

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2012**

# CENTER FOR DEMOCRACY AND TECHNOLOGY

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2013, with Summarized Financial Information for 2012	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2013, with Summarized Financial Information for 2012	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2013, with Summarized Financial Information for 2012	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2013, with Summarized Financial Information for 2012	8
NOTES TO FINANCIAL STATEMENTS	9 - 14



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Center for Democracy and Technology  
Washington, D.C.

We have audited the accompanying financial statements of the Center for Democracy and Technology (CDT), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFPCA.COM

---

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CDT as of December 31, 2013, and the 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.

## Report on Summarized Comparative Information

We have previously audited CDT's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



June 10, 2014

**CENTER FOR DEMOCRACY AND TECHNOLOGY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

<b>ASSETS</b>	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 8)	\$ 2,025,602	\$ 2,438,372
Investments, certificates of deposit (Notes 2 and 11)	837,293	1,231,109
Grants receivable	430,494	622,113
Accounts receivable	121,946	117,358
Due from related parties (Note 10)	8,836	11,678
Prepaid expenses	<u>122,654</u>	<u>40,747</u>
Total current assets	<u>3,546,825</u>	<u>4,461,377</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture, fixtures and equipment	316,597	302,896
Leasehold improvements	<u>151,218</u>	<u>151,218</u>
	467,815	454,114
Less: Accumulated depreciation and amortization	<u>(369,087)</u>	<u>(339,886)</u>
Net property and equipment	<u>98,728</u>	<u>114,228</u>
<b>OTHER ASSETS</b>		
Security deposits	<u>53,754</u>	<u>17,004</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 3,699,307</b></u>	<u><b>\$ 4,592,609</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 188,821	\$ 80,127
Deferred income	<u>61,450</u>	<u>-</u>
Total current liabilities	<u>250,271</u>	<u>80,127</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	1,991,131	2,631,915
Board-designated (Note 5)	<u>1,175,000</u>	<u>1,150,000</u>
Total unrestricted	3,166,131	3,781,915
Temporarily restricted (Note 3)	<u>282,905</u>	<u>730,567</u>
Total net assets	<u>3,449,036</u>	<u>4,512,482</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 3,699,307</b></u>	<u><b>\$ 4,592,609</b></u>

See accompanying notes to financial statements.

**CENTER FOR DEMOCRACY AND TECHNOLOGY**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	<u>2013</u>			<u>2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Grants and contributions	\$ 2,625,261	\$ 808,494	\$ 3,433,755	\$ 4,220,809
Cy Pres awards (Note 9)	424,819	-	424,819	86,199
Contracts	98,710	-	98,710	92,115
Investment income (Note 2)	3,966	-	3,966	7,663
Other revenue	6,825	-	6,825	5,645
Net assets released from donor restrictions (Note 4)	<u>1,256,156</u>	<u>(1,256,156)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,415,737</u>	<u>(447,662)</u>	<u>3,968,075</u>	<u>4,412,431</u>
<b>EXPENSES</b>				
Program Services:				
EU Office	159,171	-	159,171	-
Communications	296,242	-	296,242	145,404
Privacy	414,288	-	414,288	377,920
4th Amendment	784,675	-	784,675	709,974
Health Privacy Policy	634,461	-	634,461	578,403
Net Neutrality	198,090	-	198,090	180,619
1st Amendment	233,764	-	233,764	221,033
International Human Rights	788,022	-	788,022	790,045
Global Network Initiative	34,556	-	34,556	30,989
Internet Education Foundation	35,026	-	35,026	57,188
Copyright	262,975	-	262,975	267,428
Markle Initiative/Task Force	25,706	-	25,706	-
The Privacy Project	9,000	-	9,000	-
Standards	-	-	-	1,975
Campaign for CDT's Future	-	-	-	<u>328</u>
Total program services	<u>3,875,976</u>	<u>-</u>	<u>3,875,976</u>	<u>3,361,306</u>
Supporting Services:				
Management and General	631,393	-	631,393	463,389
Fundraising	<u>524,152</u>	<u>-</u>	<u>524,152</u>	<u>514,736</u>
Total supporting services	<u>1,155,545</u>	<u>-</u>	<u>1,155,545</u>	<u>978,125</u>
Total expenses	<u>5,031,521</u>	<u>-</u>	<u>5,031,521</u>	<u>4,339,431</u>
Change in net assets	(615,784)	(447,662)	(1,063,446)	73,000
Net assets at beginning of year	<u>3,781,915</u>	<u>730,567</u>	<u>4,512,482</u>	<u>4,439,482</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,166,131</u></b>	<b><u>\$ 282,905</u></b>	<b><u>\$ 3,449,036</u></b>	<b><u>\$ 4,512,482</u></b>

