

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For Years Ended  
June 30, 2014 and 2013**

## **C O N T E N T S**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 17
Supplementary Information	
Schedules of Functional Expenses	19 - 20

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Electronic Frontier Foundation, Inc.  
San Francisco, California

We have audited the accompanying financial statements of Electronic Frontier Foundation, Inc. (a nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 auditor considers 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 Electronic Frontier Foundation, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Doran & Associates*

May 12, 2015

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
(A Nonprofit Public Benefit Corporation)

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 2,692,425	\$ 3,364,699
Prepaid expenses and deposits	18,563	16,861
Employee advances	1,541	-
Current portion of grants receivable, net of allowance for doubtful accounts (Note 2)	687,231	764,858
Inventory (Note 1)	<u>26,528</u>	<u>32,445</u>
Total current assets	3,426,288	4,178,863
Grants receivable, net of current portion, allowance for doubtful accounts and present value discount (Note 2)	109,466	158,842
Marketable equity securities (Note 3)	12,727,712	5,412,325
Employee affordable housing loans receivable, net of present value discount (Note 4)	51,310	-
Land, building, improvements, and equipment net of accumulated depreciation of \$323,601 at 2014 and \$171,656 at 2013 (Notes 1 and 5)	<u>6,564,795</u>	<u>5,960,041</u>
Total assets	<u><u>\$ 22,879,571</u></u>	<u><u>\$ 15,710,071</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 192,552	\$ 88,558
Deferred revenue (Note 1)	-	71,986
Accrued vacation liability (Note 6)	<u>178,289</u>	<u>160,062</u>
Total liabilities	370,841	320,606
Net assets:		
Unrestricted net assets:		
Undesignated	10,976,073	9,086,057
Board-designated endowment (Note 7)	<u>10,230,205</u>	<u>4,712,840</u>
Total unrestricted net assets	21,206,278	13,798,897
Temporarily restricted net assets (Note 8)	<u>1,302,452</u>	<u>1,590,568</u>
Total net assets	22,508,730	15,389,465
Total liabilities and net assets	<u><u>\$ 22,879,571</u></u>	<u><u>\$ 15,710,071</u></u>

The accompanying notes are an integral part of these financial statements.

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**STATEMENTS OF ACTIVITIES**  
**For the year ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND TRANSFERS</b>			
Public support:			
Foundation and corporation grants	\$ 5,980,663	\$ 970,403	\$ 6,951,066
Donations and contributions	2,218,991	-	2,218,991
Memberships	2,571,633	-	2,571,633
Cy pres award	1,303,028	-	1,303,028
In-kind legal services (Note 1)	<u>425,052</u>	<u>-</u>	<u>425,052</u>
Total public support	<u>12,499,367</u>	<u>970,403</u>	<u>13,469,770</u>
Revenue:			
Investment income (Note 3)	1,005,893	-	1,005,893
Litigation revenue	28,000	-	28,000
Event income, net of expenses (Note 9)	(15,440)	-	(15,440)
Loss on disposal of fixed assets, net (Note 5)	(2,292)	-	(2,292)
Miscellaneous	<u>83,981</u>	<u>-</u>	<u>83,981</u>
Total revenue	<u>1,100,142</u>	<u>-</u>	<u>1,100,142</u>
Net assets released from restriction (Note 10)	<u>1,258,519</u>	<u>(1,258,519)</u>	<u>-</u>
Total support, revenue, and transfers	<u>14,858,028</u>	<u>(288,116)</u>	<u>14,569,912</u>
<b>EXPENSES</b>			
Program services	5,609,238	-	5,609,238
General and administrative	808,631	-	808,631
Fundraising	<u>1,032,778</u>	<u>-</u>	<u>1,032,778</u>
Total expenses	<u>7,450,647</u>	<u>-</u>	<u>7,450,647</u>
Change in net assets	7,407,381	(288,116)	7,119,265
Net assets, beginning of year	<u>13,798,897</u>	<u>1,590,568</u>	<u>15,389,465</u>
Net assets, end of year	<u>\$ 21,206,278</u>	<u>\$ 1,302,452</u>	<u>\$ 22,508,730</u>

The accompanying notes are an integral part of these financial statements.

