

CONSOLIDATED FINANCIAL STATEMENTS

**DEMOCRACY FORWARD AND
DEMOCRACY FORWARD FOUNDATION**

FOR THE YEAR ENDED JUNE 30, 2022

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Democracy Forward and Democracy Forward Foundation
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of Democracy Forward and Democracy Forward Foundation (the Organizations), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of June 30, 2022, and the consolidated change 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.

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 Consolidated Financial Statements section of our report. We are required to be independent of the Organizations 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 the Organizations' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page 13 and the Consolidating Schedule of Activities and Change in Net Assets on page 14 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



May 18, 2023

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,839,735
Grants receivable	170,161
Prepaid expenses	<u>36,369</u>
Total current assets	<u>5,046,265</u>

INTANGIBLE ASSETS

Website	70,000
Less: Accumulated amortization	<u>(70,000)</u>
Net intangible assets	<u>-</u>

OTHER ASSETS

Deposits	<u>89,100</u>
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TOTAL ASSETS **\$ 5,135,365**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 71,298
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NET ASSETS

Without donor restrictions	<u>5,064,067</u>
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TOTAL LIABILITIES AND NET ASSETS **\$ 5,135,365**

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>
SUPPORT	
Grants and contributions	\$ <u>6,177,089</u>
EXPENSES	
Program Services:	
Education	4,448,478
Issue Advocacy	<u>1,519</u>
Total program services	<u>4,449,997</u>
Supporting Services:	
Management and General	392,066
Fundraising	<u>313,897</u>
Total supporting services	<u>705,963</u>
Total expenses	<u>5,155,960</u>
Change in net assets	1,021,129
Net assets at beginning of year	<u>4,042,938</u>
NET ASSETS AT END OF YEAR	\$ <u>5,064,067</u>

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services			Total Expenses
	Education	Issue Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 3,495,247	-	\$ 3,495,247	\$ 281,255	\$ 202,134	\$ 483,389	\$ 3,978,636
Consultants	179,232	-	179,232	-	110,000	110,000	289,232
Occupancy	250,006	-	250,006	27,779	-	27,779	277,785
Dues and subscriptions	157,444	1,007	158,451	1,316	-	1,316	159,767
Legal and accounting	65,536	-	65,536	59,729	-	59,729	125,265
Office supplies and expenses	93,974	512	94,486	5,343	1,603	6,946	101,432
Meetings and events	101,082	-	101,082	-	-	-	101,082
Information technology	34,913	-	34,913	3,879	-	3,879	38,792
Filing fees and licenses	29,606	-	29,606	-	-	-	29,606
Insurance	26,348	-	26,348	3,042	160	3,202	29,550
Telephone and internet	14,310	-	14,310	-	-	-	14,310
Amortization	-	-	-	9,723	-	9,723	9,723
Digital ads	780	-	780	-	-	-	780
TOTAL	\$ 4,448,478	\$ 1,519	\$ 4,449,997	\$ 392,066	\$ 313,897	\$ 705,963	\$ 5,155,960

See accompanying notes to consolidated financial statements.

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,021,129
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	9,723
(Increase) decrease in:	
Grants receivable	(164,640)
Prepaid expenses	20,774
Deposits	(70,755)
Increase in:	
Accounts payable and accrued liabilities	<u>37,953</u>
Net cash provided by operating activities	<u>854,184</u>
Net increase in cash and cash equivalents	854,184
Cash and cash equivalents at beginning of year	<u>3,985,551</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 4,839,735</u></u>

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

Democracy Forward is a 501(c)(4) non-profit organization incorporated on March 29, 2017, in the District of Columbia. Democracy Forward's mission is to use the law to fight for good government on behalf of all Americans. Democracy Forward is expanding its work and using new strategies to oppose abuses of power, give voice to those who are harmed, and fight for the promise of democracy on behalf of all Americans.

Democracy Forward Foundation (the Foundation) is a 501(c)(3) non-profit organization which was incorporated on March 29, 2017, in the District of Columbia. The Foundation's mission is to protect our nation's rights and institutions by working through legal and administrative processes, holding government accountable, while concurrently educating the public.

Principles of consolidation -

The accounts of Democracy Forward have been consolidated with the accounts of the Foundation, pursuant to the criteria established by FASB ASC 958-810, *Not-for-Profit Entities Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors 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 revenue 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 Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. The Organizations did not have any net assets with donor restrictions as of June 30, 2022.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents (continued) -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Income taxes -

Democracy Forward is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code, is taxable if it has unrelated business taxable income under IRS Code Section 512(a)(1), and is taxable if it has political organization taxable income from political expenditures, as described under IRS Code Section 527(f)(1). For the year ended June 30, 2022, the organization had no unrelated business income. There was no political organization taxable income as there were no political expenditures for the year ended June 30, 2022.

