

Electronic Privacy Information Center

Financial Statements

December 31, 2018

Electronic Privacy Information Center

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Accountants' Compilation Report

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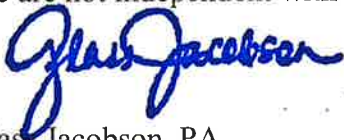
Board of Directors
Electronic Privacy Information Center
1718 Connecticut Avenue, NW
Suite 200
Washington, D.C. 20019

Accountants' Compilation Report

Dear Board Members:

Management is responsible for the accompanying financial statements of the Electronic Privacy Information Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

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



Glass Jacobson, PA
Certified Public Accountants
Rockville, MD
February 7, 2019

Electronic Privacy Information Center
Statement of Financial Position
December 31, 2018

Assets:

Cash and cash equivalents	\$ 668,046	
Investments (Note 4)	1,836,612	
Receivables	46,000	
Prepaid expenses	18,506	
Assets restricted to investment in Furniture and Equipment	<u>25,587</u>	
Total assets		<u>\$ 2,594,751</u>

Liabilities and Net Assets:

Accounts payable and accrued expenses	\$ 33,588	
Deferred rent	<u>5,899</u>	
Total liabilities		39,487
Net assets:		
Without donor restrictions		
General	\$ 1,893,555	
Board designated	661,709	
With donor restrictions	<u>-</u>	
Total net assets		<u>2,555,264</u>
Total liabilities and net assets		<u>\$ 2,594,751</u>

Electronic Privacy Information Center
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support</u>			
Contributions	\$ 1,287,060	\$ -	\$ 1,287,060
Grants and fellowship contracts	244,950	-	244,950
Other income – awards: legal fees	80,640	-	80,640
Other income – awards: Cy pres	443,843	-	443,843
Publications	2,099	-	2,099
Investment return, net	(77,984)	-	(77,984)
Net assets released from restrictions:			
Satisfaction of program restrictions	-	(-)	-
Total net assets released from restrictions	-	(-)	-
<u>Total revenues, gains and other Support</u>	<u>\$ 1,980,608</u>	<u>(\$ -)</u>	<u>\$ 1,980,608</u>
<u>Expenses and losses (Exhibit D)</u>			
Program services	\$ 1,832,966	\$ -	\$ 1,832,966
General and administrative	122,957	-	122,957
Fund raising	90,480	-	90,480
<u>Total expenses</u>	<u>\$ 2,046,403</u>	<u>\$ -</u>	<u>\$ 2,046,403</u>
<u>Change in net assets</u>	<u>(\$ 65,795)</u>	<u>\$ -</u>	<u>(\$ 65,795)</u>
<u>Net assets at beginning of year</u>	<u>\$ 2,621,059</u>	<u>\$ -</u>	<u>\$ 2,621,059</u>
<u>Net assets at end of year</u>	<u>\$ 2,555,264</u>	<u>\$ -</u>	<u>\$ 2,555,264</u>

See accompanying notes and accountants' compilation report.

Electronic Privacy Information Center
Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:

Change in net assets	(\$ 65,795)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	8,088
Unrealized loss on investments	154,784
Decrease in receivables	49,664
(Increase) in prepaid expenses	(10,139)
(Decrease) in accrued expenses	7,305
Increase in deferred rent	(1,640)
Net cash used by operating activities	<u>142,267</u>

Cash flows from investing activities:

Purchase of fixed assets	(10,787)
Purchase of investments	(415,497)
Net cash used by investing activities	<u>(426,284)</u>

Net decrease in cash and cash equivalents (284,017)

Cash and cash equivalents at beginning of year 952,063

Cash and cash equivalents at end of year \$ 668,046

Supplemental data:

 Interest paid \$ 0

Electronic Privacy Information Center
Statement of Functional Expenses
Year Ended December 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 1,011,238	\$ 73,197	\$ 56,030	\$ 1,140,465
Payroll Taxes	72,958	5,281	4,042	82,281
Employee Benefits	<u>144,004</u>	<u>8,819</u>	<u>7,222</u>	<u>160,045</u>
 Total Salaries and Employee Benefits	 \$ 1,228,200	 \$ 87,297	 \$ 67,294	 \$ 1,382,791
Depreciation Expense	\$ 7,172	\$ 519	\$ 397	\$ 8,088
Dues and Subscriptions	21,723	888	680	23,291
Fellowships	5,520	-	-	5,520
Licenses and Permits	-	6,163	-	6,163
Occupancy	127,122	9,202	7,044	143,368
Office Supplies and Expense	51,091	5,181	4,438	60,710
Postage and Delivery	7,239	492	377	8,108
Printing and Reproduction	16,676	906	693	18,275
Books and Periodicals	12,350	68	52	12,470
Professional Fees	118,720	4,478	3,428	126,626
Public Voice	83,894	-	-	83,894
Telephone	23,184	705	540	24,429
Travel, Conferences, and Meetings	<u>130,075</u>	<u>7,058</u>	<u>5,537</u>	<u>142,670</u>
 <u>Total (Exhibit B)</u>	 <u>\$ 1,832,966</u>	 <u>\$ 122,957</u>	 <u>\$ 90,480</u>	 <u>\$ 2,046,403</u>

See accompanying notes and accountants' compilation report.

Electronic Privacy Information Center
Notes to Financial Statement
December 31, 2018

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.

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. 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: net assets with donor restrictions and net assets without donor restrictions. 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 net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 Statement
December 31, 2018

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

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, 2018 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 ending December 31, 2019	\$ 130,996
Period ending April 30, 2020	<u>43,953</u>
Total	<u>\$ 174,949</u>

Total rent charged to operations for the year ended December 31, 2018 was \$138,083.

Electronic Privacy Information Center
Notes to Financial Statement
December 31, 2018

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 shown in Exhibit D of the Financial Statements.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office and occupancy costs, salaries and benefits. All of these shared costs are allocated based on salary percentages. Salary percentages are determined on the basis of estimates of time and effort.

Note 4 - Investments

The Organization's investments at December 31, 2018 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>	<u>Interest and Dividends</u>
Mutual Funds	\$ <u>1,991,396</u>	\$ <u>1,836,612</u>	(\$ <u>154,784</u>)	\$ <u>65,034</u>
Total	\$ <u>1,991,396</u>	\$ <u>1,836,612</u>	(\$ <u>154,784</u>)	\$ <u>65,034</u>

Note 5 – Employee Retirement Plans

The Organization maintains a Simplified Employee Pension Plan (the Plan) for eligible employees. Employees may elect to defer a portion of compensation immediately upon hire by enrolling in the Plan. Employees are eligible to receive an employer matching contribution equal to 100% of their deferrals up to 3% of their compensation. The total matching contribution under the Plan for the year ended December 31, 2018 was \$22,168.

Note 6 – Concentrations

The Organization receives 96% of its income from grants, contributions, program service fees, awards and legal settlements.

Electronic Privacy Information Center
Notes to Financial Statement
December 31, 2018

Note 7 – Concentration of Credit Risk

The Organization maintains one bank accounts at a financial institution located in Washington, D.C., which at times during the year exceeded the Federal Deposit Insurance Corporation limit. Management believes the risk in this situation to be minimal.

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 February 7, 2019, 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, 2018, 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.

The Organization's federal Exempt Organization Tax Returns (Form 990) for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they are filed.

NOTE 10 – Fixed Assets

Property and equipment at June 30, 2018 consisted of:

Furniture and Equipment	\$ 171,855
Less: Accumulated Depreciation	(<u>146,268</u>)
Net Fixed Assets	<u>\$ 25,587</u>

Note 11 – Voluntary Restrictions on Cash

The Organization's governing board has designated, from net assets without donor restrictions, of \$2,555,264, net assets for the following purposes at December 31, 2018.

Quasi-Endowment	<u>\$ 661,709</u>
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Electronic Privacy Information Center
Notes to Financial Statement
December 31, 2018

Note 12 - Liquidity

The following reflects the Organizations financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from the quasi-endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets, at year-end	\$ 2,555,264
Less those unavailable for general expenditure within one year, due to:	
Board Designations:	
Quasi-endowment fund, primarily for long-term investing	(<u>661,709</u>)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,893,555</u>

Note 13 - 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 Statement
December 31, 2018

Note 13 - 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, 2018 are as follows:

	<u>Fair Market Values</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual Funds	\$ <u>1,836,612</u>	\$ <u>1,836,612</u>
Total	\$ <u>1,836,612</u>	\$ <u>1,836,612</u>