

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2013**

CENTER FOR DEMOCRACY AND TECHNOLOGY

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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, 2014, 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.

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, 2014, 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.

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Report on Summarized Comparative Information

We have previously audited CDT's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 4, 2015

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,333,470	\$ 2,025,602
Investments, certificates of deposit (Notes 2 and 10)	498,384	837,293
Grants receivable	692,734	430,494
Accounts receivable	412,979	121,946
Due from related parties (Note 9)	19,452	8,836
Prepaid expenses	<u>159,872</u>	<u>122,654</u>
Total current assets	<u>3,116,891</u>	<u>3,546,825</u>
PROPERTY AND EQUIPMENT		
Furniture, fixtures and equipment	399,298	316,597
Leasehold improvements	<u>151,218</u>	<u>151,218</u>
	550,516	467,815
Less: Accumulated depreciation and amortization	<u>(417,266)</u>	<u>(369,087)</u>
Net property and equipment	<u>133,250</u>	<u>98,728</u>
OTHER ASSETS		
Security deposits	<u>15,749</u>	<u>53,754</u>
TOTAL ASSETS	<u>\$ 3,265,890</u>	<u>\$ 3,699,307</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 242,428	\$ 188,821
Deferred income	<u>35,000</u>	<u>61,450</u>
Total current liabilities	<u>277,428</u>	<u>250,271</u>
NET ASSETS		
Unrestricted:		
Undesignated	955,600	1,991,131
Board-designated (Note 5)	<u>1,200,000</u>	<u>1,175,000</u>
Total unrestricted	2,155,600	3,166,131
Temporarily restricted (Note 3)	<u>832,862</u>	<u>282,905</u>
Total net assets	<u>2,988,462</u>	<u>3,449,036</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,265,890</u>	<u>\$ 3,699,307</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 2,501,502	\$ 1,998,366	\$ 4,499,868	\$ 3,433,755
Cy Pres awards (Note 8)	497,666	-	497,666	424,819
Contracts (Note 9)	94,481	-	94,481	98,710
Investment income (Note 2)	6,739	-	6,739	3,966
Other revenue	5,855	-	5,855	6,825
Net assets released from donor restrictions (Note 4)	<u>1,448,409</u>	<u>(1,448,409)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,554,652</u>	<u>549,957</u>	<u>5,104,609</u>	<u>3,968,075</u>
EXPENSES				
Program Services:				
EU Office	322,006	-	322,006	159,171
Communications	276,734	-	276,734	296,242
Privacy	632,797	-	632,797	414,288
4th Amendment	833,156	-	833,156	784,675
Health Privacy Policy	293,408	-	293,408	634,461
Net Neutrality	240,926	-	240,926	198,090
1st Amendment	221,252	-	221,252	233,764
International Human Rights	666,439	-	666,439	788,022
Global Network Initiative	40,343	-	40,343	34,556
Internet Education Foundation	32,743	-	32,743	35,026
Copyright	193,808	-	193,808	262,975
Markle Initiative/Task Force	109,296	-	109,296	25,706
Architecture	210,088	-	210,088	-
Digital Fourth	7,570	-	7,570	-
The Privacy Project	-	-	-	9,000
Total program services	<u>4,080,566</u>	<u>-</u>	<u>4,080,566</u>	<u>3,875,976</u>
Supporting Services:				
Management and General	616,120	-	616,120	631,393
Fundraising	<u>868,497</u>	<u>-</u>	<u>868,497</u>	<u>524,152</u>
Total supporting services	<u>1,484,617</u>	<u>-</u>	<u>1,484,617</u>	<u>1,155,545</u>
Total expenses	<u>5,565,183</u>	<u>-</u>	<u>5,565,183</u>	<u>5,031,521</u>
Change in net assets	(1,010,531)	549,957	(460,574)	(1,063,446)
Net assets at beginning of year	<u>3,166,131</u>	<u>282,905</u>	<u>3,449,036</u>	<u>4,512,482</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,155,600</u>	<u>\$ 832,862</u>	<u>\$ 2,988,462</u>	<u>\$ 3,449,036</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014								
	Program Services								
	EU Office	Communications	Privacy	4th Amendment	Health Privacy Policy	Net Neutrality	1st Amendment	International Human Rights	Global Network Initiative
Salaries	\$ 784	\$ 158,389	\$ 382,122	\$ 579,978	\$ 206,927	\$ 173,580	\$ 160,213	\$ 295,097	\$ 28,507
Payroll taxes	60	11,470	23,200	36,188	13,618	11,678	10,440	18,977	1,752
Pension expense (Note 7)	19	6,638	14,335	26,606	10,437	5,795	5,177	10,950	1,425
Employee benefits	161	14,378	30,380	32,159	14,899	9,110	7,196	17,075	2,470
Workers compensation	3	497	1,200	1,841	640	545	500	911	90
Consultants	260,266	6,121	55,573	821	399	262	803	214,727	42
Travel and meetings	28,998	6,684	45,950	33,737	4,151	3,404	5,250	49,937	144
Board expenses travel and meetings	-	-	-	-	-	-	-	-	-
Annual meeting	-	36,750	20	-	-	-	-	870	-
Accounting and audit	-	-	-	-	-	-	-	-	-
Books, dues and subscriptions	13,484	2,580	3,108	7,039	1,616	3,824	1,234	2,205	209
Computer equipment expense	7	1,071	2,576	4,264	1,346	1,128	1,041	1,884	357
Contributions	-	634	2,092	2,631	606	273	634	1,040	130
Insurance	6	971	2,325	3,613	1,225	1,060	965	1,771	177
Depreciation and amortization	19	3,048	6,879	12,797	3,832	3,407	2,951	5,683	566
Network usage	8	1,619	3,104	4,484	1,195	1,175	1,337	2,029	221
Legal	-	-	-	-	-	-	-	-	-
Miscellaneous	6	2,747	1,673	1,741	560	582	504	848	86
Office equipment expense	1	642	1,164	2,130	761	614	518	1,024	101
Postage and delivery	525	34	3,128	158	56	69	35	337	7
Printing/Copying	60	45	382	325	20	17	95	27	3
Rent and storage (Note 6)	17,546	18,708	44,117	69,063	26,569	20,535	18,667	34,423	3,386
Office supplies and expense	40	1,727	4,509	6,107	2,032	1,675	1,650	2,918	299
Telephone/Fax	13	1,981	4,960	7,474	2,519	2,193	2,042	3,706	371
TOTAL	\$ 322,006	\$ 276,734	\$ 632,797	\$ 833,156	\$ 293,408	\$ 240,926	\$ 221,252	\$ 666,439	\$ 40,343

