



ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2021

ELECTRONIC PRIVACY INFORMATION CENTER

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DECEMBER 31, 2021**

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Electronic Privacy Information Center (EPIC), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EPIC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EPIC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EPIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EPIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited EPIC's 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
September 1, 2022

Certified Public Accountants

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 730,963	\$ 835,180
Investments	2,182,586	1,298,730
Accounts Receivable	-	68,330
Contributions Receivable	-	56,035
Prepaid Expenses	589	249
Deposit - Other	65,976	-
Total Current Assets	2,980,114	2,258,524
Fixed Assets		
Land	1,339,779	1,339,779
Building	2,009,669	2,009,669
Building Improvements	200,544	-
Website	149,224	-
Furniture and Equipment	84,679	81,502
	3,783,895	3,430,950
Less Accumulated Depreciation	(256,563)	(169,101)
Total Fixed Assets	3,527,332	3,261,849
Total Assets	\$ 6,507,446	\$ 5,520,373
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 167,781	\$ 41,589
Loan Payable	73,683	67,527
Total Current Liabilities	241,464	109,116
Loan Payable , Net of Current Portion	1,656,901	1,734,169
Total Liabilities	1,898,365	1,843,285
Net Assets		
Without Donor Restrictions		
General	3,131,356	2,824,454
Board Designated	1,420,452	842,054
With Donor Restrictions	57,273	10,580
Total Net Assets	4,609,081	3,677,088
Total Liabilities and Net Assets	\$ 6,507,446	\$ 5,520,373

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues				
Grants and Contributions	\$ 426,947	\$ 110,000	\$ 536,947	\$ 2,742,875
Awards	909,910	-	909,910	60,780
Program Services Fees	161,751	-	161,751	135,001
Publications	2,386	-	2,386	3,015
Other Income	-	-	-	25,000
Interest Income	67,167	-	67,167	37,596
Net Assets Released from Restrictions	63,307	(63,307)	-	-
Total Revenues	1,631,468	46,693	1,678,161	3,004,267
Expenses				
Program Services	1,907,836	-	1,907,836	1,886,472
Management and General	166,966	-	166,966	195,429
Fundraising	126,780	-	126,780	60,720
Total Expenses	2,201,582	-	2,201,582	2,142,621
Change in Net Assets from Operations	(570,114)	46,693	(523,421)	861,646
Net Investment Income	180,414	-	180,414	70,197
Gain on Sale of Domain Name	1,275,000	-	1,275,000	-
Impairment Loss	-	-	-	(11,398)
Change in Net Assets	885,300	46,693	931,993	920,445
Net Assets, Beginning of Year	3,666,508	10,580	3,677,088	2,756,643
Net Assets, End of Year	\$ 4,551,808	\$ 57,273	\$ 4,609,081	\$ 3,677,088

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries	\$ 1,200,029	\$ 107,323	\$ 62,501	\$ 1,369,853	\$ 1,170,581
Payroll Taxes	94,003	8,351	4,865	107,219	95,535
Employee Benefits	177,619	16,569	9,718	203,906	164,241
Grants and Fellowships	20,020	-	-	20,020	18,517
Professional Fees	79,628	5,861	6,183	91,672	212,759
Occupancy	7,807	698	407	8,912	75,172
Dues and Subscriptions	33,322	2,925	1,704	37,951	47,726
Depreciation	76,620	6,852	3,991	87,463	76,089
Licenses and Permits	3,113	-	-	3,113	4,188
Postage and Delivery	1,724	154	90	1,968	5,013
Property Taxes	42,381	3,790	2,207	48,378	49,471
Office Supplies	55,932	5,001	2,910	63,843	49,767
Printing and Reproduction	3,312	297	172	3,781	5,039
Public Voice	7,514	-	-	7,514	35,495
Telephone	23,612	2,112	1,230	26,954	31,422
Interest Expense	70,794	6,331	3,687	80,812	85,075
Travel and Conferences	10,406	702	27,115	38,223	16,531
Total Expenses	\$ 1,907,836	\$ 166,966	\$ 126,780	\$ 2,201,582	\$ 2,142,621

