
FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 4, 2017

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS		2016	2015
CURRENT ASSETS			
Cash and cash equivalents	\$	891,010	\$ 698,073
Certificate of deposit		127,287	126,908
Grants receivable		424,926	920,000
Accounts receivable		79,633	80,355
Due from related parties		1,638	9,658
Prepaid expenses		<u>67,901</u>	<u>24,487</u>
Total current assets		<u>1,592,395</u>	<u>1,859,481</u>
PROPERTY AND EQUIPMENT			
Furniture, fixtures and equipment		725,826	554,032
Leasehold improvements		<u>-</u>	<u>151,218</u>
		725,826	705,250
Less: Accumulated depreciation		<u>(420,404)</u>	<u>(468,851)</u>
Net property and equipment		<u>305,422</u>	<u>236,399</u>
OTHER ASSETS			
Security deposits		43,194	58,942
Grants receivable, net of current portion		<u>250,000</u>	<u>-</u>
Total other assets		<u>293,194</u>	<u>58,942</u>
TOTAL ASSETS	\$	<u>2,191,011</u>	\$ <u>2,154,822</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	127,018	\$ 109,707
Deferred income		<u>80,000</u>	<u>185,000</u>
Total current liabilities		<u>207,018</u>	<u>294,707</u>
LONG-TERM LIABILITIES			
Deferred rent abatement		<u>496,028</u>	<u>-</u>
NET ASSETS			
Unrestricted		27,435	559,709
Temporarily restricted		<u>1,460,530</u>	<u>1,300,406</u>
Total net assets		<u>1,487,965</u>	<u>1,860,115</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>2,191,011</u>	\$ <u>2,154,822</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, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 2,630,019	\$ 1,139,851	\$ 3,769,870	\$ 4,200,593
Contracts	50,457	-	50,457	96,560
Investment income	536	-	536	1,265
TechProm registration and Sponsorship income	882,225	-	882,225	-
Other revenue	77,686	-	77,686	5,888
Net assets released from donor restrictions	979,727	(979,727)	-	-
Total support and revenue	<u>4,620,650</u>	<u>160,124</u>	<u>4,780,774</u>	<u>4,304,306</u>
EXPENSES				
Program Services:				
EU Office	370,337	-	370,337	262,881
Communications	331,634	-	331,634	281,677
Privacy and Data	778,402	-	778,402	882,076
Security and Surveillance	889,937	-	889,937	737,334
Free Expression	511,027	-	511,027	343,382
Health Privacy Policy	1,993	-	1,993	56,350
Net Neutrality	-	-	-	213,818
International Human Rights	346,784	-	346,784	565,212
Global Network Initiative	14,323	-	14,323	41,567
Internet Education Foundation	20,438	-	20,438	33,361
Copyright	115,426	-	115,426	153,281
Markle Initiative/Task Force	-	-	-	6,092
Inequality	21,872	-	21,872	-
Open Internet	197,073	-	197,073	-
Architecture	423,356	-	423,356	303,435
Digital Fourth	30,607	-	30,607	42,541
Diversity in Technology	-	-	-	6,893
Global Internet Policy	-	-	-	12,282
General and Other	11,970	-	11,970	6,868
Total program services	<u>4,065,179</u>	<u>-</u>	<u>4,065,179</u>	<u>3,949,050</u>
Supporting Services:				
Management and General	751,851	-	751,851	677,182
Fundraising	793,226	-	793,226	806,421
Total supporting services	<u>1,545,077</u>	<u>-</u>	<u>1,545,077</u>	<u>1,483,603</u>
Total expenses	<u>5,610,256</u>	<u>-</u>	<u>5,610,256</u>	<u>5,432,653</u>
Change in net assets before other item	(989,606)	160,124	(829,482)	(1,128,347)
OTHER ITEM				
Settlement income	457,332	-	457,332	-
Change in net assets	(532,274)	160,124	(372,150)	(1,128,347)
Net assets at beginning of year	559,709	1,300,406	1,860,115	2,988,462
NET ASSETS AT END OF YEAR	<u>\$ 27,435</u>	<u>\$ 1,460,530</u>	<u>\$ 1,487,965</u>	<u>\$ 1,860,115</u>

