



ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2015

ELECTRONIC PRIVACY INFORMATION CENTER

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DECEMBER 31, 2015**

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Independent Auditors' Report

To the Board of Directors
Electronic Privacy Information Center
Washington, D.C.

We have audited the accompanying financial statements of the Electronic Privacy Information Center (EPIC), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electronic Privacy Information Center as of December 31, 2015, and the changes 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.

Councilor, Buchanan & Mitchell, P.C.

Certified Public Accountants

Washington, D.C.
September 19, 2016



ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 414,374
Investments	1,351,428
Contributions Receivable	202,699
Accrued Interest Receivable	897
Prepaid Expenses	7,386
	<hr/>
Total Current Assets	1,976,784
Contributions Receivable, Net of Current Portion	75,000
Property and Equipment	
Furniture and Equipment	138,523
Less Accumulated Depreciation	(127,552)
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Net Property and Equipment	10,971
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Total Assets	\$ 2,062,755
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Liabilities and Net Assets	
Liabilities	
Accounts Payable and Accrued Expenses	\$ 48,481
Deferred Rent	3,314
	<hr/>
Total Liabilities	51,795
Net Assets	
Unrestricted Net Assets	
General	1,234,576
Board Designated	556,384
Temporarily Restricted - Subsequent Year's Operations	220,000
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Total Net Assets	2,010,960
	<hr/>
Total Liabilities and Net Assets	\$ 2,062,755
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See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Total
Revenues			
Grants and Contributions	\$ 659,206	\$ 220,000	\$ 879,206
Awards	107,001	-	107,001
Program Services Fees	96,106	-	96,106
Publications	57	-	57
Interest Income	69,610	-	69,610
Investment Loss	(53,788)	-	(53,788)
Net Assets Released from Restrictions	-	-	-
Total Revenues	878,192	220,000	1,098,192
Expenses			
Program Services	1,143,566	-	1,143,566
General and Administrative	95,581	-	95,581
Fundraising	121,963	-	121,963
Total Expenses	1,361,110	-	1,361,110
Change in Net Assets	(482,918)	220,000	(262,918)
Net Assets, Beginning of Year	2,273,878	-	2,273,878
Net Assets, End of Year	\$ 1,790,960	\$ 220,000	\$ 2,010,960

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 618,776	\$ 60,215	\$ 48,912	\$ 727,903
Payroll Taxes	43,687	4,431	3,652	51,770
Employee Benefits	87,717	7,948	5,858	101,523
Grants and Fellowships	53,959	-	-	53,959
Professional Fees	32,935	1,714	1,392	36,041
Occupancy	115,989	11,287	9,169	136,445
Dues and Subscriptions	11,223	926	752	12,901
Depreciation	2,777	270	220	3,267
Licenses and Permits	5,063	-	-	5,063
Postage and Delivery	7,582	683	555	8,820
Office Supplies	26,748	2,420	3,106	32,274
Printing and Reproduction	33,877	335	12,016	46,228
Books and Periodicals	8,925	84	68	9,077
Public Voice	12,197	-	-	12,197
Telephone	23,644	955	775	25,374
Travel and Conferences	58,467	4,313	35,488	98,268
Total Expenses	\$ 1,143,566	\$ 95,581	\$ 121,963	\$ 1,361,110

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities	
Change in Net Assets	\$ (262,918)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	3,267
Investment Loss	53,788
Increase in Contributions Receivable	(100,081)
Decrease in Accrued Interest Receivable	965
Increase in Prepaid Expenses	(7,166)
Increase in Accounts Payable and Accrued Expenses	14,472
Increase in Deferred Rent	3,314
	<hr/>
Net Cash Used in Operating Activities	(294,359)
Cash Flows from Investing Activities	
Purchase of Property and Equipment	(6,159)
Purchase of Investments	(93,712)
Proceeds from Sale of Investments	127,744
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Net Cash Provided by Investing Activities	27,873
Net Decrease in Cash and Cash Equivalents	(266,486)
Cash and Cash Equivalents, Beginning of Year	680,860
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Cash and Cash Equivalents, End of Year	\$ 414,374
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See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Electronic Privacy Information Center (EPIC) is a nonprofit organization incorporated under the laws of the District of Columbia on March 16, 2001. EPIC is a public interest research center and 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.

The operations of EPIC are primarily funded by grants, contributions, and special events.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Income Taxes

EPIC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

EPIC requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. EPIC does not believe its financial statements include, or reflect, any uncertain tax positions.

EPIC’s Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service generally for three years after it is filed.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and other highly liquid instruments with initial maturities of less than three months when purchased.

Investments

Investments consist of mutual funds and corporate bonds which are stated at fair market value, based on quoted prices on national exchanges.

Contributions Receivable

Contributions receivable consist primarily of amounts due from organization and individual pledges that were not received by EPIC at year end. Management reviews the collectability of the accounts on a regular basis. No reserve for doubtful accounts is deemed necessary as all amounts are deemed to be fully collectible.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

EPIC capitalizes all property and equipment acquisitions in excess of \$200. Property and equipment are recorded at cost, if purchased, or at fair value, at date of donation, if contributed. Depreciation of property and equipment is provided using the straight-line method over the estimated life of the asset.

Grants and Contributions

EPIC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

2. RETIREMENT PLAN

EPIC 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, 2015, was approximately \$17,000.

3. OPERATING LEASE

EPIC has entered into a lease (the Lease) for office space through 2020. Under the terms of the Lease, the base rent increases annually based on scheduled increases provided for in the Lease. Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the Lease. The difference between the GAAP rent expense and the required lease payments are reflected as deferred rent in the accompanying statement of financial position.

ELECTRONIC PRIVACY INFORMATION CENTER

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

3. OPERATING LEASE (CONTINUED)

Minimum future lease payments under the lease as of December 31, 2015, are as follows:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2016	\$ 123,440
2017	125,909
2018	128,427
2019	130,996
2020	43,953
Total	<u><u>\$ 552,725</u></u>

Rent expense for the year ended December 31, 2015, was approximately \$125,000.

4. CONCENTRATIONS

EPIC maintains a bank account 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.

As of December 31, 2015, two donors comprised approximately 47% of total contributions receivable. For the year ended December 31, 2015, approximately 80% of total revenue was received from grants and contributions.

5. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment (examples include certain private equity securities).

Fair value of assets measured on a recurring basis at December 31, 2015, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 1,301,290	\$ 1,301,290	\$ -	\$ -
Corporate Bonds	50,138	-	50,138	-
Total	<u><u>\$ 1,351,428</u></u>	<u><u>\$ 1,301,290</u></u>	<u><u>\$ 50,138</u></u>	<u><u>\$ -</u></u>

ELECTRONIC PRIVACY INFORMATION CENTER

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. FAIR VALUE MEASUREMENTS (CONTINUED)

EPIC's Level 2 investments are valued based on readily available pricing sources for comparable investments.

6. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 19, 2016, which is the date the financial statements were available to be issued.