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ 931,993	\$ 920,445
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	87,463	76,089
Gain on Sale of Domain Name	(1,275,000)	-
Net Investment Gains	(180,414)	(70,197)
Impairment Loss	-	11,398
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	68,330	(4,644)
Contributions Receivable	56,035	3,965
Prepaid Expenses	(340)	17,719
Deposit - Other	(65,976)	-
Security Deposit	-	7,931
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	126,192	(15,247)
Refundable Advance	-	(1,143)
Deferred Rent	-	(1,690)
Net Cash (Used in) Provided by Operating Activities	(251,717)	944,626
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(352,945)	(4,264)
Purchase of Investments	(636,374)	(281,772)
Sales of Investments	(67,069)	-
Proceeds from Sale of Domain Name	1,275,000	65,228
Net Cash Provided by (Used in) Investing Activities	218,612	(220,808)
Cash Flows from Financing Activities		
Payments on Loan Payable	(71,112)	(67,393)
Net Cash Used in Financing Activities	(71,112)	(67,393)
Net (Decrease) Increase in Cash and Cash Equivalents	(104,217)	656,425
Cash and Cash Equivalents, Beginning of Year	835,180	178,755
Cash and Cash Equivalents, End of Year	\$ 730,963	\$ 835,180
Supplementary Disclosure of Cash Flow Information		
Cash Paid during the Year for Interest	\$ 80,812	\$ 85,075

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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.

Awards and program services fees are recognized as revenue at a point in time when there is a final court order indicating a specific payment amount is due to EPIC.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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.

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, 2021, reduced by amounts not available for general operating expenditure within one year:

Total Assets	\$ 6,507,446
Less Amounts Not Available for General Operating Expenditures	
Prepaid Expenses	(589)
Fixed Assets, Net	(3,527,332)
Deposit - Other	(65,976)
Board-Designated Net Assets	(1,420,452)
Donor-Restricted Net Assets	<u>(57,273)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 1,435,824</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, 2021, was approximately \$37,000.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. CONCENTRATION AND CREDIT RISK

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.

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, 2021, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stock Funds	\$ 1,491,746	\$ 1,491,746	\$ -	\$ -
Bond Funds	690,840	690,840	-	-
Total	<u>\$ 2,182,586</u>	<u>\$ 2,182,586</u>	<u>\$ -</u>	<u>\$ -</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021, net assets with donor restrictions were available for the following purpose.

<u>Purpose</u>	<u>Amount</u>
Fellowship Program	\$ 2,273
Time Restricted	55,000
Total Net Assets With Donor Restrictions	<u>\$ 57,273</u>

During the year ended December 31, 2021, net assets were released from restrictions as follows:

<u>Purpose</u>	<u>Amount</u>
Fellowship Program	\$ 63,307
Total Net Assets Released from Donor Restrictions	<u>\$ 63,307</u>

ELECTRONIC PRIVACY INFORMATION CENTER

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. 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, 2021, was approximately \$1,731,000.

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

For the Years Ending December 31,

2022	\$ 73,683
2023	73,874
2024	77,268
2025	80,817
2026	84,530
Thereafter	<u>1,340,412</u>
Total	<u>\$ 1,730,584</u>

8. SALE OF DOMAIN NAME

In February 2021, EPIC signed a transfer agreement (the agreement) to sell the name of a domain of which EPIC was the registrant. In accordance with the agreement, the sale price of the domain name totaled \$1,500,000. A portion of the sale price was used to pay for broker fees of \$225,000. EPIC received cash proceeds from the sale totaling \$1,275,000 and the amount is shown as gain on sale of domain name in the statement of activities for the year ended December 31, 2021.

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 was named one of the remainder beneficiaries of an irrevocable trust. The trust assets will be recognized as income at the time an unassailable right to the gift has been established and proceeds are measurable.

Subsequent events were evaluated through September 1, 2022, which is the date the financial statements were available to be issued.