See accompanying notes to financial statements.

**CENTER FOR DEMOCRACY AND TECHNOLOGY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013								
	Program Services								
	EU Office	Communications	Privacy	4th Amendment	Health Privacy Policy	Net Neutrality	1st Amendment	International Human Rights	Global Network Initiative
Salaries	\$ -	\$ 125,290	\$ 261,843	\$ 423,313	\$ 435,871	\$ 129,146	\$ 160,446	\$ 336,887	\$ 23,565
Payroll taxes	-	9,451	17,477	26,027	28,585	7,430	10,490	21,107	1,456
Pension expense (Note 7)	-	1,398	10,285	20,623	16,449	6,845	7,848	16,009	1,044
Employee benefits	-	15,902	26,003	34,614	20,037	7,862	12,088	22,903	2,260
Workers compensation	-	375	766	1,251	1,283	387	476	981	71
Consultants	125,608	112,343	23,467	158,810	28,930	9,406	123	254,040	18
Travel and meetings	33,501	2,201	23,392	34,163	16,092	9,027	8,116	70,239	-
Board expenses travel and meetings	-	-	-	-	-	-	-	-	-
Annual meeting	-	-	-	-	-	-	-	-	-
Accounting and audit	-	-	-	-	-	-	-	-	-
Books, dues and subscriptions	-	1,877	2,496	8,002	5,023	4,046	3,800	2,952	198
Computer equipment expense	-	1,402	3,094	4,858	5,056	1,542	1,905	3,999	262
Contributions	-	465	1,350	1,773	2,045	564	836	1,891	82
Insurance	-	718	1,528	2,454	2,548	759	951	1,988	136
Depreciation and amortization	-	1,407	2,955	4,769	4,936	1,486	1,839	3,826	267
Network usage	-	636	1,319	2,189	2,151	647	798	1,696	117
Legal	-	-	-	-	-	-	-	-	-
Miscellaneous	-	1,333	200	361	482	97	132	251	20
Office equipment expense	-	1,068	897	1,487	1,483	466	572	1,131	81
Postage and delivery	-	17	56	80	91	31	346	202	3
Printing/Copying	62	10	80	95	33	7	12	141	2
Rent and storage (Note 6)	-	14,823	31,357	50,464	53,752	15,558	19,490	40,505	4,452
Office supplies and expense	-	1,135	2,112	3,528	3,584	998	1,306	2,659	192
Telephone/Fax	-	4,391	3,611	5,814	6,030	1,786	2,190	4,615	330
<b>TOTAL</b>	<b>\$ 159,171</b>	<b>\$ 296,242</b>	<b>\$ 414,288</b>	<b>\$ 784,675</b>	<b>\$ 634,461</b>	<b>\$ 198,090</b>	<b>\$ 233,764</b>	<b>\$ 788,022</b>	<b>\$ 34,556</b>

See accompanying notes to financial statements.

