

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

CENTER FOR DEMOCRACY AND TECHNOLOGY

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CPAs & ADVISORS

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 22, 2020

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,705,301	\$ 970,907
Investments		127,404	375,637
Grants receivable		1,235,625	1,152,493
Accounts receivable		131,233	334,152
Prepaid expenses		<u>110,758</u>	<u>78,192</u>
Total current assets		<u>4,310,321</u>	<u>2,911,381</u>
PROPERTY AND EQUIPMENT			
Furniture, fixtures and equipment		739,094	739,094
Less: Accumulated depreciation		<u>(641,742)</u>	<u>(598,439)</u>
Net property and equipment		<u>97,352</u>	<u>140,655</u>
OTHER ASSETS			
Grants receivable, net		<u>950,119</u>	<u>-</u>
TOTAL ASSETS	\$	<u>5,357,792</u>	\$ <u>3,052,036</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	248,813	\$ 300,599
Deferred revenue		329,200	131,500
Current portion of deferred rent abatement		<u>29,859</u>	<u>15,963</u>
Total current liabilities		607,872	448,062
LONG-TERM LIABILITIES			
Deferred rent abatement, net of current portion		<u>501,970</u>	<u>531,829</u>
Total liabilities		<u>1,109,842</u>	<u>979,891</u>
NET ASSETS			
Net assets without donor restrictions		(12,644)	403,811
Net assets with donor restrictions		<u>4,260,594</u>	<u>1,668,334</u>
Total net assets		<u>4,247,950</u>	<u>2,072,145</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>5,357,792</u>	\$ <u>3,052,036</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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 2,282,846	\$ -	\$ 2,282,846	\$ 2,532,000
Grants	-	6,090,366	6,090,366	1,405,170
TechProm contributions	867,460	-	867,460	660,750
TechProm registration and sponsorship revenue	261,200	-	261,200	233,500
Other revenue	196,286	-	196,286	142,545
In-kind revenue	-	-	-	68,935
Investment income (loss)	14,584	-	14,584	(9,042)
Net assets released from donor restrictions	<u>3,498,106</u>	<u>(3,498,106)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,120,482</u>	<u>2,592,260</u>	<u>9,712,742</u>	<u>5,033,858</u>
EXPENSES				
Program Services:				
Privacy and Data	2,042,905	-	2,042,905	1,678,187
Security and Surveillance	554,199	-	554,199	706,285
Free Expression	706,726	-	706,726	641,275
Internet Architecture	574,287	-	574,287	570,284
Communications	296,250	-	296,250	436,868
Open Internet	277,149	-	277,149	340,571
VotingWorks	1,554,779	-	1,554,779	113,084
EU Office	<u>90,202</u>	<u>-</u>	<u>90,202</u>	<u>50,189</u>
Total program services	<u>6,096,497</u>	<u>-</u>	<u>6,096,497</u>	<u>4,536,743</u>
Supporting Services:				
Management and General	558,302	-	558,302	491,904
Fundraising	<u>882,138</u>	<u>-</u>	<u>882,138</u>	<u>887,685</u>
Total supporting services	<u>1,440,440</u>	<u>-</u>	<u>1,440,440</u>	<u>1,379,589</u>
Total expenses	<u>7,536,937</u>	<u>-</u>	<u>7,536,937</u>	<u>5,916,332</u>
Change in net assets before other item	(416,455)	2,592,260	2,175,805	(882,474)
OTHER ITEM				
Settlement income	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,780</u>
Change in net assets	(416,455)	2,592,260	2,175,805	(842,694)
Net assets at beginning of year	<u>403,811</u>	<u>1,668,334</u>	<u>2,072,145</u>	<u>2,914,839</u>
NET ASSETS AT END OF YEAR	<u>\$ (12,644)</u>	<u>\$ 4,260,594</u>	<u>\$ 4,247,950</u>	<u>\$ 2,072,145</u>

