



ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2020

ELECTRONIC PRIVACY INFORMATION CENTER

**TABLE OF CONTENTS
DECEMBER 31, 2020**

	<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	9-13

Independent Auditors' Report

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, 2020, 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, 2020, 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.

Board of Directors
Electronic Privacy Information Center

Report on Summarized Comparative Information

We have previously audited EPIC's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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.
July 15, 2021

Certified Public Accountants

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2019)

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 835,180	\$ 178,755
Investments	1,298,730	984,160
Accounts Receivable	68,330	63,686
Contributions Receivable	56,035	60,000
Prepaid Expenses	249	17,968
Security Deposit	-	7,931
Total Current Assets	2,258,524	1,312,500
Fixed Assets		
Land	1,339,779	1,339,779
Building	2,009,669	2,009,669
Furniture and Equipment	81,502	77,238
	3,430,950	3,426,686
Less Accumulated Depreciation	(169,101)	(93,012)
Total Fixed Assets	3,261,849	3,333,674
Intangible Asset	-	39,226
Total Assets	\$ 5,520,373	\$ 4,685,400
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 41,589	\$ 56,835
Refundable Advance	-	1,143
Deferred Rent	-	1,690
Loan Payable, Current Portion	67,527	64,561
Loan Payable, Net of Current Portion	1,734,169	1,804,528
Total Liabilities	1,843,285	1,928,757
Net Assets		
Without Donor Restrictions		
General	2,824,454	1,892,271
Board Designated	842,054	673,512
With Donor Restrictions	10,580	190,860
Total Net Assets	3,677,088	2,756,643
Total Liabilities and Net Assets	\$ 5,520,373	\$ 4,685,400

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues				
Grants and Contributions	\$ 2,643,682	\$ 99,193	\$ 2,742,875	\$ 2,148,036
Donated Services	-	-	-	25,000
Awards	60,780	-	60,780	15,291
Program Services Fees	135,001	-	135,001	11,500
Publications	3,015	-	3,015	2,394
Other Income	25,000	-	25,000	-
Interest Income	37,596	-	37,596	57,192
Net Assets Released from Restrictions	279,473	(279,473)	-	-
Total Revenues	3,184,547	(180,280)	3,004,267	2,259,413
Expenses				
Program Services	1,886,472	-	1,886,472	1,940,492
Management and General	195,429	-	195,429	140,365
Fundraising	60,720	-	60,720	152,274
Total Expenses	2,142,621	-	2,142,621	2,233,131
Change in Net Assets from Operations	1,041,926	(180,280)	861,646	26,282
Net Investment Income	70,197	-	70,197	283,958
Impairment Loss	(11,398)	-	(11,398)	(100,735)
Change in Net Assets	1,100,725	(180,280)	920,445	209,505
Net Assets, Beginning of Year	2,565,783	190,860	2,756,643	2,547,138
Net Assets, End of Year	\$ 3,666,508	\$ 10,580	\$ 3,677,088	\$ 2,756,643

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries	\$ 1,014,845	\$ 119,343	\$ 36,393	\$ 1,170,581	\$ 1,223,066
Payroll Taxes	82,919	9,676	2,940	95,535	93,016
Employee Benefits	143,772	14,815	5,654	164,241	189,312
Grants and Fellowships	16,334	-	2,183	18,517	41,040
Professional Fees	205,600	7,159	-	212,759	47,192
Occupancy	65,171	7,664	2,337	75,172	129,721
Dues and Subscriptions	41,376	4,866	1,484	47,726	36,815
Depreciation	65,966	7,757	2,366	76,089	48,233
Licenses and Permits	4,188	-	-	4,188	3,494
Postage and Delivery	4,346	511	156	5,013	13,228
Property Taxes	42,889	5,044	1,538	49,471	-
Office Supplies	43,201	5,033	1,533	49,767	88,904
Printing and Reproduction	4,368	514	157	5,039	15,667
Books and Periodicals	-	-	-	-	5,460
Public Voice	35,495	-	-	35,495	98,531
Telephone	27,241	3,204	977	31,422	29,269
Interest Expense	73,756	8,674	2,645	85,075	45,007
Travel and Conferences	15,005	1,169	357	16,531	125,176
Total Expenses	\$ 1,886,472	\$ 195,429	\$ 60,720	\$ 2,142,621	\$ 2,233,131