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014 (Continued)								2013		
	Program Services (Continued)					Supporting Services					
	Internet Education Foundation	Copyright	Markle Initiative/ Task Force	Architecture	Digital Fourth	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 22,930	\$ 141,715	\$ 76,457	\$ 133,631	\$ 5,739	\$ 2,366,069	\$ 319,443	\$ 163,908	\$ 483,351	\$ 2,849,420	\$ 2,580,359
Payroll taxes	1,329	9,120	3,761	9,602	413	151,608	19,187	11,418	30,605	182,213	160,426
Pension expense (Note 7)	1,203	5,019	4,121	6,302	-	98,027	12,370	6,607	18,977	117,004	118,220
Employee benefits	2,444	7,331	6,199	10,926	518	155,246	24,294	6,168	30,462	185,708	181,405
Workers compensation	73	411	221	424	13	7,369	1,014	504	1,518	8,887	7,598
Consultants	34	3,600	70	262	2	542,982	7,410	146,505	153,915	696,897	904,751
Travel and meetings	111	585	4,249	21,744	55	204,999	30,275	14,686	44,961	249,960	221,066
Board expenses travel and meetings	-	-	-	-	-	-	4,828	-	4,828	4,828	1,125
Annual meeting	-	-	-	-	-	37,640	80	479,930	480,010	517,650	179,228
Accounting and audit	-	-	-	-	-	-	84,533	-	84,533	84,533	89,328
Books, dues and subscriptions	168	1,035	592	1,041	39	38,174	2,772	1,372	4,144	42,318	36,662
Computer equipment expense	154	864	430	935	43	16,100	3,956	1,121	5,077	21,177	30,344
Contributions	104	337	238	504	-	9,223	1,422	292	1,714	10,937	12,250
Insurance	142	793	424	824	27	14,323	702	972	1,674	15,997	15,075
Depreciation and amortization	455	2,529	1,440	2,699	33	46,338	4,325	3,228	7,553	53,891	29,201
Network usage	177	838	630	956	43	17,816	2,850	872	3,722	21,538	13,573
Legal	-	-	-	-	-	-	81	-	81	81	3,478
Miscellaneous	69	395	244	391	11	9,857	4,883	7,411	12,294	22,151	11,652
Office equipment expense	81	481	468	474	2	8,461	7,767	614	8,381	16,842	14,557
Postage and delivery	6	36	9	31	-	4,431	6,292	300	6,592	11,023	4,677
Printing/Copying	2	11	10	334	1	1,332	6,622	92	6,714	8,046	4,569
Rent and storage (Note 6)	2,723	15,717	8,048	15,890	525	295,917	51,740	19,478	71,218	367,135	338,620
Office supplies and expense	240	1,269	761	1,351	52	24,630	10,624	1,168	11,792	36,422	31,314
Telephone/Fax	298	1,722	924	1,767	54	30,024	8,650	1,851	10,501	40,525	42,043
TOTAL	\$ 32,743	\$ 193,808	\$109,296	\$ 210,088	\$ 7,570	\$ 4,080,566	\$ 616,120	\$ 868,497	\$ 1,484,617	\$ 5,565,183	\$ 5,031,521