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**For the year ended June 30, 2013**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND TRANSFERS</b>			
Public support:			
Foundation and corporation grants	\$ 4,455,572	\$ 643,175	\$ 5,098,747
Donations and contributions	2,064,624	500,000	2,564,624
Memberships	1,800,376	-	1,800,376
Cy pres award	<u>-</u>	<u>69,109</u>	<u>69,109</u>
Total public support	<u>8,320,572</u>	<u>1,212,284</u>	<u>9,532,856</u>
Revenue:			
Investment income (Note 3)	475,847	-	475,847
Litigation revenue	33,512	-	33,512
Event income, net of expenses (Note 9)	23,946	-	23,946
Loss on disposal of fixed assets (Note 5)	(359,732)	-	(359,732)
Miscellaneous	<u>86,314</u>	<u>-</u>	<u>86,314</u>
Total revenue	<u>259,887</u>	<u>-</u>	<u>259,887</u>
Net assets released from restriction (Note 10)	<u>1,009,526</u>	<u>(1,009,526)</u>	<u>-</u>
Total support, revenue, and transfers	<u>9,589,985</u>	<u>202,758</u>	<u>9,792,743</u>
<b>EXPENSES</b>			
Program services	4,104,774	-	4,104,774
General and administrative	512,717	-	512,717
Fundraising	<u>695,807</u>	<u>-</u>	<u>695,807</u>
Total expenses	<u>5,313,298</u>	<u>-</u>	<u>5,313,298</u>
Change in net assets	4,276,687	202,758	4,479,445
Net assets, beginning of year	<u>9,522,210</u>	<u>1,387,810</u>	<u>10,910,020</u>
Net assets, end of year	<u>\$ 13,798,897</u>	<u>\$ 1,590,568</u>	<u>\$ 15,389,465</u>

The accompanying notes are an integral part of these financial statements.

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2014 and 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ 7,119,265</u>	<u>\$ 4,479,445</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	181,818	120,382
Unrealized gain on investments	(533,306)	(364,051)
Realized (gain) loss on investments	(2,134)	13,332
Realized loss on disposal of fixed assets	2,292	359,732
Changes in assets and liabilities:		
Prepaid expenses and deposits	(1,702)	1,498
Grants receivable	127,003	76,324
Employee advances	(1,541)	-
Inventory	5,917	4,197
Employee loan receivable, net	(51,310)	-
Accounts payable and accrued expenses	103,994	38,690
Deferred revenue	(71,986)	71,986
Accrued vacation liability	18,227	31,738
Total adjustments	<u>(222,728)</u>	<u>353,828</u>
Net cash provided by operating activities	<u>6,896,537</u>	<u>4,833,273</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(6,779,947)	(1,712,392)
Deposit for purchase of land, building, and improvements	-	4,034,256
Purchase of land, building, improvements, and equipment	<u>(788,864)</u>	<u>(6,063,122)</u>
Net cash used by investing activities	<u>(7,568,811)</u>	<u>(3,741,258)</u>
Net (decrease) increase in cash and cash equivalents	(672,274)	1,092,015
Cash and cash equivalents, beginning of year	<u>3,364,699</u>	<u>2,272,684</u>
Cash and cash equivalents, end of year	<u>\$ 2,692,425</u>	<u>\$ 3,364,699</u>

The accompanying notes are an integral part of these financial statements.



**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The Electronic Frontier Foundation, Inc., a Massachusetts nonprofit public benefit corporation, was founded in July 1990 to work in the public interest to promote online privacy, freedom of expression, and social responsibility. The Corporation's primary sources of revenue are grants and contributions from foundations, corporations and individuals.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

*Unrestricted net assets* - Net assets that are not subject to any donor-imposed restrictions.

*Temporarily restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Corporation pursuant to those stipulations.

*Permanently restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets as of June 30, 2014 and 2013.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Deferred Revenue - The Corporation received an advance payment on a reimbursement contract during the 2013 fiscal year. At June 30, 2013, \$71,986 was held as deferred revenue; this contract was earned and recorded as income in the subsequent fiscal year.

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

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NOTE 1      ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Land, Building, Improvements, and Equipment - The Corporation records land, building, improvements, and equipment of \$5,000 or more at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful lives ranging from 5 to 39 years.

Income Taxes - The Corporation is exempt from income taxes under Internal Revenue Code Section 501(c)(3), Section 23701(d) of the California Revenue and Taxation Code, and the Massachusetts General Law Chapter 180, Section 4, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through May 12, 2015, which is the date the financial statements were available to be issued.

ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and have measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Inventory - Inventory consists of apparel and other items held for resale and promotion. Inventory is stated at the lower of cost or market value determined on the first-in, first-out basis and was valued at \$26,528 and \$32,445 at June 30, 2014 and 2013, respectively.