**CENTER FOR DEMOCRACY AND TECHNOLOGY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013 (Continued)								2012	
	Program Services (Continued)				Supporting Services				Total Expenses	Total Expenses
	Internet Education Foundation	Copyright	Markle Initiative/Task Force	The Privacy Project	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 20,883	\$ 193,820	\$ 18,560	\$ -	\$ 2,129,624	\$ 227,784	\$ 222,951	\$ 450,735	\$ 2,580,359	\$ 2,421,045
Payroll taxes	1,263	10,794	333	-	134,413	13,702	12,311	26,013	160,426	148,126
Pension expense (Note 7)	1,112	9,772	1,095	-	92,480	12,690	13,050	25,740	118,220	123,375
Employee benefits	2,114	12,878	493	-	157,154	15,996	8,255	24,251	181,405	155,179
Workers compensation	61	566	56	-	6,273	671	654	1,325	7,598	5,841
Consultants	16	146	13	9,000	721,920	138,942	43,889	182,831	904,751	404,504
Travel and meetings	-	(177)	1,779	-	198,333	22,125	608	22,733	221,066	412,753
Board expenses travel and meetings	-	-	-	-	-	1,125	-	1,125	1,125	1,759
Annual meeting	-	-	-	-	-	-	179,228	179,228	179,228	-
Accounting and audit	-	-	-	-	-	89,328	-	89,328	89,328	87,502
Books, dues and subscriptions	182	2,738	136	-	31,450	3,272	1,940	5,212	36,662	35,857
Computer equipment expense	243	2,157	157	-	24,675	3,068	2,601	5,669	30,344	18,735
Contributions	102	903	7	-	10,018	1,142	1,090	2,232	12,250	4,606
Insurance	122	1,126	99	-	12,429	1,340	1,306	2,646	15,075	20,111
Depreciation and amortization	236	2,170	195	-	24,086	2,589	2,526	5,115	29,201	40,585
Network usage	105	981	104	-	10,743	1,715	1,115	2,830	13,573	14,299
Legal	-	-	-	-	-	3,478	-	3,478	3,478	2,838
Miscellaneous	15	176	30	-	3,097	8,380	175	8,555	11,652	10,809
Office equipment expense	71	36	82	-	7,374	6,424	759	7,183	14,557	13,437
Postage and delivery	5	66	1	-	898	3,730	49	3,779	4,677	4,914
Printing/Copying	2	18	3	-	465	4,087	17	4,104	4,569	1,849
Rent and storage (Note 6)	8,038	23,181	2,147	-	263,767	48,086	26,767	74,853	338,620	338,482
Office supplies and expense	168	1,624	170	-	17,476	12,048	1,790	13,838	31,314	31,160
Telephone/Fax	288	-	246	-	29,301	9,671	3,071	12,742	42,043	41,665
<b>TOTAL</b>	<b>\$ 35,026</b>	<b>\$ 262,975</b>	<b>\$ 25,706</b>	<b>\$ 9,000</b>	<b>\$ 3,875,976</b>	<b>\$ 631,393</b>	<b>\$ 524,152</b>	<b>\$ 1,155,545</b>	<b>\$ 5,031,521</b>	<b>\$ 4,339,431</b>

See accompanying notes to financial statements.



**CENTER FOR DEMOCRACY AND TECHNOLOGY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,063,446)	\$ 73,000
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	29,201	40,585
(Increase) decrease in:		
Grants receivable	191,619	(13,124)
Accounts receivable	(4,588)	39,994
Due from related parties	2,841	(5,520)
Prepaid expenses	(81,907)	(26,947)
Security deposits	(36,750)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	108,694	(5,725)
Deferred income	<u>61,450</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(792,886)</u>	<u>102,263</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(13,701)	(33,162)
Net maturities (purchases) of certificates of deposit	<u>393,817</u>	<u>(1,231,109)</u>
Net cash provided (used) by investing activities	<u>380,116</u>	<u>(1,264,271)</u>
Net decrease in cash and cash equivalents	(412,770)	(1,162,008)
Cash and cash equivalents at beginning of year	<u>2,438,372</u>	<u>3,600,380</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,025,602</u></b>	<b><u>\$ 2,438,372</u></b>

**CENTER FOR DEMOCRACY AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The Center for Democracy and Technology (CDT) works to promote democratic values and constitutional liberties in the digital age. With expertise in law, technology and policy, CDT seeks practical solutions to enhance free expression and privacy in global communications technologies. CDT is dedicated to building consensus among all parties interested in the future of the Internet and other new communications media.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CDT's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Cash and cash equivalents -

CDT considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Grants and accounts receivable -

Grants and accounts receivable approximate fair value. All amounts are due within one year and management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

CDT capitalizes furniture and equipment costing more than \$500. Significant expenditures for property and equipment are capitalized and depreciated on a straight-line basis over the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are recorded at cost and are amortized over the life of the lease.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for CDT's operations and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions. Such grants and contributions received in excess of expenses are shown as temporarily restricted net assets in the accompanying financial statements.

