

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 29, 2019

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS		<u>2018</u>	<u>2017</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	970,907	\$ 767,568
Investments		375,637	127,330
Grants receivable		1,152,493	2,179,083
Accounts receivable		334,152	357,063
Prepaid expenses		<u>78,192</u>	<u>98,509</u>
Total current assets		<u>2,911,381</u>	<u>3,529,553</u>
PROPERTY AND EQUIPMENT			
Furniture, fixtures and equipment		739,094	739,094
Less: Accumulated depreciation		<u>(598,439)</u>	<u>(510,706)</u>
Net property and equipment		<u>140,655</u>	<u>228,388</u>
TOTAL ASSETS	\$	<u>3,052,036</u>	\$ <u>3,757,941</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	300,599	\$ 206,947
Deferred revenue		131,500	86,000
Current portion of deferred rent abatement		<u>15,963</u>	<u>2,363</u>
Total current liabilities		448,062	295,310
LONG-TERM LIABILITIES			
Deferred rent abatement, net of current portion		<u>531,829</u>	<u>547,792</u>
Total liabilities		<u>979,891</u>	<u>843,102</u>
NET ASSETS			
Net assets without donor restrictions		403,811	275,592
Net assets with donor restrictions		<u>1,668,334</u>	<u>2,639,247</u>
Total net assets		<u>2,072,145</u>	<u>2,914,839</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>3,052,036</u>	\$ <u>3,757,941</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 2,532,000	\$ 1,405,170	\$ 3,937,170	\$ 4,736,996
TechProm registration and sponsorship revenue	894,250	-	894,250	908,830
Other revenue	142,545	-	142,545	27,291
In-kind revenue	68,935	-	68,935	-
Investment (loss) income	1,325	(10,367)	(9,042)	1,420
Net assets released from donor restrictions	<u>2,365,716</u>	<u>(2,365,716)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,004,771</u>	<u>(970,913)</u>	<u>5,033,858</u>	<u>5,674,537</u>
EXPENSES				
Program Services:				
Privacy and Data	1,678,187	-	1,678,187	820,738
Security and Surveillance	706,285	-	706,285	774,109
Free Expression	641,275	-	641,275	555,431
Internet Architecture	570,284	-	570,284	393,733
Communications	436,868	-	436,868	350,338
Open Internet	340,571	-	340,571	325,172
VotingWorks	113,084	-	113,084	-
EU Office	50,189	-	50,189	461,126
Digital Fourth	-	-	-	7,583
Total program services	<u>4,536,743</u>	<u>-</u>	<u>4,536,743</u>	<u>3,688,230</u>
Supporting Services:				
Management and General	491,904	-	491,904	703,152
Fundraising	<u>887,685</u>	<u>-</u>	<u>887,685</u>	<u>703,052</u>
Total supporting services	<u>1,379,589</u>	<u>-</u>	<u>1,379,589</u>	<u>1,406,204</u>
Total expenses	<u>5,916,332</u>	<u>-</u>	<u>5,916,332</u>	<u>5,094,434</u>
Change in net assets before other item	88,439	(970,913)	(882,474)	580,103
OTHER ITEM				
Settlement income	<u>39,780</u>	<u>-</u>	<u>39,780</u>	<u>846,771</u>
Change in net assets	128,219	(970,913)	(842,694)	1,426,874
Net assets at beginning of year	<u>275,592</u>	<u>2,639,247</u>	<u>2,914,839</u>	<u>1,487,965</u>
NET ASSETS AT END OF YEAR	<u>\$ 403,811</u>	<u>\$ 1,668,334</u>	<u>\$ 2,072,145</u>	<u>\$ 2,914,839</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

2018

	Program Services							Total Program Services	
	Privacy and Data	Security and Surveillance	Free Expression	Internet Architecture	Communications	Open Internet	VotingWorks		EU Office
Salaries	\$ 1,082,548	\$ 447,488	\$ 348,702	\$ 363,587	\$ 182,253	\$ 198,496	\$ -	\$ -	\$ 2,623,074
Benefits	174,218	71,670	51,607	58,471	28,505	28,849	-	-	413,320
Professional services	83,310	59,021	100,646	12,346	162,219	60,942	108,117	14,724	601,325
TechProm and galas	-	-	-	-	-	-	-	-	-
Travel, conferences and events	60,144	14,682	52,187	38,932	11,089	1,859	2,209	16,859	197,961
Books, dues and subscriptions	6,088	3,280	2,531	2,715	4,811	1,163	155	860	21,603
Occupancy costs	221,824	92,657	71,375	74,625	37,703	41,037	-	17,696	556,917
Office equipment, software and phone	25,921	8,121	5,900	11,242	3,571	3,493	2,450	-	60,698
Office operations	5,465	2,144	1,725	1,760	1,477	1,098	135	-	13,804
Printing postage and delivery	3,576	1,078	859	1,220	2,575	762	-	50.00	10,120
Miscellaneous fees	12,875	5,001	5,007	4,589	2,233	2,379	18	-	32,102
Insurance	2,218	1,143	736	797	432	493	-	-	5,819
TOTAL	\$ 1,678,187	\$ 706,285	\$ 641,275	\$ 570,284	\$ 436,868	\$ 340,571	\$ 113,084	\$ 50,189	\$ 4,536,743

