



ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2023

ELECTRONIC PRIVACY INFORMATION CENTER

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DECEMBER 31, 2023**

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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, 2023, 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, 2023, 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 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.

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

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 23, 2024

Certified Public Accountants

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 712,981	\$ 954,741
Investments	1,392,061	590,641
Accounts Receivable	-	4,214
Contributions Receivable	131,279	39,770
Accrued Interest	9,912	-
Prepaid Expenses	603	582
Deposits	18,600	33,760
Total Current Assets	2,265,436	1,623,708
Fixed Assets		
Land	1,339,779	1,339,779
Building	2,009,669	2,009,669
Building Improvements	800,579	793,629
Website	149,224	149,224
Furniture and Equipment	148,906	148,906
	4,448,157	4,441,207
Less Accumulated Depreciation	(518,259)	(354,642)
Total Fixed Assets	3,929,898	4,086,565
Total Assets	\$ 6,195,334	\$ 5,710,273
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 45,643	\$ 42,368
Loan Payable	77,268	73,874
Refundable Advance	-	847
Total Current Liabilities	122,911	117,089
Loan Payable, Net of Current Portion	1,500,997	1,582,284
Total Liabilities	1,623,908	1,699,373
Net Assets		
Without Donor Restrictions	4,496,426	4,010,900
With Donor Restrictions	75,000	-
Total Net Assets	4,571,426	4,010,900
Total Liabilities and Net Assets	\$ 6,195,334	\$ 5,710,273

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues				
Grants and Contributions	\$ 2,759,401	\$ 307,000	\$ 3,066,401	\$ 1,003,857
Awards	594,511	-	594,511	1,485,127
Program Services Fees	55,000	-	55,000	-
Publications	597	-	597	1,362
Interest Income	59,972	-	59,972	36,735
Net Assets Released from Restrictions	232,000	(232,000)	-	-
Total Revenues	3,701,481	75,000	3,776,481	2,527,081
Expenses				
Program Services	2,743,783	-	2,743,783	2,399,626
Management and General	269,687	-	269,687	179,962
Fundraising	297,247	-	297,247	327,994
Total Expenses	3,310,717	-	3,310,717	2,907,582
Change in Net Assets from Operations	390,764	75,000	465,764	(380,501)
Net Investment Income (Loss)	94,762	-	94,762	(217,680)
Change in Net Assets	485,526	75,000	560,526	(598,181)
Net Assets, Beginning of Year	4,010,900	-	4,010,900	4,609,081
Net Assets, End of Year	\$ 4,496,426	\$ 75,000	\$ 4,571,426	\$ 4,010,900

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Salaries	\$ 1,745,825	\$ 174,401	\$ 117,563	\$ 2,037,789	\$1,628,909
Payroll Taxes	137,542	12,981	8,510	159,033	128,485
Employee Benefits	291,246	28,541	19,584	339,371	265,591
Professional Fees	111,675	11,581	42,297	165,553	324,126
Occupancy	29,877	2,985	2,012	34,874	25,116
Dues and Subscriptions	39,320	3,928	2,648	45,896	40,127
Depreciation	140,175	14,003	9,439	163,617	147,666
Licenses and Permits	10,258	-	-	10,258	8,675
Postage and Delivery	3,497	349	236	4,082	4,793
Property Taxes	34,838	3,480	2,346	40,664	41,096
Office Supplies	36,800	5,889	2,022	44,711	93,466
Printing and Reproduction	12,084	1,207	814	14,105	6,553
Public Voice	7,647	-	-	7,647	8,581
Telephone	25,154	2,513	1,694	29,361	17,483
Interest Expense	64,910	6,484	4,371	75,765	77,708
Travel and Conferences	52,935	1,345	83,711	137,991	89,207
Total Expenses	\$ 2,743,783	\$ 269,687	\$ 297,247	\$ 3,310,717	\$ 2,907,582