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016									
	Program Services									
	EU Office	Communications	Privacy and Data	Security and Surveillance	Free Expression	Health Privacy Policy	International Human Rights	Global Network Initiative		
Salaries	\$ 10,726	\$ 219,364	\$ 495,274	\$ 519,795	\$ 249,994	\$ -	\$ -	\$ 160,388	\$ 9,298	
Payroll taxes	294	14,334	33,241	31,241	14,719	-	-	10,056	740	
Pension expense	624	12,621	24,389	23,503	14,140	-	-	9,589	467	
Employee benefits	1,149	8,964	36,631	41,860	12,256	-	-	8,554	1,163	
Workers compensation	34	681	1,539	1,623	783	-	-	503	30	
Consultants	258,313	233	16,363	90,544	33,044	-	-	101,041	-	
Travel and meetings	7,645	3,265	11,953	15,723	8,647	53	-	9,319	5	
Events	18	608	1,470	5,776	(92)	-	-	232	15	
Board expenses travel and meetings	-	-	-	-	-	-	-	-	-	
Annual meeting	-	-	-	-	-	-	-	-	-	
Accounting and audit	-	-	-	-	-	-	-	-	-	
Books, dues and subscriptions	7,593	926	8,095	2,917	1,986	-	-	699	56	
Computer equipment expense	-	3	9	8	4	-	-	3	-	
Contributions	-	69	198	163	91	-	-	90	10	
Insurance	44	1,144	2,748	2,706	1,335	-	-	921	71	
Depreciation	340	6,849	15,509	16,624	7,843	-	-	5,073	299	
Network usage	110	2,826	4,640	4,974	2,306	-	-	1,486	90	
Legal	863	8,017	16,803	16,752	108,016	-	-	3,529	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	
Office equipment expense	15	308	686	735	355	-	-	228	13	
Postage and delivery	-	33	90	247	40	-	-	34	4	
Printing/Copying	43	722	1,564	1,736	858	-	-	510	19	
Rent and storage	82,313	42,119	94,553	100,393	48,193	1,940	-	30,457	1,744	
Office supplies and expense	116	6,396	7,705	7,484	4,027	-	-	2,439	192	
Loss on disposal of equipment	-	-	-	-	-	-	-	-	-	
Telephone/Fax	97	2,152	4,942	5,133	2,482	-	-	1,633	107	
TOTAL	\$ 370,337	\$ 331,634	\$ 778,402	\$ 889,937	\$ 511,027	\$ 1,993	\$ -	\$ 346,784	\$ 14,323	

See accompanying notes to financial statements.

EXHIBIT C
(Continued)

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016 (Continued)							Total Program Services
	Internet Education Foundation	Copyright	Inequality	Open Internet	Architecture	Digital Fourth	General and Other	
Salaries	\$ 13,378	\$ 78,852	\$ 14,903	\$ 124,521	\$ 228,428	\$ 19,870	\$ -	\$ 2,144,791
Payroll taxes	1,044	4,675	684	5,774	14,336	1,551	-	132,689
Pension expense	671	4,449	843	6,919	13,021	1,183	-	112,419
Employee benefits	1,601	3,019	543	4,002	17,032	2,372	-	139,146
Workers compensation	42	248	48	385	721	58	-	6,695
Consultants	16	47	6	12,811	58,551	26	-	570,995
Travel and meetings	14	47	8	802	21,392	21	9,386	88,280
Events	19	121	21	192	811	28	-	9,219
Board expenses travel and meetings	-	-	-	-	-	-	-	-
Annual meeting	-	-	-	-	-	-	-	-
Accounting and audit	-	-	-	-	-	-	-	-
Books, dues and subscriptions	71	417	52	3,103	957	95	720	27,687
Computer equipment expense	-	3	-	2	5	1	-	38
Contributions	8	37	-	42	85	12	-	805
Insurance	86	507	75	649	1,270	122	-	11,678
Depreciation	427	2,515	442	3,842	7,382	623	-	67,768
Network usage	118	762	125	1,105	2,184	182	-	20,908
Legal	-	1,937	706	5,631	5,694	143	-	168,091
Miscellaneous	-	-	-	-	-	-	-	-
Office equipment expense	18	107	22	173	325	27	-	3,012
Postage and delivery	4	25	-	17	164	5	54	717
Printing/Copying	37	226	47	421	784	56	-	7,023
Rent and storage	2,506	15,164	3,025	23,802	44,372	3,704	-	494,285
Office supplies and expense	234	1,412	166	1,675	3,511	322	1,810	37,489
Loss on disposal of equipment	-	-	-	-	-	-	-	-
Telephone/Fax	144	856	156	1,205	2,331	206	-	21,444
TOTAL	\$ 20,438	\$ 115,426	\$ 21,872	\$ 197,073	\$ 423,356	\$ 30,607	\$ 11,970	\$ 4,065,179

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016 (Continued)		2015
	Supporting Services		
	Management and General	Fundraising	Total Supporting Services
		Total Expenses	Total Expenses
Salaries	\$ 398,065	\$ 211,455	\$ 609,520
Payroll taxes	22,767	13,198	35,965
Pension expense	20,960	6,063	27,023
Employee benefits	34,364	13,251	47,615
Workers compensation	1,249	657	1,906
Consultants	7,428	114,247	121,675
Travel and meetings	4,738	3,237	7,975
Events	2,054	16,352	18,406
Board expenses travel and meetings	3,448	-	3,448
Annual meeting	-	342,537	342,537
Accounting and audit	106,582	-	106,582
Books, dues and subscriptions	2,558	2,614	5,172
Computer equipment expense	7	6	13
Contributions	151	45	196
Insurance	2,175	1,156	3,331
Depreciation	12,644	6,954	19,598
Network usage	4,204	2,105	6,309
Legal	11,768	7,603	19,371
Miscellaneous	375	-	375
Office equipment expense	554	290	844
Postage and delivery	3,821	163	3,984
Printing/Copying	1,645	719	2,364
Rent and storage	79,620	40,973	120,593
Office supplies and expense	9,767	7,461	17,228
Loss on disposal of equipment	16,660	-	16,660
Telephone/Fax	4,247	2,140	6,387
TOTAL	\$ 751,851	\$ 793,226	\$ 1,545,077
			\$ 5,610,256
			\$ 5,632,653

