

**Democracy North Carolina**  
Durham, North Carolina

**Audited Financial Statements**  
Years Ended December 31, 2024 and 2023

DEMOCRACY NORTH CAROLINA

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December 31, 2024 and 2023

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Democracy North Carolina  
Morrisville, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of the Democracy North Carolina, (the “Organization”), which comprise the statement of financial position as of December 31, 2024 and 2023, 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 Democracy North Carolina as of December 31, 2024 and 2023, and the changes in its net assets, functional expenses 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 the Organization 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.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 the Organization'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 Responsibility***

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



## McConnell & Jones, LLP

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 the Organization'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 the Organization'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.

*McConnell & Jones LLP*

Durham, North Carolina

May 2, 2025

DEMOCRACY NORTH CAROLINA  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 2,297,725	\$ 3,676,156
Restricted cash and cash equivalents (note 15)	24,969	28,295
Accounts receivable	-	109
Employee Retention Credit receivable (note 4)	396,214	396,214
Grants receivable (note 5)	650,000	550,000
Promises to give receivable (note 6)	18,894	46,928
Sales tax receivable	27,662	8,054
Other assets	41,678	58,346
Total current assets	3,457,142	4,764,102
Non-current assets:		
Grants receivable (note 5)	574,687	548,388
Property and equipment, net (note 7)	34,904	48,045
Right-of-use assets - operating leases (note 16)	515,242	635,920
Beneficial interest in assets held by the Foundation for the Carolinas (note 8)	393,923	361,160
Total non-current assets	1,518,756	1,593,513
Total assets	\$ 4,975,898	\$ 6,357,615
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 44,328	\$ 20,868
Credit cards payable	16,819	15,804
Accrued vacation payable (note 10)	95,358	80,792
Lease liability - current (note 16)	138,367	131,994
Security deposits	129	129
Total current liabilities	295,001	249,587
Non-current liabilities:		
Lease liability (note 16)	411,265	539,025
Total non-current liabilities	411,265	539,025
Total liabilities	706,266	788,612
Net assets:		
Without donor restrictions:		
Undesignated	1,526,051	2,433,270
Board designated (note 11)	1,500,000	1,500,000
Total without donor restrictions	3,026,051	3,933,270
With donor restrictions (note 12)	1,243,581	1,635,733
Total net assets	4,269,632	5,569,003
Total liabilities and net assets	\$ 4,975,898	\$ 6,357,615

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities:</b>			
Support and revenue			
Contributions from grants	\$ 2,458,294	\$ 637,880	\$ 3,096,174
Contributions from individuals	960,159	-	960,159
Research and honoraria income	3,000	-	3,000
Other income	289	-	289
Net assets released from restrictions (note 13)	1,030,032	(1,030,032)	-
Total support and revenue	4,451,774	(392,152)	4,059,622
Expenses			
Program services			
Communications	1,498,412	-	1,498,412
Organizing	1,776,112	-	1,776,112
Policy	866,003	-	866,003
Total program services	4,140,527	-	4,140,527
Supporting services			
Management and general	784,479	-	784,479
Fundraising	537,634	-	537,634
Total supporting services	1,322,113	-	1,322,113
Total functional expenses	5,462,640	-	5,462,640
Change in net assets from operating activities	(1,010,866)	(392,152)	(1,403,018)
<b>Non-operating Activities:</b>			
Loss on uncollectible recievables	(109)	-	(109)
Change in beneficial interest in assets held by the Foundation of the Carolinas	32,763	-	32,763
Net investment income	70,993	-	70,993
Change in net assets from non-operating activities	103,647	-	103,647
Change in net assets	(907,219)	(392,152)	(1,299,371)
Net assets, beginning of year	3,933,270	1,635,733	5,569,003
Net assets, end of year	\$ 3,026,051	\$ 1,243,581	\$ 4,269,632

