

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

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.

Opinion

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, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CDT as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CDT and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CDT's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CDT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CDT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited CDT's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 3, 2022

CENTER FOR DEMOCRACY AND TECHNOLOGY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	5,835,770	\$ 3,918,029
Grants receivable		2,018,926	1,675,000
Accounts receivable		72,106	95,000
Prepaid expenses		<u>4,133</u>	<u>14,786</u>
Total current assets		<u>7,930,935</u>	<u>5,702,815</u>
PROPERTY AND EQUIPMENT			
Furniture, fixtures and equipment		223,138	739,094
Less: Accumulated depreciation		<u>(189,588)</u>	<u>(672,701)</u>
Net property and equipment		<u>33,550</u>	<u>66,393</u>
OTHER ASSETS			
Grants receivable, net		<u>1,407,535</u>	<u>-</u>
TOTAL ASSETS	\$	<u>9,372,020</u>	\$ <u>5,769,208</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Loan payable	\$	-	\$ 415,390
Accounts payable and accrued liabilities		207,387	191,941
Deferred revenue		34,000	58,000
Deferred rent		<u>58,729</u>	<u>44,142</u>
Total current liabilities		<u>300,116</u>	<u>709,473</u>
LONG-TERM LIABILITIES			
Deferred rent, net of current portion		399,099	457,828
Loan payable, net of current portion		<u>-</u>	<u>135,704</u>
Total long-term liabilities		<u>399,099</u>	<u>593,532</u>
Total liabilities		<u>699,215</u>	<u>1,303,005</u>
NET ASSETS			
Net assets without donor restrictions		3,686,135	1,578,822
Net assets with donor restrictions		<u>4,986,670</u>	<u>2,887,381</u>
Total net assets		<u>8,672,805</u>	<u>4,466,203</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>9,372,020</u>	\$ <u>5,769,208</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, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants	\$ -	\$ 5,469,299	\$ 5,469,299	\$ 1,979,588
Contributions	3,574,004	-	3,574,004	3,064,834
TechProm contributions	890,900	-	890,900	788,100
Contributed services	130,266	-	130,266	721,286
TechProm registration	27,000	-	27,000	10,700
Other revenue	5,484	-	5,484	64,148
Investment income	198	-	198	251
Loss on disposal of fixed asset	(4,849)	-	(4,849)	-
Net assets released from donor restrictions	<u>3,370,010</u>	<u>(3,370,010)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,993,013</u>	<u>2,099,289</u>	<u>10,092,302</u>	<u>6,628,907</u>
EXPENSES				
Program Services:				
Privacy and Data	2,116,416	-	2,116,416	1,698,728
Free Expression	1,314,390	-	1,314,390	1,108,799
Internet Architecture	682,041	-	682,041	646,688
Security and Surveillance	442,293	-	442,293	597,350
EU Office	345,665	-	345,665	122,741
Communications	205,535	-	205,535	224,012
Open Internet	<u>87,523</u>	<u>-</u>	<u>87,523</u>	<u>174,280</u>
Total program services	<u>5,193,863</u>	<u>-</u>	<u>5,193,863</u>	<u>4,572,598</u>
Supporting Services:				
Management and General	647,773	-	647,773	1,251,378
Fundraising	<u>595,158</u>	<u>-</u>	<u>595,158</u>	<u>586,678</u>
Total supporting services	<u>1,242,931</u>	<u>-</u>	<u>1,242,931</u>	<u>1,838,056</u>
Total expenses	<u>6,436,794</u>	<u>-</u>	<u>6,436,794</u>	<u>6,410,654</u>
Change in net assets before other item	1,556,219	2,099,289	3,655,508	218,253
OTHER ITEM				
Extinguishment of debt	<u>551,094</u>	<u>-</u>	<u>551,094</u>	<u>-</u>
Change in net assets	2,107,313	2,099,289	4,206,602	218,253
Net assets at beginning of year	<u>1,578,822</u>	<u>2,887,381</u>	<u>4,466,203</u>	<u>4,247,950</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,686,135</u>	<u>\$ 4,986,670</u>	<u>\$ 8,672,805</u>	<u>\$ 4,466,203</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021							
	Program Services							
	Privacy and Data	Free Expression	Internet Architecture	Security and Surveillance	EU Office	Communications	Open Internet	Total Program Services
Salaries	\$ 1,222,273	\$ 886,202	\$ 444,562	\$ 287,797	\$ 55,935	\$ 123,935	\$ 63,033	\$ 3,083,737
Professional services	396,776	72,897	40,553	40,371	246,532	781	331	798,241
Benefits	243,510	176,788	88,784	58,194	16,764	24,788	12,466	621,294
Occupancy costs	190,466	138,342	68,870	44,660	18,714	19,363	9,417	489,832
TechProm and galas	-	-	-	-	-	-	-	-
Office equipment, software and phone	26,044	23,009	11,118	6,455	1,348	9,769	1,567	79,310
Books, dues and subscriptions	9,129	6,892	21,277	2,677	2,442	10,628	368	53,413
Miscellaneous fees	17,616	3,403	1,637	1,055	3,505	477	118	27,811
Printing postage and delivery	1,232	1,019	477	278	-	15,452	25	18,483
Bad debt	-	-	-	-	-	-	-	-
Travel, conferences and events	5,235	3,411	3,312	37	-	17	1	12,013
Office operations	2,637	1,380	875	416	425	186	77	5,996
Insurance	1,498	1,047	576	353	-	139	120	3,733
TOTAL	\$ 2,116,416	\$ 1,314,390	\$ 682,041	\$ 442,293	\$345,665	\$ 205,535	\$ 87,523	\$ 5,193,863

