

ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2010

ELECTRONIC PRIVACY INFORMATION CENTER

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ENDED DECEMBER 31, 2010

FRIEDMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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January 13, 2011

Board of Directors
Electronic Privacy Information Center
1718 Connecticut Avenue, NW
Suite 200
Washington, D.C. 20019

Dear Board Members:

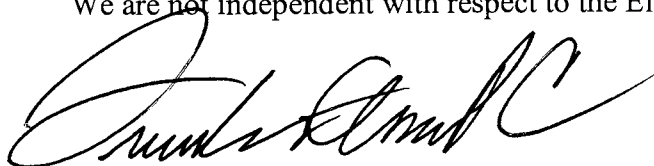
We have compiled the accompanying statement of financial position of the Electronic Privacy Information Center (a nonprofit organization) as of December 31, 2010, and the related statement of activities and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The schedule of functional expenses on Exhibit D is presented for purposes of additional analysis and is not a required part of the basic financial statements.

We are not independent with respect to the Electronic Privacy Information Center.



Friedman & Associates, PC
Certified Public Accountants

EXHIBIT A

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 325,283	
Investments (Note 4)	1,512,664	
Receivables	112,035	
Inventory	24,327	
Prepaid Expenses	<u>3,825</u>	
Total Current Assets		\$ 1,978,134

FIXED ASSETS

Furniture and Equipment	\$ 121,806	
Less: Accumulated Depreciation	(<u>102,232</u>)	
Net Fixed Assets		<u>19,574</u>

TOTAL ASSETS

\$ 1,997,708

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ <u>5,853</u>	
Total Current Liabilities		\$ <u>5,853</u>

TOTAL LIABILITIES

\$ 5,853

COMMITMENTS (Note 2)

NET ASSETS

Unrestricted:		
General	\$ 1,351,506	
Board Designated	640,349	
Temporarily Restricted	<u>-</u>	
Total Net Assets		\$ <u>1,991,855</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,997,708

See accompanying notes and accountants' report.

EXHIBIT B

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 360,115	\$ -	\$ 360,115
Grants	48,000	65,000	113,000
Other Income – Awards	755,732	-	755,732
Publications	3,746	-	3,746
Interest Income	60,010	-	60,010
Net Unrealized Gain / (Loss) on Investments	71,798	-	71,798
Net assets released from restrictions: Restrictions satisfied by payments	<u>135,000</u>	<u>(135,000)</u>	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>\$ 1,434,401</u>	<u>(\$ 70,000)</u>	<u>\$ 1,364,401</u>
 <u>EXPENSES (Exhibit D)</u>			
Program Services	\$ 826,361	\$ -	\$ 826,361
General & Administrative	70,704	-	70,704
Fund Raising	<u>61,695</u>	<u>-</u>	<u>61,695</u>
<u>TOTAL EXPENSES</u>	<u>\$ 958,760</u>	<u>\$ -</u>	<u>\$ 958,760</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 475,641</u>	<u>(\$ 70,000)</u>	<u>\$ 405,641</u>
<u>NET ASSETS AT JANUARY 1, 2010</u>	<u>\$ 1,516,214</u>	<u>\$ 70,000</u>	<u>\$ 1,586,214</u>
<u>NET ASSETS AT DECEMBER 31, 2010</u>	<u>\$ 1,991,855</u>	<u>\$ -</u>	<u>\$ 1,991,855</u>

See accompanying notes and accountants' report.

EXHIBIT C

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets		\$ 405,641
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 7,141	
Net Unrealized (Gain) on Investments	(71,798)	
(Increase) in Receivables	(17,086)	
(Increase) in Inventory	(8,934)	
(Increase) in Prepaid Expenses	(3,825)	
(Decrease) in Accrued Expenses	(<u>4,773</u>)	
Total Adjustments		(\$ <u>99,275</u>)
Net Cash Provided by Operating Activities		\$ 306,366

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Furniture, Fixtures and Equipment	(\$ 5,097)	
Purchase of Long-Term Investments	(616,821)	
Proceeds from Sale of Investments	<u>230,871</u>	
Net Cash Used by Investing Activities		(\$ <u>391,047</u>)

NET (DECREASE) IN CASH (\$ 84,681)

CASH AND CASH EQUIVALENTS AT JANUARY 1, 2010 \$ 409,964

CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2010 \$ 325,283

INTEREST PAID \$ 531

See accompanying notes and accountants' report.

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES

ORGANIZATION

Electronic Privacy Information Center (EPIC) is a not-for-profit organization defined under Section 501 (c)(3) of the Internal revenue Code as determined in an exemption letter dated August 25, 2001. EPIC was incorporated on March 16, 2001 in the District of Columbia. EPIC operated at a project of the Fund for Constitutional Government until October 31, 2000.

The Organization is a public interest research center in Washington, D.C. Its purpose is to focus public attention on emerging civil liberties issues and to protect privacy, freedom of expression and constitutional values. EPIC pursues a wide range of activities including policy research, public education, conferences, litigation, publications and advocacy.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the FASB ASC 958-205 (formerly the Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. In addition, the Organization is required to present a statement of cash flows.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donated materials and equipment are recorded at their fair market value.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES
(continued)

METHOD OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations. They are stated on the accrual basis and include all material receivables and payables.