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities:</b>			
Support and revenue			
Contributions from grants	\$ 1,898,049	\$ 1,098,388	\$ 2,996,437
Contributions from individuals	484,911	-	484,911
Research and honoraria income	1,500	-	1,500
Other income	750	-	750
Net assets released from restrictions (note 13)	962,362	(962,362)	-
Total support and revenue	3,347,572	136,026	3,483,598
Expenses			
Program services			
Communications	636,924	-	636,924
Organizing	1,360,123	-	1,360,123
Policy	435,977	-	435,977
Total program services	2,433,024	-	2,433,024
Supporting services			
Management and general	678,650	-	678,650
Fundraising	397,312	-	397,312
Total supporting services	1,075,962	-	1,075,962
Total functional expenses	3,508,986	-	3,508,986
Change in net assets from operating activities	(161,414)	136,026	(25,388)
<b>Non-operating Activities:</b>			
Gain on disposal of property and equipment	1,200	-	1,200
Loss on uncollectible promises to give	(1,000)	-	(1,000)
Change in beneficial interest in assets held by the Foundation of the Carolinas	39,720	-	39,720
Net investment income	14,324	-	14,324
Change in net assets from non-operating activities	54,244	-	54,244
Change in net assets	(107,170)	136,026	28,856
Net assets, beginning of year	4,040,440	1,499,707	5,540,147
Net assets, end of year	\$ 3,933,270	\$ 1,635,733	\$ 5,569,003

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2024

	Program Services			Supporting Services		
	Communications	Organizing	Policy	Management and General	Fundraising	Total
Salaries	\$ 368,376	\$ 811,036	\$ 385,428	\$ 365,081	\$ 292,382	\$2,222,303
Employee benefits	50,070	110,050	49,927	78,084	42,844	330,975
Payroll taxes	26,865	65,689	28,110	31,643	20,056	172,363
Professional development	8,263	56,230	12,390	20,990	10,664	108,537
Consultants/Contractors	192,344	166,672	196,430	18,655	23,823	597,924
Meals and catering	1,103	21,558	1,533	2,386	921	27,501
Meetings and events	2,504	11,369	1,006	1,526	3,378	19,783
Outreach grant and coalitions	-	256,000	101,942	-	-	357,942
Communications	316,540	948	-	1,255	37,750	356,493
Facilities	24,005	76,720	22,816	25,883	17,512	166,936
Technology	36,497	36,021	36,293	18,826	22,448	150,085
Supplies	9,669	11,042	1,804	5,329	1,648	29,492
Printing, publications, social media	304,723	12,233	1,286	155	27,302	345,699
Postage and shipping	136,423	6,808	2,636	10,144	7,880	163,891
Travel expenses	12,031	112,350	12,234	11,294	16,374	164,283
Professional services	5,721	11,056	7,114	166,739	4,050	194,680
Insurance	771	2,245	841	1,125	583	5,565
Banking and processing fees	1,053	2,955	981	7,256	5,919	18,164
Dues and subscriptions	387	2,635	2,645	2,409	1,744	9,820
Depreciation expense	-	-	-	14,732	-	14,732
Miscellaneous expenses	1,067	2,495	587	967	356	5,472
Total functional expenses	<u>\$ 1,498,412</u>	<u>\$ 1,776,112</u>	<u>\$ 866,003</u>	<u>\$ 784,479</u>	<u>\$ 537,634</u>	<u>\$5,462,640</u>

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2023

	Program Services			Supporting Services		Total
	Communications	Organizing	Policy	Management and General	Fundraising	
Salaries	\$ 311,128	\$ 656,132	\$ 289,794	\$ 333,956	\$ 215,968	\$1,806,978
Employee benefits	41,927	91,609	35,753	54,089	32,634	256,012
Payroll taxes	23,756	50,218	22,193	28,574	16,715	141,456
Professional development	4,010	21,307	3,346	18,992	7,414	55,069
Consultants/Contractors	70,587	42,950	20,000	89,780	11,186	234,503
Meals and catering	569	6,936	80	414	576	8,575
Meetings and events	321	3,812	45	-	10,101	14,279
Outreach grant and coalitions	-	267,800	-	-	1,448	269,248
Communications	55,375	1,483	1,033	1,284	2,900	62,075
Facilities	17,153	54,769	17,145	63,116	12,341	164,524
Technology	26,890	27,273	12,995	12,267	16,899	96,324
Supplies	2,099	11,767	545	5,351	3,395	23,157
Printing, publications, social media	52,644	20,369	200	880	34,952	109,045
Postage and shipping	5,220	3,387	7	4,124	1,608	14,346
Travel expenses	8,348	66,110	8,543	9,670	9,357	102,028
Professional services	13,757	27,720	21,516	29,277	11,857	104,127
Insurance	1,046	1,993	954	2,310	730	7,033
Banking and processing fees	1,118	2,862	1,001	3,984	6,123	15,088
Dues and subscriptions	427	1,317	753	2,412	935	5,844
Depreciation expense	-	-	-	16,182	-	16,182
Miscellaneous expenses	549	309	74	1,988	173	3,093
Total functional expenses	<u>\$ 636,924</u>	<u>\$ 1,360,123</u>	<u>\$ 435,977</u>	<u>\$ 678,650</u>	<u>\$ 397,312</u>	<u>\$3,508,986</u>