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)			2020	
	Supporting Services				
	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 302,425	\$ 220,926	\$ 523,351	\$ 3,607,088	\$ 3,197,683
Professional services	172,067	5,350	177,417	975,658	1,654,174
Benefits	56,733	44,398	101,131	722,425	581,054
Occupancy costs	71,971	33,855	105,826	595,658	596,414
TechProm and galas	-	279,669	279,669	279,669	162,607
Office equipment, software and phone	5,487	6,078	11,565	90,875	72,442
Books, dues and subscriptions	11,528	3,070	14,598	68,011	52,060
Miscellaneous fees	1,032	866	1,898	29,709	39,295
Printing postage and delivery	618	188	806	19,289	7,501
Bad debt	15,000	-	15,000	15,000	-
Travel, conferences and events	642	76	718	12,731	30,557
Office operations	4,197	364	4,561	10,557	7,614
Insurance	6,073	318	6,391	10,124	9,253
TOTAL	\$ 647,773	\$ 595,158	\$ 1,242,931	\$ 6,436,794	\$ 6,410,654

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,206,602	\$ 218,253
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,993	30,959
Loss on disposal of fixed asset	4,849	-
Change in discount on long-term grants receivable	92,465	(49,881)
Extinguishment of debt	(551,094)	-
(Increase) decrease in:		
Grants receivable	(1,843,926)	691,858
Accounts receivable	22,894	(95,000)
Prepaid expenses	10,653	95,972
Increase (decrease) in:		
Accounts payable and accrued liabilities	15,447	(56,872)
Deferred revenue	(24,000)	(271,200)
Deferred rent	<u>(44,142)</u>	<u>(29,859)</u>
Net cash provided by operating activities	<u>1,917,741</u>	<u>534,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of certificates of deposit	<u>-</u>	<u>127,404</u>
Net cash provided by investing activities	<u>-</u>	<u>127,404</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>551,094</u>
Net cash provided by financing activities	<u>-</u>	<u>551,094</u>
Net increase in cash and cash equivalents	1,917,741	1,212,728
Cash and cash equivalents at beginning of year	<u>3,918,029</u>	<u>2,705,301</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,835,770</u>	<u>\$ 3,918,029</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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, 2020, 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.

