

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2021**

**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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 5, 2023

**CENTER FOR DEMOCRACY AND TECHNOLOGY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

<b>ASSETS</b>		<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 10,304,334	\$ 5,835,770
Grants receivable		1,560,000	2,018,926
Accounts receivable		871,927	72,106
Prepaid expenses		<u>22,085</u>	<u>4,133</u>
Total current assets		<u>12,758,346</u>	<u>7,930,935</u>
<b>PROPERTY AND EQUIPMENT</b>			
Furniture, fixtures and equipment		223,138	223,138
Less: Accumulated depreciation		<u>(217,581)</u>	<u>(189,588)</u>
Net property and equipment		<u>5,557</u>	<u>33,550</u>
<b>LONG TERM ASSETS</b>			
Grants receivable, net		<u>1,548,945</u>	<u>1,407,535</u>
<b>OTHER ASSETS</b>			
Right of use asset		<u>4,886,577</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 19,199,425</u></b>	<b><u>\$ 9,372,020</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities		\$ 249,018	\$ 207,387
Operating lease liability		475,451	-
Deferred revenue		154,500	34,000
Deferred rent		<u>-</u>	<u>58,729</u>
Total current liabilities		<u>878,969</u>	<u>300,116</u>
<b>LONG-TERM LIABILITIES</b>			
Deferred rent, net of current portion		-	399,099
Lease liability, net of current portion		<u>5,190,150</u>	<u>-</u>
Total long-term liabilities		<u>5,190,150</u>	<u>399,099</u>
Total liabilities		<u>6,069,119</u>	<u>699,215</u>
<b>NET ASSETS</b>			
Net assets without donor restrictions		4,673,876	3,686,135
Net assets with donor restrictions		<u>8,456,430</u>	<u>4,986,670</u>
Total net assets		<u>13,130,306</u>	<u>8,672,805</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 19,199,425</u></b>	<b><u>\$ 9,372,020</u></b>

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, 2022  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Grants	\$ -	\$ 8,089,142	\$ 8,089,142	\$ 5,469,299
Contributions	2,390,172	-	2,390,172	3,574,004
TechProm contributions	1,042,000	-	1,042,000	-
TechProm contributions	-	-	-	890,900
Contributed services	754,411	-	754,411	130,266
TechProm registration	40,400	-	40,400	27,000
Other revenue	285,774	-	285,774	5,484
Investment income	911	-	911	198
Loss on disposal of fixed asset	-	-	-	(4,849)
Net assets released from donor restrictions	<u>4,619,382</u>	<u>(4,619,382)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,133,050</u>	<u>3,469,760</u>	<u>12,602,810</u>	<u>10,092,302</u>
<b>EXPENSES</b>				
Program Services:				
Privacy and Data	2,232,790	-	2,232,790	2,116,416
Free Expression	1,788,940	-	1,788,940	1,314,390
Internet Architecture	746,432	-	746,432	682,041
Security and Surveillance	586,066	-	586,066	442,293
EU Office	396,355	-	396,355	345,665
Communications	211,713	-	211,713	205,535
Open Internet	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,523</u>
Total program services	<u>5,962,296</u>	<u>-</u>	<u>5,962,296</u>	<u>5,193,863</u>
Supporting Services:				
Management and General	1,398,424	-	1,398,424	647,773
Fundraising	<u>784,589</u>	<u>-</u>	<u>784,589</u>	<u>595,158</u>
Total supporting services	<u>2,183,013</u>	<u>-</u>	<u>2,183,013</u>	<u>1,242,931</u>
Total expenses	<u>8,145,309</u>	<u>-</u>	<u>8,145,309</u>	<u>6,436,794</u>
Change in net assets before other item	987,741	3,469,760	4,457,501	3,655,508
<b>OTHER ITEM</b>				
Extinguishment of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>551,094</u>
Change in net assets	987,741	3,469,760	4,457,501	4,206,602
Net assets at beginning of year	<u>3,686,135</u>	<u>4,986,670</u>	<u>8,672,805</u>	<u>4,466,203</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 4,673,876</u></b>	<b><u>\$ 8,456,430</u></b>	<b><u>\$ 13,130,306</u></b>	<b><u>\$ 8,672,805</u></b>

See accompanying notes to financial statements.