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2024 and 2023

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,299,371)	\$ 28,856
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	14,732	16,182
Loss on uncollectible accounts receivables	109	1,000
Donated securities	(45,798)	(7,782)
Proceeds from sale of donated securities	46,206	41,158
(Gain) loss on disposal of property and equipment	-	(1,200)
Change in beneficial interest in assets held by the Foundation for the Carolinas	(32,763)	(39,720)
Realized and unrealized gains on investments	(408)	(33,376)
Changes in operating assets and liabilities:		
(Increases) decreases in operating assets:		
Accounts receivable	-	(61)
Employee Retention Credit receivable	-	(396,214)
Grants receivable	(126,299)	(153,523)
Promises to give	28,034	29,154
Sales tax receivable	(19,608)	14,974
Other assets	16,668	(18,699)
Increases (decreases) in operating liabilities:		
Accounts payable	23,460	726
Accrued expenses	15,581	8,290
Payroll liabilities	-	(66,540)
Lease liability payments	(709)	43,729
Net cash (used) provided by operating activities	(1,380,166)	(533,046)
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(1,591)	(1,079)
Proceeds from the disposal of fixed assets	-	1,200
Net cash provided (used) by investing activities	(1,591)	121
Net increase in cash and cash equivalents and restricted cash	(1,381,757)	(532,925)
Cash and cash equivalents and restricted cash, beginning of year	3,704,451	4,237,376
Cash and cash equivalents and restricted cash, end of year	<u>\$ 2,322,694</u>	<u>\$ 3,704,451</u>
Composition of cash and cash equivalents		
Cash and cash equivalents	\$ 2,297,725	\$ 3,676,156
Restricted cash and cash equivalents	24,969	28,295
	<u>\$ 2,322,694</u>	<u>\$ 3,704,451</u>

*The accompanying notes are an integral part of the financial statements.*

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 1 – ORGANIZATION**

Democracy North Carolina (the “Organization”) is a 501(c)(3) not-for-profit corporation organized under the laws of the state of North Carolina. The Organization is organized for charitable and educational purposes to promote public discussion about the vitality of democracy in North Carolina; increase voter education; increase voter registration and civic participation within the state; examine the influence of private money on public policy and elections; and evaluate the relative importance of various governmental reforms, including public financing of elections.

The Organization’s programs involves a variety of distinct but integrated activities, including:

*Organizing* - statewide and in local communities from the halls of the legislature to city halls and local boards of elections – to bring together diverse groups of people to focus on shared advocacy and civic engagement goals.

*Communications* – developing and delivering external resources, including traditional media, public relations, and digital communications, to build public awareness of and favorability toward the Organization’s external goals and increase the Organization’s exposure to targeted audiences, including the public, media, and other intermediaries.

*Policy* - through local and statewide networks of informed citizens who are willing to pursue and defend meaningful pro-democracy policies and take a more active role in government. Frequent training for citizens, including Democracy Summer, a paid internship for outstanding college students.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Basis of presentation** – The Organization’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. As a result, the net assets of the Organization and changes therein are classified and reported as either with or without donor restrictions.

**Net assets without donor restrictions** – Net assets without donor restrictions include resources which are available for use in carrying out the supporting activities of the Organization and are not subject to donor-imposed stipulations.

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net assets with donor restrictions** – Net assets with donor restrictions include resources that have been donated to the Organization and that are subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When a restriction expires as a result of the action of the Organization and/or passage of time, 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. The Organization had net assets with donor restrictions of \$1,243,581 and \$1,635,733, as of December 31, 2024 and 2023, respectively.

**Revenue recognition** - The Organization follows ASC Topic 958-605, Revenue Recognition. In accordance with ASC 958-605, unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Gifts of cash and other assets are reported with donor restricted support if they are designated for future periods or restricted by the donor for a specific purpose.