Grants and accounts receivable -

Grants and accounts receivable is recorded at its net realizable value, which approximates fair value. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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, 2021, totaled \$27,993, and is included in occupancy costs in the Statement of Functional Expenses.

Support and revenue -

Contributions and grants -

CDT receives contributions and grants from individuals and other private entities. These awards are for various activities performed by CDT. Contributions and grants are recognized in the appropriate category of net assets in the period received. CDT performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional and have 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 qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and awards from other entities are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

For contributions and grants treated as contributions, CDT had no unrecognized conditional awards as of December 31, 2021.

Registration 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.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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, 2021, 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.

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 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

New accounting pronouncements not yet adopted (continued) -

ASU 2019-01, *Leases* (Topic 842), 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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

2. **GRANTS RECEIVABLE**

As of December 31, 2021, contributors to CDT have made unconditional written promises to give, of which \$3,518,926, remained due and outstanding.

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 3.25%.

Grants are due as follows at December 31, 2021:

<u>Year Ending December 31,</u>	
2022	\$ 2,018,926
2023	500,000
2024	500,000
2025	<u>500,000</u>
	3,518,926
Less: Allowance to discount balance to present value	<u>(92,465)</u>
NET GRANTS RECEIVABLE	<u>\$ 3,426,461</u>

3. **LOAN PAYABLE**

On April 15, 2020, CDT received loan proceeds in the amount of \$551,094 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months.

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. During the year ended December 31, 2021, CDT used the proceeds for purposes consistent with the Paycheck Protection Program and applied for forgiveness as stipulated by the terms.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

3. **LOAN PAYABLE (Continued)**

On January 22, 2021, CDT received notice that the loan was forgiven in its entirety, both interest and principal. This amount is recorded as "Extinguishment of debt," which is an Other Item on the Statement of Activities and Change in Net Assets.

4. **NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2021, net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Privacy and Data	\$ 1,065,151
Free Expression	991,482
Subject to passage of time	<u>2,930,037</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,986,670</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, 2021:

Purpose restrictions accomplished:	
Free Expression	\$ 1,088,147
Internet Architecture	193,535
Privacy and Data	186,646
Security and Surveillance	33,334
Timing restrictions accomplished	<u>1,868,348</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 3,370,010</u>

6. **LIQUIDITY**

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

Cash and cash equivalents	\$ 5,835,770
Grants receivable	2,018,926
Accounts receivable	<u>72,106</u>
Subtotal financial assets available within one year	7,926,802
Less: Net assets with donor restrictions not available within one year	<u>(2,056,633)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 5,870,169</u>

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. 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.

7. CONFERENCE COMMITMENTS

CDT has a contract with a venue for the 2022 Tech Prom conference. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

8. 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,

2022	\$	599,851
2023		614,915
2024		630,292
2025		646,056
2026		662,125
Thereafter		<u>55,288</u>
	\$	<u>3,208,527</u>

Rent and storage expense, included in occupancy costs in the accompanying Statement of Functional Expenses, totaled \$567,666 for the year ended December 31, 2021. The deferred rent liability was \$457,828 as of December 31, 2021.

CENTER FOR DEMOCRACY AND TECHNOLOGY

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8. LEASE COMMITMENT (Continued)

In March 2022, CDT amended the lease for office, extending the lease to September 30, 2032. Base rent is adjusted to \$562,761, increasing by a factor of 2.5% per year. The lease agreement includes provisions whereas the base rent was abated seven months during the amended lease term and includes a leasehold improvement allowance up to \$148,095.

9. 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 \$134,992 for the year ended December 31, 2021.

10. SUBSEQUENT EVENTS

In preparing these financial statements, CDT has evaluated events and transactions for potential recognition or disclosure through May 3, 2022, the date the financial statements were issued.