Income taxes -

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

Uncertain tax positions -

For the year ended December 31, 2013, CDT has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Deferred revenue -

Deferred revenue consists of conference and meeting registrations. CDT recognizes conference and meeting revenue when the related event has occurred.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

CDT invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

CDT adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. CDT accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2013:

	<u>Market Value</u>
<b>Certificates of Deposit</b>	<b>\$ <u>837,293</u></b>

Included in investment income are the following:

<b>Interest Income</b>	<b>\$ <u>3,966</u></b>
------------------------	------------------------

3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2013, temporarily restricted net assets consisted of the following:

4th Amendment	\$ 66,667
Health Privacy Policy	141,238
Time restricted	<u>75,000</u>
	<b>\$ <u>282,905</u></b>

**CENTER FOR DEMOCRACY AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following is a summary of net assets which were released from donor-imposed and time restrictions, at December 31, 2013, by incurring expenses which satisfied the restricted purposes specified by the donors or the passage of time:

Privacy	\$ 141,219
4th Amendment	283,333
Health Privacy Policy	593,033
International Human Rights	178,571
Passage of time	<u>60,000</u>
	<b><u>\$ 1,256,156</u></b>

**5. BOARD-DESIGNATED NET ASSETS**

In 2006, CDT's Board of Directors designated \$1 million for CDT's future operations and to make an annual transfer of \$25,000 to the fund. These funds can only be drawn upon with the approval of the Board of Directors. Board-designated net assets for the year ended December 31, 2013 totaled \$1,175,000.

**6. LEASE COMMITMENT**

Effective December 1, 2005, CDT renewed its lease for general office space for a ten year period. Rent and storage expense for the year ended December 31, 2013 totaled \$338,620. CDT shares office space with IEF, and is reimbursed by IEF for a portion of rent (Note 10).

At December 31, 2013, the future minimum rental payments required under the lease are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 272,021
2015	<u>272,228</u>
	<b><u>\$ 544,249</u></b>

**7. RETIREMENT PLAN**

CDT maintains a 403(b) retirement plan covering all employees who have completed one year of service. CDT contributes six percent of compensation on behalf of each active participant. Retirement plan expense for the year ended December 31, 2013 totaled \$118,220.

**8. CAMPAIGN FOR THE FUTURE**

During 2011, the CDT Board of Directors approved "The Campaign for CDT's Future" (the Campaign) to raise core funds for the organization. The goal of the Campaign was to raise \$5,000,000 by 2013. During 2013, CDT received \$735,000 toward the Campaign, which resulted in total funds raised of \$1,950,000.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

9. CY PRES AWARDS

During 2013, CDT received \$424,819 of Cy Pres awards from legal settlements. These awards have been classified as unrestricted support and are shown separately in the accompanying Statement of Activities and Change in Net Assets.

10. INTERNET EDUCATION FOUNDATION AND GLOBAL NETWORK INITIATIVE

CDT shares personnel, office space and other administrative expenses with the Internet Education Foundation (IEF) and Global Network Initiative (GNI). An agreement was made between the two parties in 2010 and 2011, respectively, whereby IEF and GNI reimbursed CDT for its support of IEF and GNI program and administrative activities. During 2013, CDT received payments from IEF and GNI totaling \$98,710, as reimbursement for rent and other administrative expenses.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, CDT has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market CDT has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

- *Certificates of Deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, CDT's investments as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
<b>Certificates of Deposit</b>	<u>\$ -</u>	<u>\$ 837,293</u>	<u>\$ -</u>	<u>\$ 837,293</u>

**CENTER FOR DEMOCRACY AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, CDT has evaluated events and transactions for potential recognition or disclosure through June 10, 2014, the date the financial statements were issued.