Conditional contributions, which are defined as those promises to give that contain a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. If a condition related to a donor restricted contribution is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. As of December 31, 2024 and 2023, the Organization had no grants and promises to give that have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restricted support. In the event that monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, the Organization will use funds having donor restrictions first.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

**Contributed Services** – A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. The value of this contributed time is not reflected in the financial statements as it is not susceptible to objective measurement or valuation.

**Liquidity** – Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

DEMOCRACY NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024 and 2023

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising** – The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was \$356,993 and \$62,075, respectively.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and equipment** – Property and equipment is carried at cost and adjusted for impairments of value. The Organization capitalizes all expenditures greater than \$1,000 for property and equipment at cost, and donated assets are recorded at fair market value at the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which has been estimated at three to ten years.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the cost and related accumulated depreciation accounts are relieved of the amount for each asset, and any related gain or loss is included in operations.

**Income taxes** - The Organization is exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code. The State of North Carolina has granted a similar exemption. Therefore, no income taxes are reflected in these financial statements.

**Uncertain tax positions** – Income from certain activities not directly related to the Organization's tax-exempt purposes may be subject to taxation as unrelated business income. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Organization had no uncertain income tax positions at December 31, 2024 and 2023. The Organization is not classified as a private foundation.

**Concentrations of revenue sources** - The Organization is funded primarily through grants. Any significant decrease in its level of grant revenue could pose a risk to the Organization's financial position.

**Expense allocation** – Expenses are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to functional and supporting services based on their relative use by each function. A formula for the percentage of use is based on the number of staff members in each functional area. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments** - Investments in marketable securities with readily determinable fair values and all investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Concentrations of credit risk** - The Organization maintains cash in several commercial banks located in North Carolina. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. Balances exceeding FDIC limits are uninsured. As of December 31, 2024 and 2023, the Organization had deposits of \$240,249 and \$598,979, respectively, exceeding insured limits. As of December 31, 2024 and 2023, the Organization held \$1,751,534 and \$2,501,934, respectively, of fully insured funds in the Insured Cash Sweep network.

**Grants and promises to give** – Grants and promises to give that are expected to be collected within one year are recorded at net realizable value. Grants and promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience and a review by management of the current status of existing receivables. As of December 31, 2024 and 2023, management estimated an allowance for uncollectible promises to give of \$5,000.

**Measure of operations** – The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, beneficial interest, financing costs and other activities considered to be of a more unusual or non-recurring nature.

**Reclassifications** – Certain prior year amounts have been reclassified for consistency with the current year presentation.

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases** –The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term and is reported as facilities expense within the statements of functional expenses. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as facilities expense on a straight-line basis over the lease term in the statements of functional expenses.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, money market accounts, highly liquid investments with original maturities of three months or less and amounts on deposit with banks. Due to the short nature of cash equivalents, the amount approximates fair value.

The Organization had the following cash and cash equivalents balances available for operations as of December 31:

	2024	2023
Non-interest bearing checking accounts	\$ 103,722	\$ 557,756
Interest bearing checking accounts	2,218,972	3,146,695
Total	<u>\$ 2,322,694</u>	<u>\$ 3,704,451</u>

**NOTE 4 – EMPLOYEE RETENTION CREDIT RECEIVABLE**

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, the subsequent extension of the CARES Act, American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act, the Organization was eligible for a refundable employee retention credit (“ERC”) subject to certain criteria. The ERC is a refundable payroll tax credit that offsets certain employer FICA taxes. The Employee Retention Credit receivable at December 30, 2023 is \$396,214, which represents refunds due of \$182,417 on the Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended June 30, 2020 and September 30, 2020, and \$213,797 on the Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarter ended September 30, 2021. As of December 31, 2024 and 2023, the Organization believes the ERC receivable is fully collectible.

DEMOCRACY NORTH CAROLINA  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

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**NOTE 5 – GRANTS RECEIVABLE**

The Organization's grants are characterized as contribution revenue and are reported at fair value at the date of donation. Management evaluates the collectability of its grants receivable and records an allowance, as necessary.

At December 31, 2024 and 2023, the amount to be received in subsequent years is summarized as follows:

	2024	2023
Less than one year	\$ 650,000	\$ 550,000
One to three years	600,000	600,000
	1,250,000	1,150,000
Less: Present value discount	(25,313)	(51,612)
Net grants receivable	<u>\$ 1,224,687</u>	<u>\$ 1,098,388</u>

Grants receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The discount applied to grants receivable outstanding ranges from 0.95% to 4.60% as of December 31, 2024 and 2023. Amortization of the discount is reported in the statement of activities as an offset to contribution revenue.

