



ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2017

ELECTRONIC PRIVACY INFORMATION CENTER

**TABLE OF CONTENTS
DECEMBER 31, 2017**

	<u>Pages</u>
Independent Auditors' Report.....	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities.....	6
Statement of Functional Expenses.....	7
Statement of Cash Flows	8
Notes to Financial Statements.....	9-12



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600
(F) 301.986.0432

2100 PENNSYLVANIA AVENUE, NW
SUITE 580
WASHINGTON, DC 20037
(T) 202.822.0717

Independent Auditors' Report

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

We have audited the accompanying financial statements of Electronic Privacy Information Center (EPIC), which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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.



To the Board of Directors
Electronic Privacy Information Center

Report on Summarized Comparative Information

We have previously audited EPIC's 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
October 29, 2018

Certified Public Accountants

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 952,063	\$ 499,818
Investments	1,575,899	1,402,529
Contributions Receivable	95,664	419,848
Prepaid Expenses	8,367	8,008
Total Current Assets	2,631,993	2,330,203
Property and Equipment		
Furniture and Equipment	161,068	151,077
Less Accumulated Depreciation	(138,180)	(131,917)
Net Property and Equipment	22,888	19,160
Total Assets	\$ 2,654,881	\$ 2,349,363
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 26,283	\$ 41,896
Deferred Rent	7,539	6,661
Deferred Revenue	-	25,000
Total Liabilities	33,822	73,557
Net Assets		
Unrestricted Net Assets		
General	1,904,499	1,574,860
Board Designated	681,560	620,946
Temporarily Restricted - Subsequent Year's Operations	35,000	80,000
Total Net Assets	2,621,059	2,275,806
Total Liabilities and Net Assets	\$ 2,654,881	\$ 2,349,363

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues				
Grants and Contributions	\$ 698,899	\$ 35,000	\$ 733,899	\$ 682,437
Awards	826,423	-	826,423	868,939
Program Services Fees	114,107	-	114,107	40,145
Publications	2,435	-	2,435	8,038
Interest Income	69,334	-	69,334	54,695
Investment Gains	155,795	-	155,795	97,645
Other Income	-	-	-	967
Net Assets Released from Restrictions	80,000	(80,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	1,946,993	(45,000)	1,901,993	1,752,866
Expenses				
Program Services	1,361,422	-	1,361,422	1,322,014
Management and General	90,580	-	90,580	99,712
Fundraising	104,738	-	104,738	66,294
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	1,556,740	-	1,556,740	1,488,020
Change in Net Assets	390,253	(45,000)	345,253	264,846
Net Assets, Beginning of Year	2,195,806	80,000	2,275,806	2,010,960
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 2,586,059</u>	<u>\$ 35,000</u>	<u>\$ 2,621,059</u>	<u>\$ 2,275,806</u>

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries	\$ 714,062	\$ 54,967	\$ 40,382	\$ 809,411	\$ 831,429
Payroll Taxes	50,870	3,211	2,847	56,928	57,675
Employee Benefits	103,341	8,551	5,847	117,739	119,701
Grants and Fellowships	26,000	-	-	26,000	28,040
Professional Fees	83,006	3,108	4,834	90,948	46,901
Occupancy	122,273	9,412	6,915	138,600	146,625
Dues and Subscriptions	26,950	1,329	975	29,254	14,509
Depreciation	5,525	425	312	6,262	4,366
Licenses and Permits	-	80	-	80	2,437
Postage and Delivery	6,563	434	319	7,316	8,979
Office Supplies	41,629	4,256	4,851	50,736	46,057
Printing and Reproduction	9,252	474	348	10,074	11,912
Books and Periodicals	18,531	586	431	19,548	11,781
Public Voice	71,585	-	-	71,585	23,467
Telephone	20,421	500	367	21,288	26,027
Travel and Conferences	61,414	3,247	36,310	100,971	108,114
Total Expenses	\$ 1,361,422	\$ 90,580	\$ 104,738	\$ 1,556,740	\$ 1,488,020

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 345,253	\$ 264,846
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	6,262	4,366
Investment Gains	(155,795)	(97,645)
Decrease (Increase) in Contributions Receivable	324,184	(142,149)
Decrease in Accrued Interest Receivable	-	897
Increase in Prepaid Expenses	(359)	(622)
Decrease in Accounts Payable and Accrued Expenses	(15,613)	(6,585)
Increase in Deferred Rent	878	3,347
(Decrease) Increase in Deferred Revenue	(25,000)	25,000
Net Cash Provided by Operating Activities	479,810	51,455
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(9,991)	(12,554)
Purchase of Investments	(67,574)	(53,457)
Proceeds from Sale of Investments	50,000	100,000
Net Cash (Used in) Provided by Investing Activities	(27,565)	33,989
Net Increase in Cash and Cash Equivalents	452,245	85,444
Cash and Cash Equivalents, Beginning of Year	499,818	414,374
Cash and Cash Equivalents, End of Year	\$ 952,063	\$ 499,818

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 awards.

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 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 and Cy Pres/Court Awards 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, 2017

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 years ended December 31, 2017 and 2016, was approximately \$15,000 and \$19,000, respectively.

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, 2017**

3. OPERATING LEASE (CONTINUED)

Minimum future lease payments under the lease as of December 31, 2017, are as follows:

For the Years Ending December 31,

2018	\$ 128,427
2019	130,996
2020	<u>43,953</u>
Total	<u><u>\$ 303,376</u></u>

Rent expense for the years ended December 31, 2017 and 2016, was \$130,674 and \$144,643, respectively.

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, 2017 and 2016, two donors comprised approximately 37% and 19% of total contributions receivable, respectively. For the years ended December 31, 2017 and 2016, approximately 39% of total revenue was received from grants and contributions, each year.

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, 2017, are as follows:

	Fair Value	Level 1	Level 2	Level 3
Mutual Funds				
Stock Funds	\$ 1,300,869	\$ 1,300,869	\$ -	\$ -
Bond Funds	<u>275,030</u>	<u>275,030</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 1,575,899</u></u>	<u><u>\$ 1,575,899</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis at December 31, 2016, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds				
Stock Funds	\$ 1,140,283	\$ 1,140,283	\$ -	\$ -
Bond Funds	262,246	262,246	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,402,529</u>	<u>\$ 1,402,529</u>	<u>\$ -</u>	<u>\$ -</u>

6. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 29, 2018, which is the date the financial statements were available to be issued.