**ELECTRONIC FRONTIER FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In-Kind Contributions - During the year ended June 30, 2014, the Corporation recorded in-kind contributions of legal services related to its programs. These services have a fair market value using the market method of \$425,052 for the year ended June 30, 2014, as follows:

<u>Description</u>	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Quoted Price in</u>	<u>Significant</u>	<u>Significant</u>	
	<u>Active Markets</u>	<u>Other</u>	<u>Unobservable</u>	
	<u>for Identical</u>	<u>Observable</u>	<u>Inputs</u>	
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>	
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Legal services	\$ -	\$ 425,052	\$ -	\$ 425,052

**NOTE 2 GRANTS RECEIVABLE**

The Corporation had recorded the following grants receivable as of June 30, 2014 and 2013:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
	<u>Portion</u>	<u>Portion</u>	
<u>June 30, 2014:</u>			
Grants receivable	\$ 703,612	\$ 125,000	\$ 828,612
Less: allowance for doubtful account	16,381	2,909	19,290
Less: present value discount at 6%	-	12,625	12,625
	<u>\$ 687,231</u>	<u>\$ 109,466</u>	<u>\$ 796,697</u>
<u>June 30, 2013:</u>			
Grants receivable	\$ 780,615	\$ 175,000	\$ 955,615
Less: allowance for doubtful account	15,757	3,533	19,290
Less: present value discount at 6%	-	12,625	12,625
	<u>\$ 764,858</u>	<u>\$ 158,842</u>	<u>\$ 923,700</u>

In the opinion of management, the allowance for doubtful accounts accurately reflects the expected collectibility of related receivables as of year-end.

**ELECTRONIC FRONTIER FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

**NOTE 3     MARKETABLE EQUITY SECURITIES**

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the years ended June 30, 2014 and 2013, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
<u>June 30, 2014</u>				
Mutual funds	\$ 2,683,632	\$ -	\$ -	\$ 2,683,632
Fixed income	3,872,690	-	-	3,872,690
Equities	<u>6,171,390</u>	<u>-</u>	<u>-</u>	<u>6,171,390</u>
	<u>\$ 12,727,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,727,712</u>
<u>June 30, 2013</u>				
Mutual funds	\$ 1,113,106	\$ -	\$ -	\$ 1,113,106
Fixed income	1,439,375	-	-	1,439,375
Equities	<u>2,859,844</u>	<u>-</u>	<u>-</u>	<u>2,859,844</u>
	<u>\$ 5,412,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,412,325</u>

The following summarizes the investment income (loss) during the years ended June 30, 2014 and 2013, including cash and cash equivalent accounts:

	<u>2014</u>	<u>2013</u>
Unrealized gain on investments	\$ 533,306	\$ 364,051
Realized gain (loss) on investments	2,134	(13,332)
Interest and dividend income	495,990	141,258
Investment management fees	<u>(25,537)</u>	<u>(16,130)</u>
	<u>\$ 1,005,893</u>	<u>\$ 475,847</u>

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

**NOTE 4 EMPLOYEE AFFORDABLE HOUSING LOANS RECEIVABLE**

During the year ended June 30, 2014, the Board of Directors adopted a policy allowing eligible employees to participate in an Employer Assisted Housing (EAH) program. The program allows employees to apply for an interest-free loan of up to 15% of the purchase price of a home, up to \$150,000, or as long as the borrower is employed at EFF. The loans are secured by a deed of trust on the property.

On June 16, 2014, the Corporation had made one EAH loan:

Principal	\$ 69,900
Less: present value discount, equal to imputed interest discount; 3.14%	<u>(18,590)</u>
	<u>\$ 51,310</u>

Subsequent to year-end, the Corporation issued four additional EAH loans totaling \$370,950.