Grants receivables consist of the following:

	2024	2023
Entity 1	\$ 1,250,000	\$ 900,000
Entity 3	-	100,000
Entity 4	-	50,000
Entity 5	-	100,000
Total	1,250,000	1,150,000
Less: Discount	(25,313)	(51,612)
	<u>\$ 1,224,687</u>	<u>\$ 1,098,388</u>

**NOTE 6 – PROMISES TO GIVE**

Promises to give represent unconditional promises to give and are recognized as support when the donor makes the pledge. Promises to give are recorded at net realizable value. Management evaluates payment history and market conditions to estimate allowances for doubtful promises to give. As of December 31, 2024 and 2023, management estimated an allowance for uncollectible promises to give of \$5,000.

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**NOTE 6 – PROMISES TO GIVE (CONTINUED)**

Payments on promises to give at December 31, 2024 and 2023 are expected to be received in the following years:

	2024	2023
Promises to give in less than one year	\$ 23,894	\$ 51,928
Less: allowance for uncollectible promises to give	(5,000)	(5,000)
Total	<u>\$ 18,894</u>	<u>\$ 46,928</u>

Promises to give with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments as of the date of the initial pledge. There was no discount on promises to give as of December 31, 2024 and 2023. Amortization of the discount is reported in the statements of activities as an offset to contribution revenue.

**NOTE 7 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following at December 31:

	2024	2023
Equipment	\$ 91,057	\$ 89,467
Less accumulated depreciation	(56,153)	(41,422)
Property and equipment, net	<u>\$ 34,904</u>	<u>\$ 48,045</u>

The Organization recognized depreciation expenses of \$14,732 and \$16,182 for the years ended December 31, 2024 and 2023, respectively.

**NOTE 8 – BENEFICIAL INTEREST IN ASSETS HELD BY THE FOUNDATION FOR THE CAROLINAS**

During 2015, the Organization established two quasi-endowed funds with unrestricted funds with the Foundation for the Carolinas (“Foundation”) and named itself as the beneficiary. The Board of Directors set aside these funds to create a cash reserve fund. The Organization granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified beneficiary, if, in the sole judgment of the Foundation’s Board of Directors, such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the

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**NOTE 8 – BENEFICIAL INTEREST IN ASSETS HELD BY THE FOUNDATION FOR THE CAROLINAS (CONTINUED)**

Foundation. The money is invested in a quasi-endowed agency fund and, therefore, the value fluctuates with changes in the value of the respective funds. The balance is presented as board designated net assets without donor restrictions in the statements of financial position. The change in the value of the beneficial interest is separately reported in the statement of activities.

The following table provides a summary of changes in fair value for the years ended December 31:

	2024	2023
Beneficial interest, beginning	\$ 361,160	\$ 321,440
Change in value of trust	32,763	39,720
Beneficial interest, end of year	<u>\$ 393,923</u>	<u>\$ 361,160</u>

**NOTE 9 – FAIR VALUE MEASUREMENTS**

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The defined levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

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**NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)**

The Organization's financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels are shown below:

December 31, 2024				
	Quoted Prices in Active Markets for identical assets Level (1)	Level (2)	Level (3)	Total
Beneficial interest in assets held by the Foundation of the Carolinas	\$ -	\$ -	\$ 393,924	\$ 393,924
December 31, 2023				
	Quoted Prices in Active Markets for identical assets Level (1)	Level (2)	Level (3)	Total
Beneficial interest in assets held by the Foundation of the Carolinas	\$ -	\$ -	\$ 361,160	\$ 361,160

The Organization uses appropriate valuation techniques based on the available inputs. When available, the Organization measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when Level 1 inputs are not available. The market approach was used for all assets classified as Level 1 and Level 2. The fair value of the beneficial interest in assets held by the Foundation for the Carolinas, classified as Level 3, is measured based on the fair values of the underlying assets, which consist primarily of fixed income, equity securities, alternative investments, and cash for which the Organization relies on fair value measurement calculations performed and provided by the Foundation for the Carolinas. Inputs include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

There were no changes to valuation techniques during the years ended December 31, 2024 and 2023.