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019								
	Program Services								
	Privacy and Data	Security and Surveillance	Free Expression	Internet Architecture	Communications	Open Internet	VotingWorks	EU Office	Total Program Services
Salaries	\$ 1,222,871	\$ 343,408	\$ 437,555	\$ 380,146	\$ 169,781	\$ 172,428	\$ -	\$ 33,852	\$ 2,760,041
Benefits	212,004	64,335	75,865	69,704	30,723	27,627	-	21,842	502,100
Professional services	199,611	62,700	85,701	12,677	39,837	37,876	1,301,491	8,345	1,748,238
TechProm and galas	-	-	-	-	-	-	-	-	-
Travel, conferences and events	138,822	7,781	10,649	26,332	11,035	1,093	59,291	6,754	261,757
Books, dues and subscriptions	7,241	1,774	2,335	3,989	1,867	923	1,832	1,285	21,246
Occupancy costs	219,790	62,178	80,043	67,931	30,724	31,373	1,198	16,693	509,930
Office equipment, software and phone	17,879	5,049	6,121	5,629	7,052	2,467	109,291	673	154,161
Office operations	7,906	2,041	2,491	2,356	1,226	993	67,890	-	84,903
Printing postage and delivery	2,880	846	906	964	2,066	371	7,956	106	16,095
Miscellaneous fees	12,470	3,603	4,511	4,039	1,672	1,806	2,979	652	31,732
Insurance	1,431	484	549	520	267	192	2,851	-	6,294
TOTAL	\$ 2,042,905	\$ 554,199	\$ 706,726	\$ 574,287	\$ 296,250	\$ 277,149	\$ 1,554,779	\$ 90,202	\$ 6,096,497

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019 (Continued)			2018	
	Supporting Services			Total Expenses	Total Expenses
	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 257,317	\$ 293,522	\$ 550,839	\$ 3,310,880	\$ 3,086,447
Benefits	55,391	54,525	109,916	612,016	495,684
Professional services	153,711	79,561	233,272	1,981,510	878,738
TechProm and galas	-	379,524	379,524	379,524	292,125
Travel, conferences and events	12,596	5,764	18,360	280,117	252,783
Books, dues and subscriptions	5,656	1,659	7,315	28,561	26,415
Occupancy costs	46,525	53,268	99,793	609,723	652,662
Office equipment, software and phone	5,015	7,458	12,473	166,634	69,825
Office operations	10,857	2,288	13,145	98,048	23,331
Printing postage and delivery	1,786	956	2,742	18,837	11,789
Miscellaneous fees	4,178	3,087	7,265	38,997	115,762
Insurance	5,270	526	5,796	12,090	10,771
TOTAL	\$ 558,302	\$ 882,138	\$ 1,440,440	\$ 7,536,937	\$ 5,916,332

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,175,805	\$ (842,694)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,303	87,733
Realized gain on investments	(9,261)	-
Unrealized (gain) loss on investments	(3,052)	11,936
Change in discount on long-term grants receivable	49,881	-
Receipt of contributed securities	-	(260,243)
Proceeds from the sale of contributed securities	260,546	-
(Increase) decrease in:		
Grants receivable	(1,083,132)	1,026,590
Accounts receivable	202,919	22,911
Prepaid expenses	(32,566)	20,317
(Decrease) increase in:		
Accounts payable and accrued liabilities	(51,786)	93,652
Deferred revenue	197,700	45,500
Deferred rent abatement	<u>(15,963)</u>	<u>(2,363)</u>
Net cash provided by operating activities	<u>1,734,394</u>	<u>203,339</u>
Net increase in cash and cash equivalents	1,734,394	203,339
Cash and cash equivalents at beginning of year	<u>970,907</u>	<u>767,568</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,705,301</u>	<u>\$ 970,907</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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 of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 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 donor restrictions.

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, CDT adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way CDT recognized revenue; however, the presentation and disclosures of revenue have been enhanced. CDT has elected to opt out of all (or certain) disclosures not required for non public entities and also elected a modified retrospective approach for implementation.

Also during 2019, CDT adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

CENTER FOR DEMOCRACY AND TECHNOLOGY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

New accounting pronouncements adopted (continued) -

Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. CDT adopted the ASU using a modified prospective basis.

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 income (loss), which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. CDT's policy is to liquidate all gifts of investments as soon as possible after the gift.

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. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants revenue. Conditional promises to give are not included as support until the conditions are substantially met. 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, 2019, totaled \$43,303.

Contributions and grants -

Gifts, including unconditional pledges, grants and contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the condition on which they depend are substantially met.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Contribution and grants (continued) -

Contributions and grants qualifying as contributions are recorded by CDT upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. 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 restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions."