**NOTE 5 LAND, BUILDING, IMPROVEMENTS, AND EQUIPMENT**

Land, building, improvements, and equipment consisted of the following:

<u>Land, building, improvements, and equipment, at cost</u>	<u>Land</u>	<u>Building and Improvements</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance, June 30, 2012	\$ -	\$ 492,496	\$ 117,843	\$ 610,339
Additions	954,712	4,959,902	148,508	6,063,122
Disposals	<u>-</u>	<u>(492,496)</u>	<u>(49,268)</u>	<u>(541,764)</u>
Balance, June 30, 2013	954,712	4,959,902	217,083	6,131,697
Additions	-	776,453	12,411	788,864
Disposals	<u>-</u>	<u>-</u>	<u>(32,165)</u>	<u>(32,165)</u>
Balance, June 30, 2014	<u>954,712</u>	<u>5,736,355</u>	<u>197,329</u>	<u>6,888,396</u>
<u>Accumulated depreciation</u>				
Balance, June 30, 2012	-	134,722	98,584	233,306
Depreciation expense	-	85,545	34,837	120,382
Disposals	<u>-</u>	<u>(134,722)</u>	<u>(47,310)</u>	<u>(182,032)</u>
Balance, June 30, 2013	-	85,545	86,111	171,656
Depreciation expense	-	146,896	34,922	181,818
Disposals	<u>-</u>	<u>-</u>	<u>(29,873)</u>	<u>(29,873)</u>
Balance, June 30, 2014	<u>-</u>	<u>232,441</u>	<u>91,160</u>	<u>323,601</u>
Land, building, improvements, and equipment, net	<u>\$ 954,712</u>	<u>\$ 5,503,914</u>	<u>\$ 106,169</u>	<u>\$ 6,564,795</u>

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

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**NOTE 6    ACCRUED VACATION LIABILITY**

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Corporation. The value of accumulated vacation at June 30, 2014 and 2013, was \$178,289 and \$160,062, respectively.

**NOTE 7    ENDOWMENT**

EFF's endowment consists of one investment account consisting of equities, fixed income instruments, and cash and cash equivalents. EFF's endowment was established to further the charitable purposes of the organization by providing general support in meeting the operating needs of the organization, as determined by the EFF Board of Directors.

Interpretation of Law - The California State Prudent Management of Institutional Funds Act (UPMIFA) regulates all donor-restricted endowment funds held by charitable institutions in the State. EFF's endowment is a board-designated endowment fund and not a donor restricted endowment fund, and is therefore not subject to California's enactment of UPMIFA. However, if EFF were to receive any contributions to the endowment that included donor restrictions, the Board of Directors of EFF understands that those contributions would be subject to California's enactment of UPMIFA.

To enable users of EFF's financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of EFF's board-designated endowment funds, EFF is providing the following disclosures.

Endowment Net Asset Composition by Type of Fund as of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2014</u>				
Board-designated endowment funds	<u>\$ 10,230,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,230,205</u>
Total funds	<u><u>\$ 10,230,205</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,230,205</u></u>
 <u>June 30, 2013</u>				
Board-designated endowment funds	<u>\$ 4,712,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,712,840</u>
Total funds	<u><u>\$ 4,712,840</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,712,840</u></u>

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

NOTE 7    ENDOWMENT (Continued)

Changes in Endowment Net Assets for the years ended June 30, 2014 and 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ 2,967,156	\$ -	\$ -	\$ 2,967,156
Addition to Board-designated amounts	-	-	-	-
Investment return:				
Realized loss	(13,326)	-	-	(13,326)
Unrealized gain	361,237	-	-	361,237
Interest and dividends	104,767	-	-	104,767
Investment fees	(15,271)	-	-	(15,271)
Total investment return	437,407	-	-	437,407
Contributions	1,308,277	-	-	1,308,277
Appropriation of endowment assets for expenditure:				
Spending rule	-	-	-	-
	-	-	-	-
Endowment net assets, June 30, 2013	4,712,840	-	-	4,712,840
Investment return				
Realized gain	2,389	-	-	2,389
Unrealized gain	471,594	-	-	471,594
Interest and dividends	316,460	-	-	316,460
Investment fees	(24,215)	-	-	(24,215)
Total investment return	766,228	-	-	766,228
Contributions	4,751,137	-	-	4,751,137
Appropriation of endowment assets for expenditure:				
Board-approved withdrawal	-	-	-	-
	-	-	-	-
Endowment net assets, June 30, 2014	\$ 10,230,205	\$ -	\$ -	\$ 10,230,205

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

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NOTE 7    ENDOWMENT (Continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the years ended June 30, 2014 and 2013

As of June 30, 2014 and 2013, none of the net assets in EFF's endowment fund were restricted either permanently or temporarily.

Funds with Deficiencies

As of June 30, 2014 and 2013, the fair value of assets in EFF's endowment fund was not deficient under California's enactment of UPMIFA.