**NOTE 10 – ACCRUED VACATION PAYABLE**

For the years ended December 31, 2024 and 2023, the Organization had a paid-time-off (PTO) policy in which employees are permitted to carry over 15 days of accrued leave into the subsequent year. Accrued PTO was \$ 95,358 and \$80,792 as of December 31, 2024 and 2023, respectively.

**NOTE 11- BOARD DESIGNATED NET ASSETS**

As of December 31, 2024 and 2023, the Board of Directors designated \$1,500,000 of net assets without donor restrictions, a portion of which is the beneficial interest in assets held by the Foundation for the Carolinas, to support the mission of the Organization. Since that amount is from an internal designation and is not subject donor restrictions, it is classified and reported as net assets without donor restrictions.

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**NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS**

Donor-restricted assets include gifts of cash and other assets for which donor-imposed purpose or time restrictions have not yet been met, and for which the ultimate purpose of the proceeds is not permanently restricted. As of December 31, 2024 and 2023, donor-restricted assets consisted of the following:

	<u>2024</u>	<u>2023</u>
<u>Subject to purpose restrictions</u>		
Carolina Youth Partnership	\$ 586,807	\$ 848,388
Regranting	-	88,000
Capacity Building	-	1,975
<u>Subject to passage of time</u>		
2024 program activities	-	697,370
2025 program activities	368,894	-
2026 program activities	287,880	-
	<u>\$ 1,243,581</u>	<u>\$ 1,635,733</u>

**NOTE 13 – NET ASSETS RELEASED FROM RESTRICTIONS**

The following are releases from donor restricted net assets for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Subject to purpose restrictions</u>		
Leadership Center	\$ -	\$ 785
Regranting	88,000	12,000
Election Protection	-	75,000
Carolina Youth Partnership	261,581	300,000
Capacity Building	1,975	-
<u>Subject to passage of time</u>		
Entity 1	400,000	396,236
Entity 2	100,000	98,629
Entity 3	50,000	-
Entity 4	100,000	-
Entity 5	-	50,000
Pledges receivable	28,476	29,712
	<u>\$ 1,030,032</u>	<u>\$ 962,362</u>

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**NOTE 14 – RETIREMENT PLAN**

The Organization offers its employees a pretax IRC Section 403(b) Plan (“403(b) Plan”). Full-time employees are eligible to participate upon their start date and part-time employees are eligible to participate if they have been employed for one year and have worked at least 1,000 hours for the Organization. The Organization matches all employee 403(b) contributions up to a maximum of 5% of the employee’s contributions. Additionally, the Organization offers a nonelective employer contribution in an amount equal to 2% of the employee’s compensation for all eligible employees after a 90-day probationary period. Staff members who were employed by the Organization prior to January 1, 2022, the date of the most recent plan revision, were grandfathered into this program and received their first nonelective contribution in August 2022. Participants in the 403(b) Plan are immediately vested in all employee and employer contributions.

For the years ended December 31, 2024 and 2023, retirement plan contributions made by the Organization totaled \$84,466 and \$64,480, respectively.

**NOTE 15 – RESTRICTED CASH - HEALTH REIMBURSEMENT ACCOUNT**

The Organization provides a health reimbursement account for employees that covers co-pays and deductibles. During 2023, the insurance company that provided the Organization’s health insurance mandated a minimum balance of \$25,000 in a separate bank account that issues the reimbursements. The account was monitored by management to ensure compliance and as of December 31, 2023, the Organization held restricted cash for the health reimbursement account of \$28,295 and was in full compliance. Effective July 1, 2024, the Organization transitioned to a new insurance company to provide health reimbursements. Under the new agreement, the Organization is required to maintain a dedicated checking account and maintain adequate funding in the account for purposes of paying eligible claims as they are incurred and submitted. As of December 31, 2024, the Organization held restricted cash for the health reimbursement account of \$24,969, and was in full compliance.

**NOTE 16 – LEASES**

The Organization evaluates current contracts to determine they meet the criteria of a lease. The right-of-use (ROU) assets represent the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities are calculated based on the present value of future lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments where the discount rate implicit in the lease is not readily determinable. The Organization has applied the risk-free option to its operating space leases.

On February 6, 2020, the Organization entered into an operating lease for its primary office space. The lease agreement was payable in monthly installments that began at \$10,298 for the first year and escalated according to a fixed schedule annually until the lease ended, on June 30, 2023. The forty-two month lease term excluded a two-year extension, available at the Organization’s option, which was not reasonably certain to exercise as the overall terms of the lease agreement were to be renegotiated.