## CENTER FOR DEMOCRACY AND TECHNOLOGY

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<b>2022</b>						<b>Total Program Services</b>
	<b>Program Services</b>						
<b>EXPENSE</b>	<b>Privacy and Data</b>	<b>Free Expression</b>	<b>Internet Architecture</b>	<b>Security and Surveillance</b>	<b>EU Office</b>	<b>Communications</b>	
Salary expense	\$ 1,309,346	\$ 1,153,013	\$ 496,885	\$ 416,768	\$ 73,684	\$ 126,656	\$ 3,576,352
Professional services	392,409	152,828	13,690	3,933	227,253	1,145	791,258
Fringe benefits	261,224	224,446	95,986	79,335	67,883	24,493	753,367
Occupancy costs	189,419	166,943	71,513	60,037	15,594	18,198	521,704
TechProm and galas	385	3	-	-	-	-	388
Travel, conference and events	13,185	44,663	33,646	13,189	121	1,333	106,137
Books, dues and subscriptions	24,409	18,842	20,286	3,972	11,215	1,631	80,355
Office equipment, software and phone	18,833	16,596	6,635	5,256	-	21,659	68,979
Office operations	8,858	9,542	3,378	2,845	-	824	25,447
Printing, postage and delivery	1,520	1,553	4,072	502	-	15,689	23,336
Miscellaneous fees	11,766	(830)	(159)	(139)	605	(44)	11,199
Insurance	1,436	1,341	500	368	-	129	3,774
Business card - to be coded	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 2,232,790</b>	<b>\$ 1,788,940</b>	<b>\$ 746,432</b>	<b>\$ 586,066</b>	<b>\$ 396,355</b>	<b>\$ 211,713</b>	<b>\$ 5,962,296</b>

See accompanying notes to financial statements.

CENTER FOR DEMOCRACY AND TECHNOLOGY

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

EXPENSE	2022 (Continued)			2021	
	Supporting Services			Total Expenses	Total Expenses
	Management and General	Fundraising	Total Supporting Services		
Salary expense	\$ 415,589	\$ 281,877	\$ 697,466	\$ 4,273,818	\$ 3,607,088
Professional services	817,454	7,037	824,491	1,615,749	722,425
Fringe benefits	79,054	54,708	133,762	887,129	975,658
Occupancy costs	49,086	40,727	89,813	611,517	68,011
TechProm and galas	-	390,377	390,377	390,765	595,658
Travel, conference and events	4,194	530	4,724	110,861	279,669
Books, dues and subscriptions	6,179	2,048	8,227	88,582	90,875
Office equipment, software and phone	14,532	4,019	18,551	87,530	29,709
Office operations	4,281	2,504	6,785	32,232	19,289
Printing, postage and delivery	584	338	922	24,258	15,000
Miscellaneous fees	414	117	531	11,730	12,731
Insurance	7,057	307	7,364	11,138	10,557
Business card - to be coded	-	-	-	-	10,124
<b>TOTAL</b>	<b>\$ 1,398,424</b>	<b>\$ 784,589</b>	<b>\$ 2,183,013</b>	<b>\$ 8,145,309</b>	<b>\$ 6,436,794</b>



## CENTER FOR DEMOCRACY AND TECHNOLOGY

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,457,501	\$ 4,206,602
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,993	27,993
Loss on disposal of fixed asset	-	4,849
Change in discount on long-term grants receivable	58,588	92,465
Extinguishment of debt	-	(551,094)
Amortization of right-of-use assets	451,428	-
Decrease (increase) in:		
Grants receivable	258,928	(1,843,926)
Accounts receivable	(799,821)	22,894
Prepaid expenses	(17,952)	10,653
(Decrease) increase in:		
Operating Lease Liabilities	(130,232)	-
Accounts payable and accrued liabilities	41,631	15,447
Deferred revenue	120,500	(24,000)
Deferred rent	-	(44,142)
Net cash provided by operating activities	<u>4,468,564</u>	<u>1,917,741</u>
Net increase in cash and cash equivalents	4,468,564	1,917,741
Cash and cash equivalents at beginning of year	<u>5,835,770</u>	<u>3,918,029</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 10,304,334</u></b>	<b><u>\$ 5,835,770</u></b>
<b>SCHEDULE OF NONCASH TRANSACTIONS:</b>		
<b>Right of Use Asset</b>	<b><u>\$ 5,338,005</u></b>	<b><u>\$ -</u></b>
<b>Operating Lease Liability for Right of Use Asset</b>	<b><u>\$ 5,795,833</u></b>	<b><u>\$ -</u></b>

## CENTER FOR DEMOCRACY AND TECHNOLOGY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 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, 2021, from which the summarized information was derived.