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018 (Continued)			2017
	Supporting Services			
	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 181,383	\$ 281,990	\$ 463,373	\$ 3,086,447
Benefits	37,987	44,377	82,364	495,684
Professional services	116,455	160,958	277,413	878,738
TechProm and galas	-	292,125	292,125	292,125
Travel, conferences and events	20,373	34,449	54,822	252,783
Books, dues and subscriptions	1,660	3,152	4,812	26,415
Occupancy costs	37,600	58,145	95,745	652,662
Office equipment, software and phone	4,338	4,789	9,127	69,825
Office operations	7,712	1,815	9,527	23,331
Printing postage and delivery	625	1,044	1,669	11,789
Miscellaneous fees	79,470	4,190	83,660	115,762
Insurance	4,301	651	4,952	10,771
TOTAL	\$ 491,904	\$ 887,685	\$ 1,379,589	\$ 5,916,332
				\$ 5,094,434

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (842,694)	\$ 1,426,874
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	87,733	90,302
Unrealized loss on investments	11,936	-
Decrease (increase) in:		
Grants receivable	1,026,590	(1,504,157)
Accounts receivable	22,911	(277,429)
Due from related parties	-	1,638
Prepaid expenses	20,317	12,586
Increase (decrease) in:		
Accounts payable and accrued liabilities	93,652	79,927
Deferred revenue	45,500	6,000
Deferred rent abatement	<u>(2,363)</u>	<u>54,127</u>
Net cash provided (used) by operating activities	<u>463,582</u>	<u>(110,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(13,268)
Purchase of investments	<u>(260,243)</u>	<u>(42)</u>
Net cash used by investing activities	<u>(260,243)</u>	<u>(13,310)</u>
Net increase (decrease) in cash and cash equivalents	203,339	(123,442)
Cash and cash equivalents at beginning of year	<u>767,568</u>	<u>891,010</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 970,907</u>	<u>\$ 767,568</u>
SUPPLEMENTAL INFORMATION:		
Donated Securities	<u>\$ 257,178</u>	<u>\$ -</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for Democracy and Technology (CDT) works to strengthen individual rights and freedoms by defining, promoting, and influencing technology policy and the architecture of the Internet that impacts our daily lives. CDT preserves the unique nature of the Internet, enhances freedom of expression globally, protects the fundamental right to privacy, limits government surveillance and defines the boundaries of technology in our daily lives.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, 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. Interest, dividends, realized and unrealized gains and losses are included in investment (loss) income provided by external investment advisors and allocated internal management costs in the Statement of Activities and Change in Net Assets.

Grants and accounts receivable -

Grants and accounts receivable approximate fair value. Grants and accounts receivable that are expected to be collected in future years are recorded at their 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 \$2,500 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 for the year ended December 31, 2018, totaled \$87,733.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying financial statements.

TechProm registration and sponsorship revenue -

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

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, 2018, 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, 2018

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. Expenses are allocated on a basis of time and effort (such as salaries and benefits) or other reasonable basis.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$275,592 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$2,639,247 are now classified as net assets with donor restrictions.

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.

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.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Fair value measurement (continued) -

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.

For disclosure of inputs and valuation techniques, see Note 2.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. CDT has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. CDT has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

New accounting pronouncements (not yet adopted) (continued) -

The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

CDT plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following at December 31, 2018:

	Fair Value
Certificate of deposit	\$ 127,404
Equities	248,233
	\$ 375,637

Included in investment loss is the following:

Interest income	\$ 2,894
Unrealized loss on investments	(11,936)
TOTAL INVESTMENT LOSS	\$ (9,042)

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy. CDT's investments as of December 31, 2018 were as follows:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Certificate of deposit	\$ -	\$ 127,404	\$ -	\$ 127,404
Equities	248,233	-	-	248,233
TOTAL	\$ 248,233	\$ 127,404	\$ -	\$ 375,637

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes to the methodology during the year ended December 31, 2018.

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Certificate of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions consisted of the following:

Privacy and Data	\$ 1,098,447
VotingWorks	403,220
Security and Surveillance	<u>166,667</u>
	<u>\$ 1,668,334</u>

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors during the year ended December 31, 2018:

Privacy and Data	\$ 1,517,121
Internet Architecture	468,844
Security and Surveillance	141,667
VotingWorks	113,084
Passage of Time	<u>125,000</u>
	<u>\$ 2,365,716</u>

5. 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. The lease agreement includes provisions whereas the base rent was abated during the first twelve months. During the year ended December 31, 2016, CDT obtained a letter of credit totaling \$125,803. The terms under the lease that began during that year stipulate that CDT maintain this letter of credit in lieu of a security deposit.

CDT also leases office space in Brussels, Belgium on a month to month basis.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent on the Statement of Financial Position.

The following is a schedule of future minimum rental payments under all leases:

Year Ending December 31,

2019	\$ 557,084
2020	570,980
2021	585,263
2022	599,851
2023	614,915
Thereafter	<u>1,993,762</u>
	<u>\$ 4,921,855</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

5. LEASE COMMITMENT (Continued)

Rent and storage expense, included in occupancy costs in the accompanying Statement of Functional Expenses, totaled \$564,928 for the year ended December 31, 2018. The deferred rent liability was \$547,792 as of December 31, 2018.

6. 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 benefits in the accompanying Statement of Functional Expenses, totaled \$122,287 for the year ended December 31, 2018.

7. LIQUIDITY

Financial assets available for use within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 970,907
Investments	375,637
Grants receivable	1,152,493
Accounts receivable	334,152
Less: Net assets with donor restrictions	<u>(1,668,334)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 1,164,855</u>
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CDT has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, CDT has financial assets equal to approximately 2.5 months of operating expenses.

8. SUBSEQUENT EVENTS

In preparing these financial statements, CDT has evaluated events and transactions for potential recognition or disclosure through April 29, 2019, the date the financial statements were issued.