

ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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KRONZEK, FISHER & LOPEZ, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
607 2ND STREET, NE
WASHINGTON, DC 20002-4909
TEL: (202) 547-CPAS (2727) FAX: (202) 547-2728
www.cpakfl.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Electronic Privacy Information Center
Washington, DC

We have audited the accompanying statement of financial position of Electronic Privacy Information Center (a not-for-profit organization) as of December 31, 2007 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Electronic Policy Information Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Electronic Privacy Information Center as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kronzek, Fisher & Lopez, PLLC
Kronzek, Fisher & Lopez, PLLC
Certified Public Accountants

Washington, DC
March 20, 2008

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 701,813
Investments	938,486
Receivables	303,739
Prepaid expenses	3,825
inventory	<u>44,812</u>

TOTAL CURRENT ASSETS	1,992,675
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PROPERTY AND EQUIPMENT

Furniture & equipment	96,273
Less: accumulated depreciation & amortization	<u>82,807</u>
	<u>13,466</u>

TOTAL ASSETS	<u>\$ 2,006,141</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 32,288
Loan payable	<u>25,000</u>

TOTAL CURRENT LIABILITIES	57,288
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OTHER LIABILITIES

Deposits	<u>6,000</u>
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TOTAL LIABILITIES	63,288
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NET ASSETS

Unrestricted - Non designated	1,034,433	
- Board designated	<u>579,057</u>	1,613,490

Temporarily restricted		<u>329,363</u>
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TOTAL NET ASSETS		<u>1,942,853</u>
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TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,006,141</u>
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See accompanying notes to financial statements.

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 227,540	\$ -	\$ 227,540
Grants	75,000	374,750	449,750
Other income - Awards	152,517	-	152,517
Publications	15,450	-	15,450
Interest & dividend income	89,643	-	89,643
Net realized & unrealized gain/(loss) on investments	(16,234)	-	(16,234)
	<u>543,916</u>	<u>374,750</u>	<u>918,666</u>
Net assets released from:			
Satisfaction of program restrictions	370,835	(370,835)	-
	<u>914,751</u>	<u>3,915</u>	<u>918,666</u>
EXPENSES			
Program Services	608,118	-	608,118
General & Administrative	134,632	-	134,632
Fundraising	60,198	-	60,198
	<u>802,948</u>	<u>-</u>	<u>802,948</u>
CHANGE IN NET ASSETS	111,803	3,915	115,718
Beginning net assets	<u>1,501,687</u>	<u>325,448</u>	<u>1,827,135</u>
Ending net assets	<u>\$ 1,613,490</u>	<u>\$ 329,363</u>	<u>\$ 1,942,853</u>

See accompanying notes to financial statements.

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services	General & Administrative	Fundraising	Total Expenses
Salaries	\$ 289,299	\$ 73,958	\$ 29,877	\$ 393,134
Payroll taxes	21,215	5,772	2,148	29,135
Employee benefits	30,030	9,078	3,091	42,199
Books & periodicals	91	-	624	715
Depreciation expense	4,880	1,247	504	6,631
Dues and subscriptions	4,587	877	354	5,818
Fellowships	30,000	-	-	30,000
Licenses & permits	1,867	-	-	1,867
Occupancy	62,169	15,893	6,420	84,482
Office supplies & expense	21,067	5,385	2,174	28,626
Postage & delivery	9,938	2,541	1,071	13,550
Printing & reproduction	31,987	4,481	1,810	38,278
Professional fees	30,371	6,988	2,823	40,182
Public Voice	10,600	-	-	10,600
Communications	12,688	3,115	1,258	17,061
Travel, conferences & meetings	47,329	5,297	8,044	60,670
Totals	<u>\$ 608,118</u>	<u>\$ 134,632</u>	<u>\$ 60,198</u>	<u>\$ 802,948</u>

See accompanying notes to financial statements.

