



**ELECTRONIC PRIVACY INFORMATION CENTER**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**ELECTRONIC PRIVACY INFORMATION CENTER**

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DECEMBER 31, 2019**

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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, 2019, 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, 2019, 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 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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.  
June 30, 2020

Certified Public Accountants

**ELECTRONIC PRIVACY INFORMATION CENTER**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2019**

**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)**

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 178,755	\$ 668,046
Investments	984,160	1,836,612
Contributions Receivable	123,686	46,000
Prepaid Expenses	17,968	18,506
Security Deposit	7,931	-
Total Current Assets	1,312,500	2,569,164
<b>Fixed Assets</b>		
Land	1,339,779	-
Building	2,009,669	-
Furniture and Equipment	77,238	171,855
	3,426,686	171,855
Less Accumulated Depreciation	(93,012)	(146,268)
Total Fixed Assets	3,333,674	25,587
<b>Intangible Asset</b>	39,226	-
<b>Total Assets</b>	<b>\$ 4,685,400</b>	<b>\$ 2,594,751</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 56,835	\$ 41,714
Refundable Advance	1,143	-
Deferred Rent	1,690	5,899
Loan Payable, Current Portion	64,561	-
Loan Payable, Net of Current Portion	1,804,528	-
Total Liabilities	1,928,757	47,613
<b>Net Assets</b>		
Without Donor Restrictions		
General	1,892,271	1,885,429
Board Designated	673,512	661,709
With Donor Restrictions	190,860	-
Total Net Assets	2,756,643	2,547,138
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,685,400</b>	<b>\$ 2,594,751</b>

*See accompanying Notes to Financial Statements.*

**ELECTRONIC PRIVACY INFORMATION CENTER**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<b>Revenues</b>				
Grants and Contributions	\$ 1,838,036	\$ 310,000	\$ 2,148,036	\$ 1,532,010
Donated Services	25,000	-	25,000	-
Awards	15,291	-	15,291	443,842
Program Services Fees	11,500	-	11,500	80,640
Publications	2,394	-	2,394	2,099
Interest Income	57,192	-	57,192	76,800
Net Assets Released from Restrictions	119,140	(119,140)	-	-
<b>Total Revenues</b>	<b>2,068,553</b>	<b>190,860</b>	<b>2,259,413</b>	<b>2,135,391</b>
<b>Expenses</b>				
Program Services	1,940,492	-	1,940,492	1,840,170
Management and General	140,365	-	140,365	123,479
Fundraising	152,274	-	152,274	90,879
<b>Total Expenses</b>	<b>2,233,131</b>	<b>-</b>	<b>2,233,131</b>	<b>2,054,528</b>
Change in Net Assets from Operations	(164,578)	190,860	26,282	80,863
Net Investment Income (Loss)	283,958	-	283,958	(154,784)
Impairment Loss	(100,735)	-	(100,735)	-
Change in Net Assets	18,645	190,860	209,505	(73,921)
Net Assets, Beginning of Year	2,547,138	-	2,547,138	2,621,059
<b>Net Assets, End of Year</b>	<b>\$ 2,565,783</b>	<b>\$ 190,860</b>	<b>\$ 2,756,643</b>	<b>\$ 2,547,138</b>

*See accompanying Notes to Financial Statements.*

**ELECTRONIC PRIVACY INFORMATION CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)**

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries	\$ 1,047,753	\$ 83,473	\$ 91,840	\$ 1,223,066	\$ 1,140,465
Payroll Taxes	79,405	6,481	7,130	93,016	82,281
Employee Benefits	161,610	13,190	14,512	189,312	160,045
Grants and Fellowships	41,040	-	-	41,040	5,520
Professional Fees	42,487	2,240	2,465	47,192	126,626
Occupancy	110,739	9,038	9,944	129,721	151,493
Dues and Subscriptions	33,140	1,750	1,925	36,815	23,291
Depreciation	41,176	3,360	3,697	48,233	8,089
Licenses and Permits	206	3,288	-	3,494	6,163
Postage and Delivery	11,416	863	949	13,228	8,108
Office Supplies	74,535	6,148	8,221	88,904	60,709
Printing and Reproduction	14,985	325	357	15,667	18,275
Books and Periodicals	5,382	37	41	5,460	12,470
Public Voice	98,531	-	-	98,531	83,894
Telephone	27,353	912	1,004	29,269	24,429
Interest Expense	38,421	3,136	3,450	45,007	-
Travel and Conferences	112,313	6,124	6,739	125,176	142,670
<b>Total Expenses</b>	<b>\$ 1,940,492</b>	<b>\$ 140,365</b>	<b>\$ 152,274</b>	<b>\$ 2,233,131</b>	<b>\$ 2,054,528</b>

