

**THE DEMOCRACY COLLABORATIVE
FOUNDATION, INC.**

FINANCIAL REPORT

DECEMBER 31, 2020 and 2019

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

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Independent Auditors' Report

Board of Directors
The Democracy Collaborative Foundation, Inc.
Washington, D.C.

We have audited the accompanying financial statements of The Democracy Collaborative Foundation, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

Auditors' 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 auditors' 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 auditors consider 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 The Democracy Collaborative Foundation, Inc. as of December 31, 2020 and 2019, 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.



Cleveland, Ohio
December 9, 2021

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$2,060,543	\$1,639,614
Pledges receivable, net	1,201,063	2,411,481
Service receivables, less allowance of \$-0- in 2020 and \$10,000 in 2019	15,672	20,585
Other receivables, less allowance of \$14,793 in 2020 and \$-0- in 2019	3,000	55,810
Prepaid expenses	<u>72,382</u>	<u>35,301</u>
Total current assets	3,352,660	4,162,791
OTHER ASSETS	19,381	19,516
PLEDGES RECEIVABLE, NET	48,193	817,535
ASSETS OF DISCONTINUED OPERATIONS	29,324	62,152
PROPERTY AND EQUIPMENT		
Computer equipment	89,065	76,853
Office furniture	81,525	96,669
Leasehold improvements	<u>532,823</u>	<u>532,823</u>
	703,413	706,345
Less: accumulated depreciation	<u>299,150</u>	<u>225,200</u>
Net property and equipment	404,263	481,145
TOTAL ASSETS	<u>\$3,853,821</u>	<u>\$5,543,139</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 128,441	\$ 199,596
Accrued expenses	168,936	215,094
Deferred revenue	475,005	287,369
Deferred rent	50,955	50,955
Sublease liability	<u>23,178</u>	<u>-</u>
Total current liabilities	846,515	753,014
OTHER LIABILITIES		
Deferred rent	390,075	450,812
Sublease liability	145,933	-
Paycheck Protection Program loan	<u>600,700</u>	<u>-</u>
Total other liabilities	1,136,708	450,812
LIABILITIES OF DISCONTINUED OPERATIONS	19,668	-
NET ASSETS		
Without donor restrictions	(318,675)	33,437
With donor restrictions	<u>2,169,605</u>	<u>4,305,876</u>
Total net assets	<u>1,850,930</u>	<u>4,339,313</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$3,853,821</u>	<u>\$5,543,139</u>

The accompanying notes are an integral part of these financial statements.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Grant revenue	\$ 1,471,791	\$ 950,000	\$ 2,421,791
Service income	741,778	-	741,778
Net assets released from restrictions	<u>3,086,271</u>	<u>(3,086,271)</u>	<u>-</u>
Total revenue and support	5,299,840	(2,136,271)	3,163,569
EXPENSES			
Program	3,975,484	-	3,975,484
General and administrative	1,226,185	-	1,226,185
Fundraising	<u>74,593</u>	<u>-</u>	<u>74,593</u>
Total expenses	<u>5,276,262</u>	<u>-</u>	<u>5,276,262</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	23,578	(2,136,271)	(2,112,693)
OTHER INCOME (EXPENSE)			
Sublease income	18,000	-	18,000
Loss on discontinued operations	(202,305)	-	(202,305)
Loss on disposal of property and equipment	(8,580)	-	(8,580)
Loss on sublease	<u>(182,805)</u>	<u>-</u>	<u>(182,805)</u>
Total other income (expense)	<u>(375,690)</u>	<u>-</u>	<u>(375,690)</u>
CHANGE IN NET ASSETS	(352,112)	(2,136,271)	(2,488,383)
NET ASSETS – BEGINNING OF YEAR	<u>33,437</u>	<u>4,305,876</u>	<u>4,339,313</u>
NET ASSETS – END OF YEAR	<u>\$ (318,675)</u>	<u>\$ 2,169,605</u>	<u>\$ 1,850,930</u>