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 560,526	\$ (598,181)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation	163,617	147,666
Net Investment (Gain) Loss	(94,762)	217,680
Proceeds from Sale of Donated Stock	1,326,513	-
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	4,214	(4,214)
Contributions Receivable	(91,509)	(39,770)
Accrued Interest	(9,912)	-
Prepaid Expenses	(21)	7
Deposits	15,160	32,216
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	3,275	(125,413)
Refundable Advance	(847)	847
	1,876,254	(369,162)
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(6,950)	(706,899)
Purchase of Investments	(2,656,215)	(38,037)
Sales of Investments	623,044	1,412,302
	(2,040,121)	667,366
Cash Flows from Financing Activities		
Payments on Loan Payable	(77,893)	(74,426)
	(77,893)	(74,426)
Net (Decrease) Increase in Cash and Cash Equivalents	(241,760)	223,778
Cash and Cash Equivalents, Beginning of Year	954,741	730,963
Cash and Cash Equivalents, End of Year	\$ 712,981	\$ 954,741
Supplementary Disclosure of Cash Flow Information		
Cash Paid during the Year for Interest	\$ 75,765	\$ 77,708

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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.

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. As of December 31, 2023, EPIC did not have any Board designated funds.
- *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.

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.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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 awards 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.

Deposits

Deposits consist of cash payments made by December 31, 2023, for meeting expenses which will be taking place in 2024.

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. Conditional contributions of approximately \$28,400 as of December 31, 2023, will be recognized as revenue when the conditions are met.

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, 2023

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

Revenue Recognition (Continued)

Bequests are recognized at the time an unassailable right to the gift has been established and proceeds are measurable. EPIC is one of the remainder beneficiaries of an irrevocable trust. In 2023, EPIC received full distribution of approximately \$2,162,000, which consisted of cash and investment securities. The amount is included in grants and contributions on the statement of activities.

Donated Assets

Donated stock and other noncash donations are recorded as contributions at their fair values at dates of donation. For the year ended December 31, 2023, donated stock and other noncash donations totaled approximately \$2,100,000.

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. ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 326

During the year ended December 31, 2023, EPIC adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. All assets that fall within the scope of ASU 2016-13 were evaluated to determine if the measurement of expected credit losses is material. The effect of the adoption was not material to the financial statements.

3. 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.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The following reflects EPIC's financial assets as of December 31, 2023, reduced by amounts not available for general operating purposes:

Total Assets	\$ 6,195,334
Less Amounts Not Available for General Operating Expenditures	
Prepaid Expenses	(603)
Deposits	(18,600)
Fixed Assets, Net	(3,929,898)
Donor-Restricted Net Assets	<u>(75,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 2,171,233</u>

4. RETIREMENT PLAN

EPIC maintains a Pooled Employer 401K Plan (the Plan). Employees who have attained age 21 and have one year of service with a minimum of 1,000 working hours per year are eligible to participate in the Plan. EPIC makes discretionary nonelective profit sharing contributions to the Plan. In addition, EPIC has adopted a qualified automatic "safe harbor" matching contribution. Employees are eligible to receive an employer safe harbor matching contribution equal to 100% of the employee's elective contributions to the Plan that do not exceed 1% of their compensation plus 50% of the employee's contribution that exceed 1% but do not exceed 6% of their compensation. The total matching contribution under the Plan for the year ended December 31, 2023, was approximately \$45,000.

5. 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.

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).

ELECTRONIC PRIVACY INFORMATION CENTER

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis at December 31, 2023, are as follows:

	Fair Value	Level 1	Level 2	Level 3
Stock Funds	\$ 552,476	\$ 552,476	\$ -	\$ -
Bond Funds	839,585	-	839,585	-
Total	\$ 1,392,061	\$ 552,476	\$ 839,585	\$ -

7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023, net assets with donor restrictions were available for the following purpose.

Purpose	Amount
Advocacy and Education	\$ 75,000
Total Net Assets With Donor Restrictions	\$ 75,000

During the year ended December 31, 2023, net assets were released from restrictions as follows:

Purpose	Amount
Fellowship Program	\$ 57,000
Advocacy and Education	175,000
Total Net Assets Released from Donor Restrictions	\$ 232,000

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, 2023, was approximately \$1,578,000.

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

<u>For the Years Ending December 31,</u>	
2024	\$ 77,268
2025	80,817
2026	84,530
2027	88,413
2028	92,475
Thereafter	1,154,762
Total	\$ 1,578,265

9. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 23, 2024, which is the date the financial statements were available to be issued.