Registration and sponsorship revenue -

Revenue received for conference and meeting registrations is recorded as revenue when the related event has occurred. Revenue received in advance for conference and meeting registrations is recorded as deferred revenue within the Statement of Financial Position. Sponsors receive an allotted amount of tickets to the annual TechProm conference based on their sponsorship level. Sponsorship revenue has been bifurcated amongst this benefit and recorded as registration revenue when the performance obligations are met which is when the related event has occurred. The transaction price is determined based on cost and/or sales price. The remaining amount of sponsorship revenue received is considered a contribution and is recognized upon receipt.

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, 2019, 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.

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, 2019

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. Expenses directly attributed to a specific functional area of CDT are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort 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.

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. 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.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *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. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

CDT plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2019:

	<u>Fair Value</u>
Certificate of Deposit	\$ <u>127,404</u>

Included in investment income is the following:

Interest income	\$ 2,271
Unrealized gain on investments	3,052
Realized gain on investments	<u>9,261</u>
TOTAL INVESTMENT INCOME, NET	\$ <u>14,584</u>

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, 2019 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Certificate of Deposit	\$ <u>-</u>	\$ <u>127,404</u>	\$ <u>-</u>	\$ <u>127,404</u>

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, 2019. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019. 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.

3. **GRANTS RECEIVABLE**

As of December 31, 2019, contributors to CDT have made unconditional written promises to give, of which \$2,235,625, remained due and outstanding.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. GRANTS RECEIVABLE (Continued)

Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 5.25%.

Grants are due as follows at December 31, 2019:

<u>Year Ending December 31,</u>		
2020		\$ 1,235,625
2021		<u>1,000,000</u>
		2,235,625
Less: Allowance to discount balance to present value		<u>(49,881)</u>
NET GRANTS RECEIVABLE		<u>\$ 2,185,744</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:		
Privacy and Data	\$	1,130,386
Security and Surveillance		41,663
Internet Architecture		36,203
Free Expression		2,912,342
Subject to passage of time		<u>140,000</u>
NET ASSETS WITH DONOR RESTRICTIONS	\$	<u>4,260,594</u>

5. 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, 2019:

Purpose restrictions accomplished:		
Privacy and Data	\$	1,493,062
Voting Works		1,542,466
Security and Surveillance		161,004
Internet Architecture		113,797
Free Expression		37,777
Timing restrictions accomplished		<u>150,000</u>
NET ASSETS RELEASED FROM RESTRICTIONS	\$	<u>3,498,106</u>

6. CONFERENCE COMMITMENTS

CDT has a contract with a venue for the 2020 Tech Prom conference. Subsequent to December 31, 2019, CDT's annual 2020 Tech Prom conference was canceled due to the COVID-19 pandemic. CDT was able to negotiate the terms of the agreement with the venue and as a result, did not incur any cancellation penalties.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. 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:

<u>Year Ending December 31,</u>	
2020	\$ 570,980
2021	585,263
2022	599,851
2023	614,915
2024	630,292
Thereafter	<u>1,363,469</u>
	<u>\$ 4,364,770</u>

Rent and storage expense, included in occupancy costs in the accompanying Statement of Functional Expenses, totaled \$566,420 for the year ended December 31, 2019. The deferred rent liability was \$531,829 as of December 31, 2019.

8. 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 \$165,316 for the year ended December 31, 2019.

9. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following:

Cash and cash equivalents	\$ 2,705,301
Investments	127,404
Grants receivable	2,185,744
Accounts receivable	<u>131,233</u>
Subtotal financial assets available within one year	5,149,682
Less: Net assets with donor restrictions not available within one year	<u>(4,120,594)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 1,029,088</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. LIQUIDITY (Continued)

CDT is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CDT must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of CDT's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

10. SUBSEQUENT EVENTS

In preparing these financial statements, CDT has evaluated events and transactions for potential recognition or disclosure through April 22, 2020, the date the financial statements were issued.

The impact on CDT's calendar year 2020 financial activities cannot be assessed as of the date of our audit report, April 22, 2020, as there exists a significant uncertainty about the future impact of COVID-19 on the global economy during this ongoing pandemic situation.