FIXED ASSETS

Fixed assets are stated at cost. Items costing less than \$200 are charged to expense when acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets as follows:

<u>ASSETS</u>	<u>ESTIMATED USEFUL LIFE</u>
Furniture, Fixtures and Equipment	2-7 Years

INVENTORY

The Organization maintains an inventory of items held for resale. The inventory is valued at cost using the First-In First-Out Method.

STATEMENT OF CASH FLOWS

Cash and cash equivalents represent cash and short-term investments with original maturities of three months or less.

NOTE 2 - LEASE COMMITMENTS

At December 31, 2010 the Organization was obligated under a lease agreement for office space. The minimum rental payments over the life of the lease are as follows:

Year ended December 31, 2011	\$ 114,044
December 31, 2012	116,325
December 31, 2013	118,651
December 31, 2014	121,024
Period ending April 30, 2015	<u>40,607</u>
Total	\$ <u>510,651</u>

Total rent charged to operations for the year ended December 31, 2010, net of sublease income, was \$111,379.

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 - 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 functional expense. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

NOTE 4 - INVESTMENTS

The Organization's investments at December 31, 2010 are recorded at fair market value and consist of the following:

	<u>Cost/ Basis</u>	<u>Fair Market Value</u>	<u>Unrealized Gain/ (Loss)</u>
Mutual Funds	\$ 1,286,665	\$ 1,355,457	\$ 68,792
Fixed Coupons	<u>154,201</u>	<u>157,207</u>	<u>3,006</u>
Total	<u>\$ 1,440,866</u>	<u>\$ 1,512,664</u>	<u>\$ 71,798</u>

NOTE 5 - EMPLOYEE RETIREMENT PLANS

The Organization provides full-time employees with a simplified employee pension plan. Under this plan, the employees can withhold up to \$16,500 on an annual basis. The Organization contributes 3% of the employee's salary to the plan. The contribution for the year ended December 31, 2010 was \$9,461.

NOTE 6 - CONCENTRATIONS

The Organization receives 90% of its income from grants, contributions and legal settlements.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization maintains several bank accounts at the same financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization had no cash balances that exceeded the federally insured limits as of December 31, 2010.

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of financial position date through the date that the financial statements are available to be issued. Management has performed an evaluation as of January 13, 2011, the date the financial statements were available to be issued, that there are no subsequent events requiring disclosure.

NOTE 9 – INCOME TAXES

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2010, the Organization has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

NOTE 9 – FAIR VALUE MEASUREMENTS

The Organization adopted FASB ASC 820-10 (formerly SFAS No. 157, Fair Value Measurements) as amended. The effective date of FASB ASC 820-10 with respect to the fair value measurement and disclosure of financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, is January 1, 2009. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under FASB ASC 820-10 as the exchange price that would be received for an asset or paid to transfer a liability (“an exit price”) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under FASB ASC 820-10 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The Organization has time deposit financial instruments that must be measured under the new fair value standard. The Organization currently does not have notes receivable, nonfinancial assets, or nonfinancial liabilities that are required to be measured at fair value on a recurring basis. The Organization’s financial assets are measured using inputs from the Level 1 fair value hierarchy as described as follows:

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 9 – FAIR VALUE MEASUREMENTS
(CONTINUED)

Level 1:

Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

The fair values of the Organization's investments on a recurring basis at December 31, 2010 are as follows:

	<u>Fair Market Values</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual Funds	\$ 1,355,457	\$ 1,355,457
Fixed Coupons	<u>157,207</u>	<u>157,207</u>
Total	<u>\$ 1,512,664</u>	<u>\$ 1,512,664</u>

OTHER FINANCIAL INFORMATION

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>PROGRAM</u> <u>SERVICES</u>	<u>GENERAL</u> <u>AND</u> <u>ADMINISTRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u>
Salaries	\$ 405,950	\$ 36,619	\$ 27,864	\$ 470,433
Payroll Taxes	29,644	2,747	1,860	34,251
Employee Benefits	<u>53,541</u>	<u>4,975</u>	<u>3,803</u>	<u>62,319</u>
 Total Salaries and Employee Benefits	 \$ 489,135	 \$ 44,341	 \$ 33,527	 \$ 567,003
 Depreciation Expense	 \$ 6,162	 556	 423	 7,141
Dues and Subscriptions	8,787	210	160	9,157
Fellowships	19,500	-	-	19,500
Interest Expense	-	531	-	531
Licenses and Permits	2,402	-	-	2,402
Occupancy	106,395	9,598	7,303	123,296
Office Supplies and Expense	23,416	3,124	2,051	28,591
Postage and Delivery	5,108	669	325	6,102
Printing and Reproduction	11,203	943	5,996	18,142
Books and Periodicals	2,072	112	86	2,270
Professional Fees	45,751	4,442	2,581	52,774
Public Voice	13,627	-	-	13,627
Telephone	21,414	1,371	1,043	23,828
Travel, Conferences, and Meetings	<u>71,389</u>	<u>4,807</u>	<u>8,200</u>	<u>84,396</u>
 <u>TOTAL (Exhibit B)</u>	 <u>\$ 826,361</u>	 <u>\$ 70,704</u>	 <u>\$ 61,695</u>	 <u>\$ 958,760</u>

See accompanying notes and accountants' report.