The accompanying notes are an integral part of these financial statements.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Grant revenue	\$ 704,275	\$ 3,699,375	\$ 4,403,650
Service income	736,290	-	736,290
Net assets released from restrictions	5,214,131	(5,214,131)	-
Total revenue and support	<u>6,654,696</u>	<u>(1,514,756)</u>	<u>5,139,940</u>
EXPENSES			
Program	4,816,666	-	4,816,666
General and administrative	1,079,067	-	1,079,067
Fundraising	90,386	-	90,386
Total expenses	<u>5,986,119</u>	<u>-</u>	<u>5,986,119</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	668,577	(1,514,756)	(846,179)
OTHER INCOME (EXPENSE)			
Gain on discontinued operations	31,900	-	31,900
Loss on disposal of property and equipment	(1,350)	-	(1,350)
Total other income (expense)	<u>30,550</u>	<u>-</u>	<u>30,550</u>
CHANGE IN NET ASSETS	699,127	(1,514,756)	(815,629)
NET ASSETS – BEGINNING OF YEAR	<u>(665,690)</u>	<u>5,820,632</u>	<u>5,154,942</u>
NET ASSETS – END OF YEAR	<u>\$ 33,437</u>	<u>\$ 4,305,876</u>	<u>\$ 4,339,313</u>

The accompanying notes are an integral part of these financial statements.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Engaged Practice and Employee Ownership	Anchor Institutions	Theory, Research and Policy	Total Program	General and Administrative	Fundraising	Total
OPERATING EXPENSES							
Payroll and related	\$ 459,743	\$1,006,858	\$1,540,791	\$3,007,392	\$ 821,124	\$ 42,822	\$3,871,338
Contractors and consultants	99,378	373,054	299,848	772,280	251,210	11,583	1,035,073
Travel and meals	2,609	17,233	24,080	43,922	14,871	14,244	73,037
Office expense	31,410	68,567	74,792	174,769	107,780	1,836	284,385
Printing and mailing	14,059	32,746	21,776	68,581	6,078	260	74,919
Subscriptions, memberships and fees	31	4,487	26,250	30,768	3,893	-	34,661
Computer and software	5,393	17,278	6,268	28,939	62,759	3,375	95,073
Depreciation	7,786	20,301	23,653	51,740	26,302	473	78,515
Miscellaneous	17	17	12,093	12,127	31,046	-	43,173
 Total expenses by function	 620,426	 1,540,541	 2,029,551	 4,190,518	 1,325,063	 74,593	 5,590,174
 Less expenses included with other expense on statement of activities	 (208,414)	 (6,620)	 -	 (215,034)	 (98,878)	 -	 (313,912)
 Total operating expenses	 <u>\$ 412,012</u>	 <u>\$1,533,921</u>	 <u>\$2,029,551</u>	 <u>\$3,975,484</u>	 <u>\$1,226,185</u>	 <u>\$ 74,593</u>	 <u>\$5,276,262</u>

The accompanying notes are an integral part of these financial statements.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Engaged Practice and Employee Ownership	Anchor Institutions	Theory, Research and Policy	Total Program	General and Administrative	Fundraising	Total
OPERATING EXPENSES							
Payroll and related	\$ 463,345	\$ 842,262	\$1,748,162	\$3,053,769	\$ 468,665	\$ 58,730	\$3,581,164
Contractors and consultants	117,918	371,844	559,971	1,049,733	235,111	1,350	1,286,194
Travel and meals	51,820	156,549	294,133	502,502	100,846	24,331	627,679
Office expense	24,666	75,041	152,889	252,596	144,433	2,094	399,123
Printing and mailing	4,101	28,516	68,922	101,539	11,962	574	114,075
Subscriptions, memberships and fees	8,413	10,508	53,660	72,581	13,978	1,751	88,310
Computer and software	1,286	13,677	14,543	29,506	41,112	458	71,076
Depreciation	6,578	15,332	25,842	47,752	27,030	598	75,380
Miscellaneous	2,012	1,992	23,737	27,741	35,930	500	64,171
Total expenses by function	680,139	1,515,721	2,941,859	5,137,719	1,079,067	90,386	6,307,172
Less expenses included with other income (expense) on statement of activities	(321,053)	-	-	(321,053)	-	-	(321,053)
Total operating expenses	<u>\$ 359,086</u>	<u>\$1,515,721</u>	<u>\$2,941,859</u>	<u>\$4,816,666</u>	<u>\$1,079,067</u>	<u>\$ 90,386</u>	<u>\$5,986,119</u>