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 920,445	\$ 209,505
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	76,089	48,233
Net Investment Gains	(70,197)	(283,958)
Impairment Loss	11,398	100,735
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(4,644)	(63,686)
Contributions Receivable	3,965	(14,000)
Prepaid Expenses	17,719	538
Security Deposit	7,931	(7,931)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(15,247)	15,121
Refundable Advance	(1,143)	1,143
Deferred Rent	(1,690)	(4,209)
Net Cash Provided by Operating Activities	944,626	1,491
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(4,264)	(3,356,320)
Purchase of Investments	(281,772)	(1,048,507)
Proceeds from Sale of Investments	65,228	2,044,956
Net Cash Used in Investing Activities	(220,808)	(2,359,871)
Cash Flows from Financing Activities		
Proceeds from Loans Payable	-	2,000,000
Payments on Loan Payable	(67,393)	(130,911)
Net Cash (Used in) Provided by Financing Activities	(67,393)	1,869,089
Net Increase (Decrease) in Cash and Cash Equivalents	656,425	(489,291)
Cash and Cash Equivalents, Beginning of Year	178,755	668,046
Cash and Cash Equivalents, End of Year	\$ 835,180	\$ 178,755
Supplementary Disclosure of Cash Flow Information		
Cash Paid during the Year for Interest	\$ 85,075	\$ 45,007
Noncash Transaction from Investing Activities		
Disposal of Fully Depreciated Fixed Assets	\$ -	\$ 101,490

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, awards, and program services fees.

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.

Financial Statement Presentation

EPIC has presented its financial statements in accordance with U.S. Generally Accepted Accounting Principles. Under those principles, EPIC is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* - resources are available for general operations and resources designated by EPIC's Board of Directors for approved expenditures.
- *Net Assets With Donor Restrictions* - resources that are subject to donor-imposed restrictions. Restrictions expire either by passage of time or fulfillment of purpose by actions of EPIC.

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.

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 filing.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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.

Accounts Receivable

Accounts receivable consists primarily of funds from program services not received by year end. Accordingly, an allowance for doubtful accounts has not been established.

Contributions Receivable

EPIC records contributions receivable at estimated net realizable value. EPIC reviews the collectability of the receivables on a regular basis; no reserve for doubtful accounts has been established because management expects to collect receivables in full.

Fixed Assets

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.

Revenue Recognition

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. Donor-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, with donor-restricted net assets are reclassified to without donor-restricted net assets and reported in the statement of activities as net assets released from restrictions.

Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Assets received in a conditional contribution are reported as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by EPIC.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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 functional expenses. 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, but not limited to, 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.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

EPIC's cash flows have seasonal variations due to the timing of grants, contributions, program revenues, and vendor payments. EPIC manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in short-term investments.

The following reflects EPIC's financial assets as of December 31, 2020, reduced by amounts not available for general operating expenditure within one year:

Total Assets	\$ 5,520,373
Less Amounts Not Available for General Operating Expenditure	
Prepaid Expenses	(249)
Fixed Assets, Net	(3,261,849)
Board-Designated Net Assets	(842,054)
Donor-Restricted Net Assets	<u>(10,580)</u>
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 1,405,641</u>

3. 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, 2020, was approximately \$27,000.

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.

For the year ended December 31, 2020, approximately 80% of grants and contributions revenue was from one donor. For the year ended December 31, 2020, approximately 90% of total revenue were from grants and contributions.

ELECTRONIC PRIVACY INFORMATION CENTER

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

5. PPP LOAN

During 2020, EPIC received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$245,100. PPP provides cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. The loan may be forgiven by the SBA if organizations maintain their workforce and meet certain requirements. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven.

During 2020, EPIC met the terms of the loan forgiveness. EPIC is accounting for the loan as a contribution and the amount is included in grants and contributions on the statement of activities.

6. 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, 2020, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stock Funds	\$ 896,753	\$ 896,753	\$ -	\$ -
Bond Funds	401,977	401,977	-	-
Total	<u>\$ 1,298,730</u>	<u>\$ 1,298,730</u>	<u>\$ -</u>	<u>\$ -</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, net assets with donor restrictions were available for the following purpose.

<u>Purpose</u>	<u>Amount</u>
Fellowship/Summer Program	\$ 10,580
Total Net Assets With Donor Restrictions	<u>\$ 10,580</u>

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the year ended December 31, 2020, net assets were released from restrictions as follows:

<u>Purpose</u>	<u>Amount</u>
Time Restricted	\$ 60,000
AI Policy and Human Rights	130,860
Fellowship/Summer Program	<u>88,613</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 279,473</u>

8. LOAN PAYABLE

During 2019, EPIC entered into a \$2,000,000 loan with a commercial bank to finance part of the cost of an office building. The loan bears interest at 4.50 percent per year. The loan is secured by a deed of trust dated June 26, 2019 on the real property. The loan requires monthly payments of \$12,653 with the remaining balance due at maturity on June 26, 2029. The balance outstanding as of December 31, 2020, was approximately \$1,802,000.

The future scheduled payments due on the loan payable are as follows:

For the Years Ending December 31,

2021	\$ 67,527
2022	70,629
2023	73,874
2024	77,268
2025	80,817
Thereafter	<u>1,431,581</u>
Total	<u>\$ 1,801,696</u>

9. CONTINGENCIES

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and not-for-profits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

10. SUBSEQUENT EVENTS

Subsequent to the year end, EPIC applied for forgiveness of the Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) (see Note 5).

Subsequent events were evaluated through July 15, 2021, which is the date the financial statements were available to be issued.