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (372,150)	\$ (1,128,347)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	87,366	51,585
Loss on disposal of fixed assets	16,660	-
(Increase) decrease in:		
Certificate of deposit	(379)	(206)
Grants receivable	245,074	(227,266)
Accounts receivable	722	332,624
Due from related parties	8,020	9,794
Prepaid expenses	(43,414)	135,385
Security deposits	15,748	(43,193)
Increase (decrease) in:		
Accounts payable and accrued liabilities	17,311	(132,721)
Deferred income	(105,000)	150,000
Deferred rent abatement	<u>496,028</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>365,986</u>	<u>(852,345)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(174,053)	(154,734)
Proceeds from sale of property and equipment	1,004	-
Net maturities of certificates of deposit	<u>-</u>	<u>371,682</u>
Net cash (used) provided by investing activities	<u>(173,049)</u>	<u>216,948</u>
Net increase (decrease) in cash and cash equivalents	192,937	(635,397)
Cash and cash equivalents at beginning of year	<u>698,073</u>	<u>1,333,470</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 891,010</u>	<u>\$ 698,073</u>

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2015, 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.

Certificate of deposit -

The certificate of deposit totaling \$127,287 at December 31, 2016 is valued at original cost plus accrued interest, which approximates fair value. The certificate bears interest at .05% per year. Interest earned is 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. Those that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense, included in the accompanying Statement of Functional Expenses, for the year ended December 31, 2016 totaled \$87,366.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

TechProm registration and sponsorship income -

TechProm registration and sponsorship income is recognized at the time of the event and amounts received in advance are recorded as deferred income.

Settlement income -

Settlement income is recorded at the time the funds are received. Settlement income represents funding awarded from indirect lawsuits.

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, 2016, 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.

Deferred revenue -

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

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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.

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.

New accounting pronouncements -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of the CDT's financial statements, it is not expected to alter the CDT's reported financial position activities.

2. GRANTS RECEIVABLE

As of December 31, 2016, grantors have made written promises to giving totaling \$674,926. Grants receivable are collectible through 2018.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. GRANTS RECEIVABLE (Continued)

Grants are due as follows at December 31, 2016:

<u>Year Ending December 31,</u>	
2017	\$ 424,926
2018	<u>250,000</u>
	674,926
Less: Current portion	<u>(424,926)</u>
LONG-TERM PORTION	<u>\$ 250,000</u>

3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016, temporarily restricted net assets consisted of the following:

Privacy and Data	\$ 474,007
Architecture	414,290
Security and Surveillance	13,900
Time restricted	<u>558,333</u>
	<u>\$ 1,460,530</u>

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, 2016, by incurring expenses which satisfied the restricted purposes specified by the donors or the passage of time:

Privacy and Data	\$ 225,277
Architecture	250,016
Security and Surveillance	116,100
Free Expression	100,000
Passage of Time	<u>288,334</u>
	<u>\$ 979,727</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, 2016 totaled \$1,250,000.

6. LEASE COMMITMENT

On November 6, 2015, CDT entered into an eleven-year agreement to lease new office space, commencing February 1, 2016. Base rent is \$518,332 per year, increasing by a factor of 2.5% per year.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

6. LEASE COMMITMENT (Continued)

The lease includes one year of abated rent in the first year of the lease, therefore, during the year ended December 31, 2016, the total rent commitment also will be recognized on a straight-line basis over the term of the lease, and the difference between the actual monthly payments and the rent expense to be recognized for financial statement purposes will be recorded as a deferred rent liability. CDT shares office space with IEF, and is reimbursed by IEF for a portion of rent. The following is a schedule of future minimum rental payments under all leases:

<u>Year Ending December 31,</u>	
2017	\$ 486,994
2018	543,484
2019	557,084
2020	570,980
2021	585,263
Thereafter	<u>3,208,528</u>
	<u>\$ 5,952,333</u>

Rent and storage expense, included in the accompanying statement of functional expenses, totaled \$614,878 for the year ended December 31, 2016. The deferred rent liability was \$496,028 as of December 31, 2016.

7. RETIREMENT PLAN

CDT maintains a 403(b) retirement plan covering all employees who have completed one year of service. CDT contributes up to six percent of compensation on behalf of each active participant. Pension expense, included in the accompanying statement of functional expenses, totaled \$139,442 for the year ended December 31, 2016.

8. 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, whereby IEF and GNI reimbursed CDT for its support of IEF and GNI program and administrative activities. During 2016, CDT received payments from IEF and GNI totaling \$50,457, as reimbursement for rent and other administrative expenses. Amounts due from IEF and GNI at December 31, 2016 totaled \$1,638.

9. SUBSEQUENT EVENTS

In preparing these financial statements, CDT has evaluated events and transactions for potential recognition or disclosure through May 4, 2017, the date the financial statements were issued.