The accompanying notes are an integral part of these financial statements.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(2,488,383)	\$ (815,629)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	78,515	75,380
Loss on disposal of property and equipment	8,580	1,350
(Increase) decrease in assets:		
Pledges receivable	1,979,760	(50,237)
Service receivables	4,913	72,028
Other receivables	52,810	(45,790)
Prepaid expenses	(37,081)	59,629
Other assets	135	3,627
Assets of discontinued operations	32,828	(62,152)
Increase (decrease) in liabilities:		
Accounts payable	(71,155)	35,592
Accrued expenses	(46,158)	38,028
Deferred revenue	187,636	267,369
Deferred rent	(60,737)	(55,649)
Sublease liability	169,111	-
Liabilities of discontinued operations	19,668	-
Total adjustments	<u>2,318,825</u>	<u>339,175</u>
Net cash used in operating activities	(169,558)	(476,454)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(12,213)	(52,056)
Proceeds from sale of property and equipment	<u>2,000</u>	<u>-</u>
Net cash used in investing activities	(10,213)	(52,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>600,700</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	420,929	(528,510)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>1,639,614</u>	<u>2,168,124</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 2,060,543</u>	<u>\$ 1,639,614</u>

The accompanying notes are an integral part of these financial statements.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Nature of Activities – The Democracy Collaborative Foundation, Inc. (the "Organization") is a non-profit organization formed in 2003, which works to carry out a vision of a new economic system where shared ownership and control creates more equitable and inclusive outcomes, fosters ecological sustainability, and promotes flourishing democratic and community life. The Organization's revenues are principally derived from private foundation grants.
- B. Basis of Accounting – The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions: Include the net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions: Include the net assets from grants, contributions, or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization. The Organization had net assets with donor restrictions of \$2,169,605 and \$4,305,876 as of December 31, 2020 and 2019, respectively. These assets would also include those whose donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity and only the income be utilized. The Organization had no such net assets restricted in perpetuity as of December 31, 2020 and 2019.

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

- C. Use of Estimates – The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Cash and Cash Equivalents – The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. The Organization maintains at various financial institutions cash and cash equivalents which, at times, may exceed federally insured amounts and may significantly exceed statement of financial position amounts due to outstanding checks.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Revenue Recognition – Grant revenue is recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the grant is recognized. All other donor-restricted grants are reported as increases in net assets with donor restrictions. Pledges outstanding at December 31, 2020 and 2019 are expected to be received as follows: \$1,201,063 and \$2,411,481 in less than one year and \$50,000 and \$850,000 in one to two years, respectively. A discount rate of 3.75% was utilized for pledges receivable beyond one year, which reduced the balances by \$1,807 and \$32,465, respectively. No allowance for doubtful accounts was deemed necessary by management based on a review of outstanding pledges and an assessment of their historical collections. Conditional promises are recorded when the donor stipulations are substantially met. The Organization has recorded deferred revenue of \$332,530 and \$232,908 in relation to conditional grants at December 31, 2020 and 2019, respectively.

Revenues related to service income are recorded when the service is provided. Included within service income are membership participation fees. The membership period is on a calendar-year basis. Accordingly, membership participation fees received for the following calendar-year are deferred until services are performed. At December 31, 2020 and 2019, the Organization recorded deferred revenue of \$142,475 and \$54,461, respectively, in relation to these fees.

F. Property and Equipment – Property and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. Purchases in excess of \$1,000 with useful lives greater than one year are capitalized. The Organization provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years. Routine expenditures for repairs and maintenance are expensed as incurred.