Return Objectives and Risk Parameters

EFF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of investment returns that treats equitably inflation, adjusted terms, and the present and future needs of EFF while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested using an allocation model of no more than 75% of the funds in equities and no less than 25% in fixed-income. Additional investment guidelines are detailed in the EFF Endowment Fund for Digital Civil Liberties Investment and Spending Guidelines. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, EFF relies on a total return objective consisting of the sum of the budgetary reliance on the endowment and the rate of inflation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Withdrawals from the donor-restricted endowment account shall be limited to no more than 6% of the three-year rolling average of funds under investment at December 31, or the average annual total return for three years, whichever is less.



**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

**NOTE 8      TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are contributions which were received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Temporarily restricted net assets at June 30, 2014 and 2013, are designated for the following uses:

	<u>2014</u>	<u>2013</u>
Time-Restricted	\$ 714,156	\$ 342,284
Prime Number Contest	387,786	387,786
FOIA / FLAG	-	450,000
eHealth Privacy Project	31,955	100,000
Distributed Denial of Service	-	15,000
Patent-busting Project	-	235,513
Free Speech Project	-	25,000
Public Service Venture Fund Fellowship	11,250	45,000
Other	24,220	21,900
First Amendment fellowship	165,000	-
Allowances for doubtful accounts and present value on related grants receivable	<u>(31,915)</u>	<u>(31,915)</u>
	<u><u>\$ 1,302,452</u></u>	<u><u>\$ 1,590,568</u></u>

**NOTE 9      EVENT INCOME**

Event income consists of special events held by the Corporation, as well as events held by others which resulted in contributions for the Corporation as follows for the years ended June 30, 2014 and 2013:

	<u>Gross Income</u>	<u>Gross Expense</u>	<u>Net Income/(Loss)</u>
<u>2014</u>			
Pioneer Award	\$ 30,122	\$ 28,645	\$ 1,477
Other	<u>2,161</u>	<u>19,078</u>	<u>(16,917)</u>
	<u><u>\$ 32,283</u></u>	<u><u>\$ 47,723</u></u>	<u><u>\$ (15,440)</u></u>
<u>2013</u>			
Pioneer Award	\$ 16,142	\$ 22,898	\$ (6,756)
Workshops	70,000	31,095	38,905
Other	<u>4,934</u>	<u>13,137</u>	<u>(8,203)</u>
	<u><u>\$ 91,076</u></u>	<u><u>\$ 67,130</u></u>	<u><u>\$ 23,946</u></u>

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

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**NOTE 10 NET ASSETS RELEASED FROM RESTRICTION**

During the years ended June 30, 2014 and 2013, temporarily restricted funds were used for their restricted purposes or were held for specific time periods, and they were released to unrestricted net assets:

	<u>2014</u>	<u>2013</u>
FOIA / FLAG Project	\$ -	\$ 30,000
Civil Liberties Program	450,000	200,000
Distributed Denial of Service	15,000	-
Time-restricted	327,284	449,439
Free Speech	25,000	-
eHealth Privacy Project	50,000	50,000
Public Service Venture Fund Fellowship	33,750	-
Surveillance Self-Defense	36,360	-
Trolling Effects	50,000	-
Patent-busting Project	247,177	264,487
Other	<u>23,948</u>	<u>15,600</u>
	<u>\$ 1,258,519</u>	<u>\$ 1,009,526</u>

**NOTE 11 TAX SHELTERED ANNUITY**

The Corporation has established a 403(b) deferred income plan for all eligible employees. Voluntary contributions are made by employees who choose to participate to the extent permissible by law. During the years ended June 30, 2014 and 2013, the Corporation matched up to 10% of employee contributions to the plan, for a total of \$32,274 and \$26,345, respectively. Additionally, the Corporation approved a one-time anniversary bonus contribution totaling \$76,000 for the year ended June 30, 2014, and \$82,000 during the year ended June 30, 2013, for a total contribution of \$108,274 and \$108,345, respectively.

**NOTE 12 RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2014, the Corporation provided pro bono legal services to another 501(c)(3) non-profit organization, for which a member of the Corporation's board also serves as chairman of the board. The decision to provide these pro bono services was made by the disinterested directors of the Corporation. The estimated value of the services provided was \$89,100, but no funds were exchanged for these services. As a result of representing the non-profit organization, the Corporation was paid attorney's fees of approximately \$61,370 by the counter-party to the litigation.

