



ELECTRONIC PRIVACY INFORMATION CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2018

ELECTRONIC PRIVACY INFORMATION CENTER

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DECEMBER 31, 2018**

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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 Electronic Privacy Information Center (EPIC), which comprise the statement of financial position as of December 31, 2018, 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, 2018, 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

Emphasis of Matter

As noted in Note 2 of the financial statements, EPIC adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited EPIC's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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.
April 1, 2019

Certified Public Accountants

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 668,046	\$ 952,063
Investments	1,836,612	1,575,899
Contributions Receivable	46,000	95,664
Prepaid Expenses	18,506	8,367
Total Current Assets	2,569,164	2,631,993
Property and Equipment		
Furniture and Equipment	171,855	161,068
Less Accumulated Depreciation	(146,268)	(138,180)
Net Property and Equipment	25,587	22,888
Total Assets	\$ 2,594,751	\$ 2,654,881
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 41,714	\$ 26,283
Deferred Rent	5,899	7,539
Total Liabilities	47,613	33,822
Net Assets		
Without Donor Restrictions		
General	1,885,429	1,904,499
Board Designated	661,709	681,560
With Donor Restrictions - Subsequent Year's Operations	-	35,000
Total Net Assets	2,547,138	2,621,059
Total Liabilities and Net Assets	\$ 2,594,751	\$ 2,654,881

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenues				
Grants and Contributions	\$ 1,532,010	\$ -	\$ 1,532,010	\$ 733,899
Awards	443,842	-	443,842	826,423
Program Services Fees	80,640	-	80,640	114,107
Publications	2,099	-	2,099	2,435
Interest Income	76,800	-	76,800	69,334
Investment (Losses) Gains	(154,784)	-	(154,784)	155,795
Net Assets Released from Restrictions	35,000	(35,000)	-	-
Total Revenues	2,015,607	(35,000)	1,980,607	1,901,993
Expenses				
Program Services	1,840,170	-	1,840,170	1,361,422
Management and General	123,478	-	123,478	90,580
Fundraising	90,879	-	90,879	104,738
Total Expenses	2,054,528	-	2,054,528	1,556,740
Change in Net Assets	(38,921)	(35,000)	(73,921)	345,253
Net Assets, Beginning of Year	2,586,059	35,000	2,621,059	2,275,806
Net Assets, End of Year	\$ 2,547,138	\$ -	\$ 2,547,138	\$ 2,621,059

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Salaries	\$ 1,011,238	\$ 73,197	\$ 56,030	\$ 1,140,465	\$ 809,411
Payroll Taxes	72,958	5,281	4,042	82,281	56,928
Employee Benefits	144,004	8,819	7,222	160,045	117,739
Grants and Fellowships	5,520	-	-	5,520	26,000
Professional Fees	118,720	4,478	3,428	126,626	90,948
Occupancy	134,326	9,723	7,443	151,493	138,600
Dues and Subscriptions	21,723	888	680	23,291	29,254
Depreciation	7,172	520	397	8,089	6,262
Licenses and Permits	-	6,163	-	6,163	80
Postage and Delivery	7,239	492	377	8,108	7,316
Office Supplies	51,091	5,180	4,438	60,709	50,736
Printing and Reproduction	16,676	906	693	18,275	10,074
Books and Periodicals	12,350	68	52	12,470	19,548
Public Voice	83,894	-	-	83,894	71,585
Telephone	23,184	705	540	24,429	21,288
Travel and Conferences	130,075	7,058	5,537	142,670	100,971
Total Expenses	\$ 1,840,170	\$ 123,478	\$ 90,879	\$ 2,054,528	\$ 1,556,740

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (73,921)	\$ 345,253
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	8,089	6,262
Investment Losses (Gains)	154,784	(155,795)
Decrease in Contributions Receivable	49,664	324,184
Increase in Prepaid Expenses	(10,139)	(359)
Increase (Decrease) in Accounts Payable and Accrued Expenses	15,431	(15,613)
(Decrease) Increase in Deferred Rent	(1,640)	878
Decrease in Deferred Revenue	-	(25,000)
Net Cash Provided by Operating Activities	142,268	479,810
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(10,788)	(9,991)
Purchase of Investments	(415,497)	(67,574)
Proceeds from Sale of Investments	-	50,000
Net Cash Used in Investing Activities	(426,285)	(27,565)
Net (Decrease) Increase in Cash and Cash Equivalents	(284,017)	452,245
Cash and Cash Equivalents, Beginning of Year	952,063	499,818
Cash and Cash Equivalents, End of Year	\$ 668,046	\$ 952,063

See accompanying Notes to Financial Statements.

ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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. 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.

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.

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. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU made improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net assets classification requirements and the information presented about a not-for-profit's liquidity and availability of resources. The ASU became effective for fiscal years beginning after December 15, 2017. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. EPIC implemented this ASU effective for its fiscal year ended December 31, 2018.

ELECTRONIC PRIVACY INFORMATION CENTER

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

The following reflects EPIC's financial assets as of December 31, 2018, reduced by amounts not available for general operating expenditure within one year:

Total Assets	\$ 2,594,751
Less Amounts Not Available for General Operating Expenditure	
Board-Designated Net Assets	(661,709)
Fixed Assets, Net	<u>(25,587)</u>
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 1,907,455</u>

4. 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, 2018 and 2017, was approximately \$22,000 and \$15,000, respectively.

5. OPERATING LEASE

EPIC has a lease (the Lease) for office space through April 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.

Minimum future lease payments under the lease as of December 31, 2018, are as follows:

For the Years Ending December 31,

2019	\$ 130,996
2020	<u>43,953</u>
Total	<u>\$ 174,949</u>

Rent expense for the years ended December 31, 2018 and 2017, was \$146,208 and \$130,674, respectively.

6. 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.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. CONCENTRATIONS (CONTINUED)

For the year ended December 31, 2018, approximately 64% of grants and contributions revenue was from one donor. For the years ended December 31, 2018 and 2017, approximately 77% and 39%, respectively, of total revenue were from grants and contributions.

7. 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, 2018, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds				
Stock Funds	\$ 1,563,601	\$ 1,563,601	\$ -	\$ -
Bond Funds	273,011	273,011	-	-
Total	\$ 1,836,612	\$ 1,836,612	\$ -	\$ -

Fair value of assets measured on a recurring basis at December 31, 2017, are as follows:

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

8. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 1, 2019, which is the date the financial statements were available to be issued.