*See accompanying Notes to Financial Statements.*

**ELECTRONIC PRIVACY INFORMATION CENTER**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 209,505	\$ (73,921)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	48,233	8,089
Net Investment (Gains) Losses	(283,958)	154,784
Impairment Loss	100,735	-
<u>(Increase) Decrease in Assets</u>		
Contributions Receivable	(77,686)	49,664
Prepaid Expenses	538	(10,139)
Security Deposit	(7,931)	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	15,121	15,431
Refundable Advance	1,143	-
Deferred Rent	(4,209)	(1,640)
Net Cash Provided by Operating Activities	<u>1,491</u>	<u>142,268</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(3,356,320)	(10,788)
Purchase of Investments	(1,048,507)	(415,497)
Proceeds from Sale of Investments	<u>2,044,956</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(2,359,871)</u>	<u>(426,285)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Loans Payable	2,000,000	-
Payments on Loan Payable	<u>(130,911)</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>1,869,089</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(489,291)	(284,017)
Cash and Cash Equivalents, Beginning of Year	<u>668,046</u>	<u>952,063</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 178,755</u>	<u>\$ 668,046</u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Cash Paid during the Year for Interest	\$ 45,007	\$ -
<b>Noncash Transaction from Investing Activities</b>		
Disposal of Fully Depreciated Fixed Assets	\$ 101,490	\$ -

*See accompanying Notes to Financial Statements.*



ELECTRONIC PRIVACY INFORMATION CENTER

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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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.

*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, 2019

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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.

*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.

In May 2019, EPIC purchased an office building in Washington, D.C. Depreciation on the building is provided over the estimated useful life of the building on a straight-line basis.

*Intangible Assets*

During 2019, EPIC received a \$1,000,000 donation in XRP (cryptocurrency). Subsequently, EPIC traded a portion of the cryptocurrency in cash and the remaining balance was retained and recorded as an intangible asset in the statement of financial position. EPIC evaluates the carrying value of XRP at the end of the year and records an impairment charge if the carrying value exceeds the fair value. As of December 31, 2019, the carrying value of XRP held by EPIC was \$39,226. The impairment loss on XRP for the year ended December 31, 2019, was \$100,735.

*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.

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

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DECEMBER 31, 2019

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

*Grants and Contributions (Continued)*

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. The amount of donated services was \$25,000 and it is included as salaries expense in the statement of functional expenses.

*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 UPDATE 2018-08**

During the year ended December 31, 2019, EPIC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities.

This change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. The impact of 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.

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**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

The following reflects EPIC's financial assets as of December 31, 2019, reduced by amounts not available for general operating expenditure within one year:

Total Assets	\$ 4,685,400
Less Amounts Not Available for General Operating Expenditure	
Prepaid Expenses	(17,968)
Security Deposit	(7,931)
Fixed Assets, Net	(3,333,674)
Board-Designated Net Assets	(673,512)
Donor Restricted Net Assets	(190,860)
	<u>                    </u>
Total Financial Assets and Liquidity Resources Available within One Year	<u><u>\$ 461,455</u></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 year ended December 31, 2019, was approximately \$27,000.

**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, 2019, are as follows:

For the Year Ending December 31,

2020	<u>\$ 43,953</u>
Total	<u><u>\$ 43,953</u></u>

Rent expense for the year ended December 31, 2019, was \$122,431.

**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.

For the year ended December 31, 2019, approximately 46% of grants and contributions revenue was from one donor. For the year ended December 31, 2019, approximately 89% of total revenue were from grants and contributions.

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NOTES TO FINANCIAL STATEMENTS  
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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, 2019, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stock Funds	\$ 689,504	\$ 689,504	\$ -	\$ -
Bond Funds	294,656	294,656	-	-
Total	<u>\$ 984,160</u>	<u>\$ 984,160</u>	<u>\$ -</u>	<u>\$ -</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019, net assets with donor restrictions were available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
AI Policy and Human Rights	\$ 130,860
Subsequent Year's Operations	60,000
Total Net Assets With Donor Restrictions	<u>\$ 190,860</u>

During the year ended December 31, 2019, net assets were released from restrictions as follows:

<u>Purpose</u>	<u>Amount</u>
AI Policy and Human Rights	\$ 119,140
Total Net Assets Released from Donor Restrictions	<u>\$ 119,140</u>

9. 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, 2019, was approximately \$1,869,000.

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NOTES TO FINANCIAL STATEMENTS  
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**9. LOAN PAYABLE (CONTINUED)**

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

For the Years Ending December 31,

2020	\$ 64,561
2021	67,527
2022	70,629
2023	73,874
2024	77,268
Thereafter	<u>1,515,230</u>
Total	<u>\$ 1,869,089</u>

**10. SUBSEQUENT EVENTS**

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.

Subsequent to the year end, EPIC applied for and received payment of a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$245,100. PPP provides up to eight weeks of 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 first loan payment is deferred for six months. If EPIC maintains its workforce, up to 100% of the loan is forgivable by the SBA if the loan proceeds are used to cover the first eight weeks of payroll, and certain other expenses. The Treasury Department anticipates that no more than 25% of the forgiven amount may be for non-payroll costs. Also, if EPIC does not retain its entire workforce, the level of forgiveness is reduced by the percentage of the decrease. Loans under PPP have an interest rate of 1% and a maturity of two years.

Subsequent events were evaluated through June 30, 2020, which is the date the financial statements were available to be issued.