

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.

FINANCIAL STATEMENTS

June 30, 2024

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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, 2024, 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, 2024, 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.

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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 18, 2024

DEMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENT OF FINANCIAL POSITION
June 30, 2024 with comparative totals for June 30, 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 4,454,748	\$ 6,336,308
Contributions receivable, net (Note 3)	4,228,004	6,223,895
Other receivables	31,383	57,830
Prepaid expenses	265,449	299,218
Security deposits	79,979	85,029
Equipment and leasehold improvements, net (Note 6)	151,005	249,612
Operating lease right-of-use assets (Note 8)	3,051,180	3,985,759
Restricted cash (Note 8)	259,875	259,875
Total assets	\$ 12,521,623	\$ 17,497,526
LIABILITIES		
Accounts payable	\$ 77,985	\$ 101,791
Accrued expenses	430,853	448,843
Operating lease liabilities	3,585,362	4,642,278
Total liabilities	4,094,200	5,192,912
NET ASSETS		
Without donor restrictions	2,671,327	3,922,217
With donor restrictions (Note 7)	5,756,096	8,382,397
Total net assets	8,427,423	12,304,614
Total liabilities and net assets	\$ 12,521,623	\$ 17,497,526

See accompanying notes.

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

Year ended June 30, 2024 with comparative totals for the year ended June 30, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES				
Contributions	\$ 1,449,064	\$ 3,970,998	\$ 5,420,062	\$ 12,230,189
Program revenue	20,730	-	20,730	603,185
Honorarium and book sales	15,700	-	15,700	25,827
Investment income, net	250,158	-	250,158	187,817
Total revenues	1,735,652	3,970,998	5,706,650	13,047,018
EXPENSES				
Program services				
Democracy Reform	1,581,306	-	1,581,306	1,845,112
Movement Building	1,608,355	-	1,608,355	1,662,969
Economic Democracy and Justice	1,441,340	-	1,441,340	1,742,251
Power Agenda	934,690	-	934,690	-
Total program services	5,565,691	-	5,565,691	5,250,332
Supporting activities				
Management and general	2,837,315	-	2,837,315	3,814,296
Fundraising	1,180,835	-	1,180,835	1,160,134
Total expenses	9,583,841	-	9,583,841	10,224,762
Net assets released from restrictions				
Satisfaction of purpose restrictions	5,286,375	(5,286,375)	-	-
Satisfaction of time restrictions	1,310,924	(1,310,924)	-	-
Total releases from restrictions	6,597,299	(6,597,299)	-	-
Change in net assets	(1,250,890)	(2,626,301)	(3,877,191)	2,822,256
Net assets at beginning of year	3,922,217	8,382,397	12,304,614	9,482,358
Net assets at end of year	<u>\$ 2,671,327</u>	<u>\$ 5,756,096</u>	<u>\$ 8,427,423</u>	<u>\$ 12,304,614</u>

See accompanying notes.

DEMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024 with comparative totals for the year ended June 30, 2023

	Program Services				Supporting Activities			2024 Total	2023 Total
	Democracy Reform	Movement Building	Economic Democracy and Justice	Power Agenda	Total Program Services	Management and General	Fundraising		
Salaries and wages	\$ 809,604	\$ 692,609	\$ 648,494	\$ 432,598	\$ 2,583,305	\$ 1,496,810	\$ 629,050	\$ 4,709,165	\$ 4,624,516
Payroll taxes and employee benefits	208,009	229,125	195,298	135,886	768,318	567,971	252,175	1,588,464	1,536,406
Collaborations - publications and research	-	75,000	200,000	22,500	297,500	-	-	297,500	179,000
Professional and consulting fees	226,308	236,576	160,269	194,180	817,333	94,848	15,033	927,214	1,705,595
Occupancy	190,295	159,382	149,269	99,549	598,495	344,441	144,756	1,087,692	1,093,461
Travel	39,452	45,211	20,792	7,508	112,963	82,282	54,003	249,248	238,815
Supplies and office expense	2,473	7,988	1,244	770	12,475	8,430	1,417	22,322	11,750
Meetings and conferences	6,030	93,659	6,672	3,564	109,925	286	1,697	111,908	215,273
Depreciation and amortization	20,291	17,359	16,253	10,842	64,745	37,512	15,766	118,023	146,398
Telecommunications	12,405	11,560	9,731	6,819	40,515	26,566	10,427	77,508	98,459
Utilities	4,047	3,462	3,242	2,163	12,914	7,483	3,145	23,542	17,308
Printing and reproduction	1,398	1,301	1,055	699	4,453	2,446	2,165	9,064	12,434
Postage and delivery	300	1,029	157	103	1,589	4,745	177	6,511	12,087
Dues and subscriptions	21,031	6,300	1,897	665	29,893	9,297	1,642	40,832	50,942
Computer expense	14,588	13,680	12,669	8,145	49,082	50,332	23,901	123,315	112,557
Repairs and maintenance	3,961	3,389	3,173	2,115	12,638	9,740	3,078	25,456	16,773
Insurance	14,436	6,420	5,389	3,973	30,218	32,533	5,786	68,537	64,806
Other	6,678	4,305	5,736	2,611	19,330	61,593	16,617	97,540	88,182
Total expenses	\$ 1,581,306	\$ 1,608,355	\$ 1,441,340	\$ 934,690	\$ 5,565,691	\$ 2,837,315	\$ 1,180,835	\$ 9,583,841	\$ 10,224,762

See accompanying notes.

DEMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
STATEMENT OF CASH FLOWS
Year ended June 30, 2024 with comparative totals for June 30, 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,877,191)	\$ 2,822,256
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	118,023	146,398
Amortization of discount on contributions receivable	(246,268)	(14,137)
Amortization of operating right-of-use lease assets	934,579	904,929
(Increase) decrease in assets		
Contributions receivable	2,242,159	(4,705,164)
Other receivables	26,447	(14,146)
Prepaid expenses	33,769	41,365
Security deposits	5,050	(5,050)
Increase (decrease) in liabilities		
Accounts payable	(23,806)	(193,730)
Accrued expenses	(17,990)	53,267
Operating lease liabilities	(1,056,916)	(1,002,926)
Net cash flows from operating activities	(1,862,144)	(1,966,938)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(19,416)	(2,064)
Net change in cash and cash equivalents and restricted cash	(1,881,560)	(1,969,002)
Cash and cash equivalents and restricted cash at beginning of year	6,596,183	8,565,185
Cash and cash equivalents and restricted cash at end of year	<u>\$ 4,714,623</u>	<u>\$ 6,596,183</u>

See accompanying notes.

DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 with comparative totals for June 30, 2023

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

Demos uses historical loss information based on the aging of other receivables as the basis to determine expected credit losses. Management believes the composition of other receivables is consistent with historical conditions and other receivables are expected to be settled within a relatively short time frame based on current conditions. As such, credit losses are expected to be insignificant.

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.

DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 with comparative totals for June 30, 2023

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, 2024 with comparative totals for June 30, 2023

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.

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.

Power Agenda – A Framework for Building People Power reflects our affirmative vision for creating a just, inclusive, multiracial democracy and economy by building civic, political, and economic power for all. This requires structural reforms that include goals and interventions that restore and expand voting rights, strengthen worker rights and protections, and shift power to the people.

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.

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.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 with comparative totals for June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through October 18, 2024, 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, 2024 and 2023, Dēmos’ cash and cash equivalent balances exceeded federally insured limits by \$3,725,108 and \$5,314,354. \$4,108,082 and \$4,620,256 of the cash and cash equivalents, respectively, was invested in broker/dealer money market accounts.

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

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2024 and 2023 consisted of the following:

	2024	2023
Contributions receivable in less than one year	\$ 2,008,050	\$ 2,795,209
Contributions receivable in one to five years	2,505,000	3,960,000
Total contributions receivable	4,513,050	6,755,209
Less discount to net present value	(285,046)	(531,314)
Contributions receivable, net	\$ 4,228,004	\$ 6,223,895

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 4, 2025. There was no outstanding balance at June 30, 2024 and 2023.

NOTE 5 – 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, 2024 and 2023, on behalf of active employees, totaled \$217,074 and \$230,951.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 with comparative totals for June 30, 2023

NOTE 6 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at June 30, 2024 and 2023 consisted of the following:

	2024	2023
Equipment	\$ 146,245	\$ 126,865
Leasehold improvements	556,643	556,643
Website	335,505	335,505
Furniture and fixtures	352,918	352,918
Equipment and leasehold improvements	1,391,311	1,371,931
Less accumulated depreciation	(1,240,306)	(1,122,319)
Equipment and leasehold improvements, net	\$ 151,005	\$ 249,612

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023 were available for the following purposes or periods:

	2024	2023
Subsequent years	\$ 3,954,954	\$ 3,208,686
Capacity Building	810,000	4,690,000
Economic Democracy	446,775	383,711
Democracy Project	50,000	100,000
Democracy Reform	494,367	-
Net assets with donor restrictions	\$ 5,756,096	\$ 8,382,397

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 with comparative totals for June 30, 2023

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:

	2024	2023
Operating lease cost	\$ 1,051,667	\$ 1,070,446
Short-term lease cost	7,524	8,369
Variable lease cost	35,578	44,682
Total lease cost	\$ 1,094,769	\$ 1,123,497

Other information related to operating leases for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Cash paid for amounts included in the Measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,174,004	\$ 1,149,664
Weighted-average remaining lease term for Operating leases	3.07 years	4.07 years
Weighted-average discount rate for operating leases	2.88%	2.88%

The maturities of lease liabilities as of June 30, 2024 are as follows:

2025		\$ 1,198,861
2026		1,224,255
2027		1,170,120
2028		150,430
Total minimum lease payments		3,743,666
Imputed interest		(158,304)
Total		\$ 3,585,362

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.

DĒMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 with comparative totals for June 30, 2023

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.

	2024	2023
Cash and cash equivalents	\$ 4,454,748	\$ 6,336,308
Contributions receivable, net	4,228,004	6,223,895
Other receivables	31,383	57,830
 Total financial assets at year end	 8,714,135	 12,618,033
 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	(2,219,954)	(3,428,686)
Restricted by donor with purpose restrictions	(1,801,142)	(5,173,711)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 4,693,039	 \$ 4,015,636

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.

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.

DĚMOS: A NETWORK FOR IDEAS AND ACTION, LTD.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 with comparative totals for June 30, 2023

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.