**ELECTRONIC FRONTIER FOUNDATION**  
**(A Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2014 and 2013**

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**NOTE 13 RISKS, UNCERTAINTIES AND CONCENTRATIONS**

During the year ended June 30, 2014, the Corporation hired the spouse of the Development Director to serve as the Finance Director of EFF. This action increased the inherent risk of fraud due to the proximity of the working relationship between the married individuals and their access to the Corporation's assets. Controls were implemented to reduce the direct working relationship between the married individuals. These include: 1) requiring either the Executive Director, Legal Director or General Counsel to sign off on all withdrawals from any EFF financial accounts, 2) implementing procedures that require others to review all transactions initiated by either of the married individuals, and 3) creating a separate weekly review process for each individual with the Executive Director to help identify any potential conflicts. This hiring was made with the knowledge of the Board of Directors.

The Corporation relies on a significant amount of funding received in the form of donations and grants from individuals and foundations as well as investment income to support its operations. The current global financial markets may have an impact on the level of funding provided by these funding sources and the market value of marketable equity securities held by the Corporation. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Corporation's exposure to impact from these events.

For the year ended June 30, 2014, the Corporation received approximately 26% of its total income from one donor.

**NOTE 14 CONTINGENCIES AND COMMITMENT**

As of June 30, 2014, the Corporation had exceeded the Federal Depository Insurance Corporation cash limit of \$250,000 on its depository accounts. At June 30, 2014, the Corporation had approximately \$2,155,000 on deposit in excess of federally insured limits.

**NOTE 15 SUBSEQUENT EVENTS**

On February 3, 2015, the Corporation entered into a commercial property purchase agreement for property located in San Francisco, California. The purchase price of the property, to be used for offices for EFF staff, is \$2,400,000, and escrow is expected to close in May 2015.

In December 2014, the Corporation received a \$3,000,000 grant from the Adams Charitable Foundation to fund the new Adams Chair for Internet Rights. The donation will be held in an endowment to permanently fund a position on EFF's legal team.

## **SUPPLEMENTARY INFORMATION**

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**SCHEDULES OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2014**

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 3,377,000	\$ 566,441	\$ 410,377	\$ 4,353,818
Pension plan contributions	85,115	13,520	9,904	108,539
Other employee benefits	467,278	77,046	53,340	597,664
Payroll taxes	247,578	41,263	28,567	317,408
Legal	429,717	-	-	429,717
Accounting	-	24,565	-	24,565
Other professional fees	227,520	6,560	145	234,225
Bank fees	-	12,026	-	12,026
Office expenses	79,550	14,257	11,513	105,320
Information technology	41,291	7,063	5,976	54,330
Occupancy	111,064	18,998	16,075	146,137
Travel	201,406	-	35,542	236,948
Depreciation	138,182	23,636	20,000	181,818
Insurance	74,340	3,256	2,755	80,351
Litigation expenses	125,206	-	-	125,206
Membership expenses	-	-	436,739	436,739
Fundraising expenses	-	-	1,845	1,845
Intern expenses	3,991	-	-	3,991
Total expenses	<u>\$ 5,609,238</u>	<u>\$ 808,631</u>	<u>\$ 1,032,778</u>	<u>\$ 7,450,647</u>

**ELECTRONIC FRONTIER FOUNDATION, INC.**  
**(A Nonprofit Public Benefit Corporation)**

**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For the year ended June 30, 2013**

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 2,744,957	\$ 359,760	\$ 298,280	\$ 3,402,997
Pension plan contributions	87,139	11,092	10,114	108,345
Other employee benefits	268,223	33,527	33,528	335,278
Payroll taxes	193,910	24,238	24,239	242,387
Legal (including in-kind)	5,274	-	-	5,274
Accounting	-	15,015	-	15,015
Other professional fees	100,505	1,994	4,099	106,598
Bank fees	-	9,057	-	9,057
Office expenses	79,814	12,545	9,977	102,336
Information technology	38,105	4,763	4,763	47,631
Occupancy	218,306	27,288	27,288	272,882
Travel	110,301	-	19,464	129,765
Depreciation	96,306	12,038	12,038	120,382
Insurance	63,961	1,400	1,400	66,761
Litigation expenses	89,067	-	-	89,067
Membership expenses	-	-	248,109	248,109
Fundraising expenses	-	-	2,508	2,508
Intern expenses	<u>8,906</u>	<u>-</u>	<u>-</u>	<u>8,906</u>
Total expenses	<u>\$ 4,104,774</u>	<u>\$ 512,717</u>	<u>\$ 695,807</u>	<u>\$ 5,313,298</u>