##### New accounting pronouncements adopted -

During 2022, CDT adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. The Foundation applied the new standard at the date of initial application and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 8 for further details.

During the year ended December 31, 2022, CDT adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which 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.

**CENTER FOR DEMOCRACY AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

New accounting pronouncements adopted (continued) -

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 was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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.

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, 2022, 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.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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

Support and revenue (continued) -

Contributions and grants (continued) -

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, 2022.

Registration revenue -

Registration revenue classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers* are recorded as revenue when performance obligations are met. CDT has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred 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, 2022, 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.

**CENTER FOR DEMOCRACY AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

Contributed services -

Contributed services consist of professional services and are recognized at their estimated fair value if they require specialized skills that would need to be purchased if they were not contributed. Contributed professional services are valued at the estimated fair value based on their current rates for similar services. In addition, volunteers have donated significant amounts of their time to AAJC; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

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 -

Accounting Standard Update (ASU) 2016-13, Financial Instruments – *Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for CDT for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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. GRANTS RECEIVABLE**

As of December 31, 2022, contributors to CDT have made unconditional written promises to give, of which \$3,260,000, 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%.

CENTER FOR DEMOCRACY AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

2. GRANTS RECEIVABLE (Continued)

Grants are due as follows at December 31, 2022:

<u>Year Ending December 31,</u>	
2023	\$ 1,560,000
2024	1,200,000
2025	<u>500,000</u>
	3,260,000
Less: Allowance to discount balance to present value	<u>(151,055)</u>
<b>NET GRANTS RECEIVABLE</b>	<b><u>\$ 3,108,945</u></b>

3. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Free Expression	\$ 2,122,418
Europe	110,360
Subject to passage of time	<u>6,223,652</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 8,456,430</u></b>

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, 2022:

Purpose restrictions accomplished:	
Free Expression	\$ 1,169,064
Privacy and Data	1,065,151
Europe	64,955
Timing restrictions accomplished	<u>2,320,212</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 4,619,382</u></b>

5. CONTRIBUTED SERVICES

During the year ended December 31, 2022, CDT was the beneficiary of contributed services, consisting of donated legal services, recorded at their fair value as of the date of the donation. There were no donor-imposed restrictions associated with the contribution services during the year ended December 31, 2022.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2022:

	<u>December 31,</u>
	<u>2022</u>
<b>Administrative &amp; Legal</b>	<b><u>\$ 754,411</u></b>

**CENTER FOR DEMOCRACY AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**6. LIQUIDITY**

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

Cash and cash equivalents	\$ 10,304,334
Grants receivable	1,560,000
Accounts receivable	<u>871,927</u>
Subtotal financial assets available within one year	12,736,261
Less: Net assets with donor restrictions not available within one year	<u>(2,232,778)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR</b>	<b><u>\$ 10,503,483</u></b>

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 2023 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**

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.

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.

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.

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

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements.

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**8. LEASE COMMITMENT (Continued)**

The Foundation elected to implement the ASU at the date of initial application and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Foundation also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. As a result, CDT recorded the right-of-use asset in the amount of \$5,338,005 and operating lease liability in the amount of \$5,795,833 by calculating the net present value of their new lease commitments using a discount rate of 1.839%.

The right-of-use asset and operating lease liability are being amortized over the life of the lease. As of December 31, 2022, the unamortized right-of-use asset was \$4,886,577 and the unamortized operating lease liability was \$5,665,601.

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

**Year Ending December 31,**

2023	\$ 575,658
2024	590,049
2025	604,800
2026	619,920
2027	635,418
Thereafter	<u>3,243,371</u>
	6,269,216
Less: Imputed interest	<u>(603,615)</u>
	5,665,601
Less: Current portion	<u>(475,451)</u>
<b>LONG-TERM PORTION</b>	<b><u>\$ 5,190,150</u></b>

The lease expense, including imputed interest and amortization of the right-of-use asset plus the straight-line rent expense for the year ended December 31, 2022, was \$583,525 and is included in occupancy costs in the accompanying Statement of Functional Expenses.

**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 \$169,208 for the year ended December 31, 2022.

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, CDT has evaluated events and transactions for potential recognition or disclosure through May 5, 2023, the date the financial statements were issued.