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2022, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Intangible assets -

Intangible assets in excess of \$2,500 are capitalized and stated at cost. Intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance is recorded as expenses are incurred. Amortization expense for the year ended June 30, 2022 totaled \$9,723.

Support -

The Organizations receive grants and contributions, including unconditional promises to give, from many sources. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organizations perform an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction, depending upon whether the transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Support (continued) -

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return and a barrier. Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. The Organizations did not have any unrecognized conditional awards as of June 30, 2022.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organizations are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

New accounting pronouncement not yet adopted -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Organizations plan to adopt the new ASU at the required implementation date, and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

2. LIQUIDITY AND AVAILABILITY

The Organizations have a policy to structure their financial assets to be available and liquid as their obligations become due. Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 4,839,735
Grants receivable	<u>170,161</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,009,896</u>
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3. LEASE COMMITMENTS

During the year ended June 30, 2022, the Organizations entered into agreements for the use of shared office space in Washington, D.C. There is a fixed monthly amount payable for each individual space used by the Organizations. The agreements all expire by August 2023.

During December 2022, the Organizations entered into a lease for office space in Washington, D.C. The lease commenced on January 1, 2023 and will expire during December 2025, at a base monthly rent of \$26,746. Under the terms of the lease, the rent was abated for the first three months of the term.

The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30,</u>	
2023	\$ 215,757
2024	326,575
2025	338,005
2026	<u>171,909</u>
	<u>\$ 1,052,246</u>

Occupancy expense for the year ended June 30, 2022 was \$277,785.

4. RETIREMENT PLAN

The Organizations provide retirement benefits to their employees through a 401(k) defined contribution plan, covering all full-time employees. Contributions to the Plan during the year ended June 30, 2022 totaled \$115,379 and is included in personnel in the accompanying Consolidated Statement of Functional Expenses.

5. CONCENTRATION OF REVENUE

Approximately 40% of the Organizations' revenue for the year ended June 30, 2022 was derived from grants awarded by one grantor. The Organizations have no reason to believe that the relationship with this grantor will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Organizations' ability to finance ongoing operations.

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

6. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through May 18, 2023, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2022

ASSETS

	<u>Democracy Forward</u>	<u>Democracy Forward Foundation</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 7,310	\$ 4,832,425	\$ -	\$ 4,839,735
Grants receivable	109	170,052	-	170,161
Due from related party	-	1,233	(1,233)	-
Prepaid expenses	-	36,369	-	36,369
	<u>7,419</u>	<u>5,040,079</u>	<u>(1,233)</u>	<u>5,046,265</u>
INTANGIBLE ASSETS				
Website	-	70,000	-	70,000
Less: Accumulated amortization	-	(70,000)	-	(70,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER ASSETS				
Deposits	-	89,100	-	89,100
	<u>-</u>	<u>89,100</u>	<u>-</u>	<u>89,100</u>
TOTAL ASSETS	<u>\$ 7,419</u>	<u>\$ 5,129,179</u>	<u>\$ (1,233)</u>	<u>\$ 5,135,365</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ -	\$ 71,298	\$ -	\$ 71,298
Due to related party	1,233	-	(1,233)	-
	<u>1,233</u>	<u>71,298</u>	<u>(1,233)</u>	<u>71,298</u>

NET ASSETS

Without donor restrictions	<u>6,186</u>	<u>5,057,881</u>	<u>-</u>	<u>5,064,067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,419</u>	<u>\$ 5,129,179</u>	<u>\$ (1,233)</u>	<u>\$ 5,135,365</u>

DEMOCRACY FORWARD AND DEMOCRACY FORWARD FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Democracy Forward	Democracy Forward Foundation	Total
WITHOUT DONOR RESTRICTIONS SUPPORT			
Grants and contributions	\$ <u>1,240</u>	\$ <u>6,175,849</u>	\$ <u>6,177,089</u>
Total without donor restrictions support	<u>1,240</u>	<u>6,175,849</u>	<u>6,177,089</u>
EXPENSES			
Program Services:			
Education	-	4,448,478	4,448,478
Issue Advocacy	<u>1,519</u>	<u>-</u>	<u>1,519</u>
Total program services	<u>1,519</u>	<u>4,448,478</u>	<u>4,449,997</u>
Supporting Services:			
Management and General	-	392,066	392,066
Fundraising	<u>-</u>	<u>313,897</u>	<u>313,897</u>
Total supporting services	<u>-</u>	<u>705,963</u>	<u>705,963</u>
Total expenses	<u>1,519</u>	<u>5,154,441</u>	<u>5,155,960</u>
Change in net assets without donor restrictions	(279)	1,021,408	1,021,129
Net assets without donor restrictions at beginning of year	<u>6,465</u>	<u>4,036,473</u>	<u>4,042,938</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 6,186</u>	<u>\$ 5,057,881</u>	<u>\$ 5,064,067</u>