G. Tax Status – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

H. Change in Accounting Principle – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance under accounting principles generally accepted in the United States of America. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On May 20, 2020, FASB extended the effective date of this standard by one year due to the coronavirus pandemic (Note 8). Effective January 1, 2020, the Organization adopted ASU 2018-08 using the modified prospective transition method. The adoption had no cumulative effect on beginning net assets of January 1, 2020 and did not impact revenue for the year ending December 31, 2020.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Change in Accounting Principle (Continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which may change the Organization's statements of financial position by requiring lessees to recognize most leases as a lease liability and corresponding right-of-use asset per the financial statements. This may affect compliance with any contractual agreements and loan covenants. This new standard is effective for the Organization for fiscal years beginning after December 15, 2021 with early adoption permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

- I. **Functional Expenses** – The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated included occupancy on a square footage basis, as well as salaries, wages, and benefits, professional services, office expenses, and other, which are allocated on the basis of estimates of time and effort.
- J. **Reclassifications** – Certain reclassifications have been made to prior year's balances to conform to the current year presentation.
- K. **Subsequent Events** – The Organization has evaluated subsequent events through December 9, 2021, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. As of December 31, 2020 and 2019, the Organization has cash and cash equivalents, pledges receivable, service receivables, and other receivables as listed below that are readily available to meet expenditures for the next year. In addition, the Organization receives support without donor restrictions to fund general expenditures during the year. Resources available for general expenditures also include pledges and grant revenue that are restricted for projects considered to be operational in nature by the Organization that will be expended and released within the next year. The Organization also has a line of credit with PNC Bank available for maximum borrowings of \$300,000, which is available for operating purposes (Note 4).

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$2,060,543	\$1,639,614
Pledges receivable, net	1,201,063	2,411,481
Service receivables, net	15,672	20,585
Other receivables	<u>3,000</u>	<u>55,810</u>
	<u>\$3,280,278</u>	<u>\$4,127,490</u>

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes for the years ended:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Theory, Research and Policy Programs	\$ 472,041	\$ 276,244
Engaged Practice and Employee Ownership Programs	130,558	364,327
Anchor Institution Programs	<u>317,750</u>	<u>436,289</u>
	920,349	1,076,860
Promises to give, subject to expenditure for specific purpose:		
Theory, Research and Policy Programs	289,256	1,289,069
Engaged Practice and Employee Ownership Programs	950,000	1,547,892
Anchor Institution Programs	<u>10,000</u>	<u>392,055</u>
	<u>1,249,256</u>	<u>3,229,016</u>
	<u>\$2,169,605</u>	<u>\$4,305,876</u>

Note 4. Line of Credit

The Organization has a line of credit with PNC Bank available for maximum borrowings of \$300,000, which is available for operating purposes. This line of credit bears interest at the prime rate plus 0.05%, which was equal to 3.30% at December 31, 2020. The Organization had no borrowings against this line at December 31, 2020 and 2019.

Note 5. Retirement Plan

The Organization has a defined contribution plan covering substantially all full-time personnel. Eligible employees may contribute a percentage of their compensation and are automatically enrolled at 3% of their salary. The Organization contributes 7% of each eligible employee's gross pay. The Organization contributed \$196,891 and \$184,744 for the years ended December 31, 2020 and 2019, respectively.

Note 6. Sublease

In 2017, the Organization entered into a ten year lease for office space in Cleveland, Ohio which will terminate in 2027. The lease for the Cleveland office requires monthly rent of \$5,609 with annual increases. Future minimum rental payments under the lease are as follows:

<u>For the year ended December 31,</u>	
2021	\$ 75,630
2022	76,685
2023	77,739
2024	95,911
2025	79,847
Thereafter	101,192

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Sublease (Continued)

As of July 2020, the Organization vacated this building and entered into a sublease with an unrelated party for the remaining term of the lease. Under the terms of the sublease, the Organization will receive rental payments, subject to escalations for real estate taxes and certain operating costs, as follows:

<u>For the year ended December 31,</u>	
2021	\$ 46,616
2022	47,316
2023	48,017
2024	65,847
2025	49,452
Thereafter	62,905

The lease expense will be offset by payments due under the sublease. The Organization has recorded a net sublease liability of \$169,111 at December 31, 2020 and recorded a net loss of \$182,805 for the year then ended.