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (460,574)	\$ (1,063,446)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	53,891	29,201
Realized gain on investments	(1,332)	-
Unrealized gain on investment	(790)	-
Loss on disposal of equipment	2,787	-
(Increase) decrease in:		
Grants receivable	(262,240)	191,619
Accounts receivable	(291,033)	(4,588)
Due from related parties	(10,616)	2,841
Prepaid expenses	(37,218)	(81,907)
Security deposits	38,005	(36,750)
Increase (decrease) in:		
Accounts payable and accrued liabilities	53,607	108,694
Deferred income	<u>(26,450)</u>	<u>61,450</u>
Net cash used by operating activities	<u>(941,963)</u>	<u>(792,886)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(91,200)	(13,701)
Net maturities (purchases) of certificates of deposit	<u>341,031</u>	<u>393,817</u>
Net cash provided by investing activities	<u>249,831</u>	<u>380,116</u>
Net decrease in cash and cash equivalents	(692,132)	(412,770)
Cash and cash equivalents at beginning of year	<u>2,025,602</u>	<u>2,438,372</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,333,470</u>	<u>\$ 2,025,602</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2013, 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, 2014

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, 2014, 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, 2014

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, 2014:

	<u>Market Value</u>
Certificates of Deposit	\$ <u>498,384</u>
Included in investment income are the following:	
Interest Income	\$ 4,617
Realized gain on investments	1,332
Unrealized gain on investment	<u>790</u>
TOTAL INVESTMENT INCOME	\$ <u>6,739</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2014, temporarily restricted net assets consisted of the following:

Privacy	\$ 75,000
4th Amendment	266,667
Health Privacy Policy	159,283
Architecture	189,912
Time restricted	<u>142,000</u>
	\$ <u>832,862</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014, by incurring expenses which satisfied the restricted purposes specified by the donors or the passage of time:

Privacy	\$ 352,300
4th Amendment	515,000
Health Privacy Policy	296,021
Architecture	210,088
Passage of time	<u>75,000</u>
	<u>\$ 1,448,409</u>

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, 2014 totaled \$1,200,000.

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, 2014 totaled \$367,135. CDT shares office space with IEF, and is reimbursed by IEF for a portion of rent (Note 9).

At December 31, 2014, the future minimum rental payments required under the lease are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 272,021
2016	<u>272,228</u>
	<u>\$ 544,249</u>

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, 2014 totaled \$117,004.

8. CY PRES AWARDS

During 2014, CDT received \$497,666 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.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

9. 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 2014, CDT received payments from IEF and GNI totaling \$94,481, as reimbursement for rent and other administrative expenses.

10. 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, 2014.

- *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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Certificates of Deposit	<u>\$ -</u>	<u>\$ 498,384</u>	<u>\$ -</u>	<u>\$ 498,384</u>

11. SUBSEQUENT EVENTS

In preparing these financial statements, CDT has evaluated events and transactions for potential recognition or disclosure through May 4, 2015, the date the financial statements were issued.