

ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2008

ELECTRONIC PRIVACY INFORMATION CENTER

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ENDED DECEMBER 31, 2008

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CERTIFIED PUBLIC ACCOUNTANTS

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February 12, 2009

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, 2008, and the related statement of activities and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

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

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 561,724	
Investments (Note 5)	904,267	
Receivables	89,070	
Inventory	<u>32,868</u>	
Total Current Assets		\$ 1,587,929

FIXED ASSETS

Furniture and Equipment	\$ 105,018	
Less: Accumulated Depreciation	(<u>88,471</u>)	
Net Fixed Assets		<u>16,547</u>

TOTAL ASSETS

\$ 1,604,476

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 15,528	
Deposits	<u>2,850</u>	
Total Current Liabilities		\$ <u>18,378</u>

TOTAL LIABILITIES

\$ 18,378

COMMITMENTS (Note 2)

NET ASSETS

Unrestricted:		
General	\$ 971,311	
Board Designated	531,064	
Temporarily Restricted	<u>83,723</u>	
Total Net Assets		\$ <u>1,586,098</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,604,476

See accompanying notes and accountants' report.

EXHIBIT B

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 287,427	\$ -	\$ 287,427
Grants	-	252,750	252,750
Other Income – Awards	12,602	-	12,602
Publications	10,932	-	10,932
Interest Income	64,114	-	64,114
Net Unrealized Gain / (Loss) on Investments	(156,911)	-	(156,911)
Net assets released from restrictions: Restrictions satisfied by payments	<u>498,390</u>	(<u>498,390</u>)	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>\$ 716,554</u>	(<u>\$ 245,640</u>)	<u>\$ 470,914</u>
 <u>EXPENSES (Exhibit D)</u>			
Program Services	\$ 725,898	\$ -	\$ 725,898
General & Administrative	52,061	-	52,061
Fund Raising	<u>49,710</u>	<u>-</u>	<u>49,710</u>
<u>TOTAL EXPENSES</u>	<u>\$ 827,669</u>	<u>\$ -</u>	<u>\$ 827,669</u>
<u>CHANGE IN NET ASSETS</u>	(\$ 111,115)	(\$ 245,640)	(\$ 356,755)
<u>NET ASSETS AT JANUARY 1, 2008</u>	<u>\$ 1,613,490</u>	<u>\$ 329,363</u>	<u>\$ 1,942,853</u>
<u>NET ASSETS AT DECEMBER 31, 2008</u>	<u>\$ 1,502,375</u>	<u>\$ 83,723</u>	<u>\$ 1,586,098</u>

See accompanying notes and accountants' report.

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

(Decrease) in Net Assets		(\$ 356,755)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 5,664	
Net Realized / Unrealized Loss on Investments	156,911	
Decrease in Grants and Contributions Receivable	216,737	
(Increase) in Other Receivables	(2,068)	
Decrease in Prepaid Expenses	3,825	
Decrease in Inventory	11,944	
(Decrease) in Accrued Expenses	(16,760)	
(Decrease) in Deposits	(3,150)	
Total Adjustments		<u>\$ 373,103</u>
Net Cash Provided by Operating Activities		\$ 16,348

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Furniture, Fixtures and Equipment	(\$ 8,745)	
Purchase of Long-Term Investments	(<u>122,692</u>)	
Net Cash Used by Investing Activities		(\$ <u>131,437</u>)

CASH FLOWS FROM FINANCING ACTIVITIES

Payment on Loan Payable	(\$ <u>25,000</u>)	
Net Cash Used by Financing Activities		(\$ <u>25,000</u>)

NET (DECREASE) IN CASH (\$ 140,089)

CASH AND CASH EQUIVALENTS AT JANUARY 1, 2008 \$ 701,813

CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2008 \$ 561,724

INTEREST PAID \$ 695

See accompanying notes and accountants' report.

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, 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, 2008

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.

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 - LEASE COMMITMENTS

At December 31, 2008 the Organization was obligated under a lease agreement for office space. The minimum rental payments over the life of the lease are as for

Year ending December 31, 2009	\$ 111,824
Period ending April 30, 2010	<u>37,520</u>
Total	\$ <u>149,344</u>

Total rent charged to operations for the year ended December 31, 2008, net of sublease income, was \$75,577.

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 - TEMPORARILY RESTRICTED NET ASSETS

The Organization has temporarily restricted net assets at December 31, 2008 of \$83,723. The components are as follows:

Rose Foundation	\$ 75,000
Skadden Arps/IPIOP Program	<u>8,723</u>
Total	\$ <u>83,723</u>

ELECTRONIC PRIVACY INFORMATION CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5 - INVESTMENTS

The Organization's investments at December 31, 2008 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>
Certificates of Deposit	\$ 223,372	\$ 223,372	\$ -
Mutual Funds	<u>837,806</u>	<u>680,895</u>	(<u>156,911</u>)
Total	\$ <u>1,061,178</u>	\$ <u>904,267</u>	(\$ <u>156,911</u>)

NOTE 6 - EMPLOYEE RETIREMENT PLANS

The Organization provides full-time employees with a simplified employee pension plan. Under this plan, the employees can withhold up to \$10,500 on an annual basis. The Organization contributes 3% of the employee's salary to the plan. The contribution for the year ended December 31, 2008 was \$8,942.

NOTE 7 - CONCENTRATIONS

The Organization receives 88% of its income from grants, contributions and legal settlements.

NOTE 8 - 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, 2008.

OTHER FINANCIAL INFORMATION

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>PROGRAM</u> <u>SERVICES</u>	GENERAL AND <u>ADMINISTRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u>
Salaries	\$ 334,630	\$ 28,551	\$ 27,992	\$ 391,173
Payroll Taxes	23,627	2,265	2,005	27,897
Employee Benefits	<u>35,475</u>	<u>2,768</u>	<u>2,887</u>	<u>41,130</u>
 Total Salaries and Employee Benefits	 \$ 393,732	 \$ 33,584	 \$ 32,884	 \$ 460,200
 Depreciation Expense	 \$ 4,846	 413	 405	 5,664
Dues and Subscriptions	5,954	500	492	6,946
Fellowships	58,406	-	-	58,406
Licenses and Permits	300	-	-	300
Occupancy	71,813	6,127	6,007	83,947
Office Supplies and Expense	19,367	2,968	1,620	23,955
Postage and Delivery	6,656	564	552	7,772
Printing and Reproduction	39,919	329	324	40,572
Books and Periodicals	4,370	373	365	5,108
Professional Fees	37,625	2,470	2,421	42,516
Public Voice	11,500	-	-	11,500
Telephone	13,805	1,174	1,151	16,130
Travel, Conferences, and Meetings	<u>57,605</u>	<u>3,559</u>	<u>3,489</u>	<u>64,653</u>
 <u>TOTAL (Exhibit B)</u>	 <u>\$ 725,898</u>	 <u>\$ 52,061</u>	 <u>\$ 49,710</u>	 <u>\$ 827,669</u>

See accompanying notes and accountants' report.