash balance 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:

2019		\$ 200,000
2020		200,000
2021		200,000
2022		83,333
Note payable		\$ 683,333

Interest expense for the years ended June 30, 2018 and 2017 was \$43,502 and \$34,116.

**DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 with comparative totals for June 30, 2017

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2018 and 2017 were available for the following purposes or periods:

	2018	2017
Subsequent years	\$ 7,210,895	\$ 5,168,847
Capacity Building	3,367,945	4,021,159
Visionary Opposition on Voting	1,282,743	436,379
Democracy Project	500,000	275,000
Race Forward Economic Agenda	245,000	339,205
Progressive Hub	150,000	-
Narrative	66,397	-
Fellows Program	50,000	45,000
Racial Equity	24,300	-
Money in Politics	-	287,500
	\$ 12,897,280	\$ 10,573,090

**NOTE 8 – OPERATING LEASES**

Dēmos had leases for the use of office facilities which expired January 1, 2017. Dēmos also sub-leased a portion of these 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:

2019	\$ 981,497
2020	1,033,070
2021	1,054,989
2022	1,106,831
2023	1,151,326
Thereafter	4,849,531
Total	\$ 10,177,244

Rent expense for the years ended June 30, 2018 and 2017 was \$1,057,654 and \$1,172,384.

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%.

**DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 with comparative totals for June 30, 2017

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NOTE 9 – 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, 2018 and 2017, on behalf of active employees totaled \$50,396 and \$42,931.