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**NOTE 16 – LEASES (CONTINUED)**

In March 2023, the Organization entered into an amendment of its operating lease for its primary office space. The amendment extended the lease term by sixty-eight months, beginning on July 1, 2023, and does not provide for any extension options. Additionally, the amendment sets forth a new monthly installment payment of \$11,496, which escalates by 3% every July 1<sup>st</sup> until the lease termination date of February 29, 2029. Furthermore, the Organization received a four-month abatement from July through October of 2023.

On June 13, 2024, the Organization entered into an operating lease for regional office space. The lease is payable in monthly installments of \$525 for a period of one year, automatically renewing for subsequent annual periods, until cancelled by the Organization. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

Additionally, the Organization leases space for its other regional offices under short-term leases for which the Organization does not report ROU assets and leases liabilities. The lease agreements require monthly lease payments between \$154 and \$926.

	2024	2023
Lease expense:		
Operating lease expense included in facilities expense	\$ 144,215	\$ 137,452
Short-term lease expense included in facilities expense	\$ 18,291	\$ 22,506
Other information:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 143,419	\$ 89,142
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 11,968	\$ 693,574

Supplemental Statement of Net Position information related to leases:

	2024	2023
Right-of-use assets - operating leases	\$ 515,242	\$ 635,920
Lease liabilities - operating	\$ 549,632	\$ 671,019
Weighted-average remaining lease term in months	49.50	62.00
Weighted-average discount rate	4.37%	4.19%

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**NOTE 16 – LEASES (CONTINUED)**

<u><b>Maturity Analysis</b></u>	
2025	\$ 150,517
2026	151,416
2027	152,983
2028	157,581
2029	26,652
Total undiscounted cash flows	639,149
Less present value discount	(89,517)
Total lease obligations	<u>\$ 549,632</u>

**NOTE 17 – LIQUIDITY**

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,322,694	\$ 3,704,451
Accounts receivable	-	109
Employee Retention Credit receivable	396,214	396,214
Grants receivable	1,224,687	1,098,388
Promises to give	18,894	46,928
Sales tax receivable	27,662	8,054
Less:		
Restricted cash	(24,969)	(28,295)
With Donor restrictions	(1,243,581)	(1,635,733)
Restrictions expected to be met before 12/31	668,894	1,087,345
	<u>\$ 3,390,495</u>	<u>\$ 4,677,461</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed or other restrictions within one year of the statement of financial position date. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.

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**NOTE 17 – LIQUIDITY (CONTINUED)**

The Board of Directors of the Organization adopted a formal operating reserve policy, the purpose of which is to build and maintain an adequate level of net assets without donor restrictions to support the Organization's day-to-day operations in the event of unforeseen shortfalls. The objective is to fund the operating reserve from surplus unrestricted operating funds to be equal to four months and five months as of December 31, 2024 and 2023, respectively, of cash operating expenses. The Organization does not intend to spend from operating reserves, though if additional liquidity is needed, these amounts could be made available, if necessary.

**NOTE 18 – RELATED PARTIES**

The Organization received contributions and/or cash receipts fulfilling outstanding promises to give from members of the Board of Directors totaling \$32,559 and \$55,199 for the years ending December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, outstanding promises to give from Board members were \$23,894 and \$49,428, respectively.

The Organization obtains certain communications services from a company owned by the spouse of the Co-Executive Director. During the years ended December 31, 2024 and 2023, expenses incurred with the company were \$2,510 and \$1,169, respectively. There were no amounts payable as of December 31, 2024 and 2023.

The Co-Executive Director serves as treasurer on the Board of Directors of Nonprofit VOTE, a registered 501(c)(3) that equips other nonprofits across the United States with nonpartisan tools, resources, and grants to help the communities they serve participate in voting and democracy. The Nonprofit VOTE Board of Directors does not make decisions on which organizations will receive these grants. In fiscal years 2024 and 2023, Nonprofit Vote granted the Organization \$30,000 and \$35,000 to implement the 2024 and 2023 voter engagement initiatives, respectively.

**NOTE 19 – SUBSEQUENT EVENTS**

We have evaluated subsequent events through May 2, 2025, the date the financial statements were available to be issued.