Rent payments made by the Organization under this lease were \$70,024 and \$69,035 for the years ended December 31, 2020 and 2019, respectively. Straight-line lease expense under this lease was \$71,757 for the years ended December 31, 2020 and 2019, resulting in a deferred rent liability of \$11,507 and \$9,774 at December 31, 2020 and 2019, respectively. Rental income under the sublease agreement for the years ended December 31, 2020 and 2019 was \$18,000 and \$-0-, respectively.

At the inception of the lease, the Organization also received a tenant improvement allowance of \$194,545 in the lease. Lease expense was reduced by the amortization of the tenant improvement allowance of \$19,455 for the years ended December 31, 2020 and 2019. Included in deferred rent at December 31, 2020 and 2019 was the remaining unamortized balance of the tenant improvement allowance in the amount of \$121,590 and \$141,045, respectively.

Note 7. Operating Lease

In 2016, the Organization entered into a ten year lease terminating in May 2026 for office space in Washington D.C. The lease requires monthly rent of \$7,313 with annual increases. The Organization also received a tenant improvement allowance of \$315,000 and rent credits in the lease. Rent payments under this lease were \$186,236 and \$182,140 for the years ended December 31, 2020 and 2019, respectively. Straight-line lease expense under this lease was \$174,721 for the years ended December 31, 2020 and 2019, resulting in a deferred rent liability of \$137,308 and \$148,823 at December 31, 2020 and 2019, respectively. Lease expense was reduced by the amortization of the tenant improvement allowance of \$31,500 for the years ended December 31, 2020 and 2019. Included in deferred rent at December 31, 2020 and 2019 was the remaining unamortized balance of the tenant improvement allowance in the amount of \$170,625 and \$202,125, respectively.

THE DEMOCRACY COLLABORATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7. Operating Lease (Continued)

At December 31, 2020, the minimum future rental payments on these operating lease agreements are as follows:

<u>For the year ended December 31,</u>	
2021	\$190,429
2022	194,714
2023	199,095
2024	203,575
2025	208,155
Thereafter	87,765

Note 8. Discontinued Operations

In 2020, the Organization resolved to discontinue consulting services due to its lack of financial sustainability. The Organization expects completion of disposal in 2021. The related operating results have been separated from the continuing operations of the Organization and are presented net as a loss from discontinued operations. For the years ended 2020 and 2019, net consulting revenue was \$111,607 and \$352,953, respectively. In addition, for years ended 2020 and 2019, total expenses related to consulting services were \$313,912 and \$321,053, respectively. Cost of discontinuance primarily consisted of severance and legal fees which totaled \$112,788 and \$-0- for the years ended 2020 and 2019, respectively.

The assets and liabilities related to consulting services are presented in the statements of financial position and consist of the following components:

	<u>2020</u>	<u>2019</u>
Assets of discontinued operations:		
Service receivables	\$ 29,324	\$ 62,152
Liabilities of discontinued operations:		
Deferred revenue	19,668	-

Note 9. Coronavirus ("COVID-19") and Paycheck Protection Program

On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a global health emergency and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report. Accordingly, the effects of the pandemic on the financial condition, results of operations, and cash flows of the Organization is unknown at this time.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act, among other things, created the Paycheck Protection Program ("PPP") to be administered by the U.S. Small Business Administration ("SBA"). In 2020, the Organization received a \$600,700 unsecured loan under the PPP. Provisions of the PPP allow for partial or full forgiveness of the loan provided the proceeds are used for covered expenditures and certain other requirements are satisfied. In May 2021, the loan was fully forgiven by the SBA. The entire balance is recorded as a liability as of December 31, 2020 and will be recognized as income in 2021.