ELECTRONIC PRIVACY INFORMATION CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash flows from operating activities:	
Cash received from contributions & grants	\$709,793
Interest & dividends received	30,927
Cash received from other activities	167,967
Cash paid to employees and vendors	-773,618
Net cash provided by operating activities	<u>135,069</u>
Cash flows from investing activities:	
Proceeds from sale of investments	322,268
Cash used to purchase investments	-150,267
Cash used to purchase equipment	-4,895
Net cash provided by investing activities	<u>167,106</u>
Cash flows from financing activities:	
Proceeds from loan payable	<u>25,000</u>
Net increase in cash and cash equivalents	327,175
Cash and cash equivalents - January 1, 2007	<u>374,638</u>
Cash and cash equivalents - December 31, 2007	<u><u>\$701,813</u></u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase in net assets	\$115,718
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	6,631
Reinvested interest & dividends	-58,445
Net realized & unrealized (gain)/loss on investments	16,234
Changes in assets and liabilities:	
Decrease in receivables	32,232
Increase in prepaid expenses	-3,825
Increase in inventory	-9,736
Increase in accounts payable and accrued expenses	30,260
Increase in deposits	<u>6,000</u>
Net cash provided by operating activities	<u><u>\$135,069</u></u>

See accompanying notes to financial statements.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 1 - ORGANIZATION

Electronic Privacy Information (EPIC) is a non-profit organization incorporated in the District of Columbia in March 2001. EPIC operated as a project of the Fund for Constitutional Government until October 31, 2000.1985. The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a public supported organization under Section 509(a)(1) of the Internal Revenue Code and Subsection 170(b)(A)(vi).

The organization is a public interest research center in Washington, DC. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements of the organization have been prepared on the accrual basis of accounting.

Revenue recognition - Grants and contributions are recognized when the grants or contributions have been awarded. Restricted revenue is classified in either the temporarily or permanently restricted fund until provisions of the restriction are satisfied, if ever. Unrestricted grants & contributions are recognized in the unrestricted fund when awarded.

Property and equipment - Furniture and equipment are recorded at cost and depreciated based on the straight line method over the estimated useful lives of 3-7 years. Leasehold improvements are recorded at cost and amortized over the remaining life of the lease.

Inventory – The organization maintains an inventory of items held for resale. The inventory is valued at cost using the First–In–First–Out method.

Investments – The organization has adopted SFAS No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations.” Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Functional expenses - The organization accounts for its expenses on a functional basis. Functional expenses include certain allocated overhead costs (rent, telephone, insurance, etc).

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.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

On December 31, 2007, the organization had \$532,317 in money market accounts, which are insured by the Securities Investor Protection Corporation up to \$100,000, but are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institution is not a particular concern at this time.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The organization maintains cash balances in excess of \$100,000 in accounts, which are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the organization's uninsured cash balance totaled \$282,795

NOTE 6 - RETIREMENT PLAN

The organization maintains a SIMPLE plan covering all eligible employees. Employees are eligible to participate after one year of full time employment. Plan contributions are made on a dollar for dollar match of elective deferrals each year, up to 3% of the employee's compensation or \$6,000, whichever is less. Pension expense for the year ended December 31, 2007 was \$7,662.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 7 – LOAN PAYABLE

The organization borrowed on its line-of-credit with SunTrust Bank. As of December 31, 2007, the unpaid balance was \$25,000 and the interest rate was variable.

NOTE 8 - BOARD DESIGNATED FUNDS

The Board of Directors has designated \$579,057 of funds at December 31, 2007 to be set aside into an endowment. However, the Board does have the right to authorize the spending of these funds at anytime.

NOTE 9 – COMMITMENTS

The organization rents office space at 1718 Connecticut Avenue, NW Suite 200, Washington, DC under a five year lease that expired April 30, 2005. The Organization executed the First Amendment of the lease to extend the lease term through April 30, 2010. The minimum rental payments over the remaining lease are as follows

Year ending December 31, 2008	\$109,631
Year ending December 31, 2009	\$111,824
Year ending April 30, 2010	\$ 37,520

Total rent charged to operations for the year ended December 31, 2007, net of sublease income of \$33,630, was \$74,645.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Program Services –	
Ford Foundation	\$215,625
Quixote Foundation	10,000
Rockefeller Foundation	25,000
Scherman Foundation	33,542
Skadden Arps/IPIOP Program	<u>45,196</u>
Total	\$329,363

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Net assets were released from donor restrictions by incurring expenses satisfying the purpose of time restrictions specified by donors as follows:

Purpose restriction accomplished:

Program Services –	
Ford Foundation	\$192,708
Rockefeller Foundation	5,000
Rose Foundation	20,000
Open Society Institute	32,500
Scherman Foundation	1,458
Quixote Foundation	12,611
Skadden Arps/IPIOP Program	54,308
FCG	<u>52,250</u>
Total	\$370,835