



ELECTRONIC FRONTIER FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Electronic Frontier Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Electronic Frontier Foundation, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2024 and 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years 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 Frontier Foundation, Inc. as of June 30, 2024, and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Electronic Frontier Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Electronic Frontier Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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. 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.

INDEPENDENT AUDITORS' REPORT

continued

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 Electronic Frontier Foundation, Inc.'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 Electronic Frontier Foundation, Inc.'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.

Harrington Group

Pasadena, California

March 25, 2025

ELECTRONIC FRONTIER FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents (Note 2)	\$ 7,448,142	\$ 4,275,162
Restricted cash - donor restricted endowment	18,927	66,156
Total cash	7,467,069	4,341,318
Grants receivable, net (Note 4)	120,098	3,674,846
Employee affordable housing loans receivable, net (Note 5)	199,117	194,325
Other accounts receivable	9,000	7,556
Inventory (Note 2)	183,752	158,292
Investments (Note 6)	40,452,667	28,195,002
Prepaid expenses	158,731	82,751
Right-of-use assets - operating leases (Note 10)	42,935	55,024
Property and equipment (Note 8)	9,741,193	9,998,534
TOTAL ASSETS	\$ 58,374,562	\$ 46,707,648
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 241,599	\$ 24,019
Accrued liabilities (Note 9)	976,834	763,605
Deferred revenue (Note 2)	15,343	10,355
Lease liabilities - operating leases (Note 10)	42,935	55,024
TOTAL LIABILITIES	1,276,711	853,003
 NET ASSETS		
Without donor restrictions	51,141,544	37,242,462
With donor restrictions - purpose/time (Note 11)	2,956,307	5,612,183
With donor restrictions - perpetual (Note 12)	3,000,000	3,000,000
TOTAL NET ASSETS	57,097,851	45,854,645
TOTAL LIABILITIES AND NET ASSETS	\$ 58,374,562	\$ 46,707,648

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

ELECTRONIC FRONTIER FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
For the years ended June 30, 2024 and 2023

	Year ended June 30, 2024			Year ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Public support						
Donations and contributions	\$ 15,691,038	\$ 6,525	\$ 15,697,563	\$ 9,562,426	\$ 684	\$ 9,563,110
Cy pres awards	6,051,913		6,051,913	500,882		500,882
Memberships	4,028,162		4,028,162	4,270,165		4,270,165
Foundation and corporation grants	1,450,290	832,380	2,282,670	1,113,317	1,636,889	2,750,206
In-kind contributions (Note 13)	67,085		67,085	118,183		118,183
Other revenue						
Investment income, net (Note 6)	3,764,085	1,151,166	4,915,251	1,697,737	524,655	2,222,392
Other income	72,745		72,745	99,268		99,268
Special events	43,079		43,079	46,940		46,940
Litigation revenue			-	35,277		35,277
Net assets released from restrictions (Note 11)	4,645,947	(4,645,947)	-	3,415,229	(3,415,229)	-
TOTAL REVENUE AND SUPPORT	35,814,344	(2,655,876)	33,158,468	20,859,424	(1,253,001)	19,606,423
EXPENSES						
Education, advocacy and litigation program	15,311,921		15,311,921	13,604,751		13,604,751
General and administrative	3,385,310		3,385,310	2,914,686		2,914,686
Fundraising and development	3,218,031		3,218,031	2,651,442		2,651,442
TOTAL EXPENSES	21,915,262	-	21,915,262	19,170,879	-	19,170,879
CHANGE IN NET ASSETS	13,899,082	(2,655,876)	11,243,206	1,688,545	(1,253,001)	435,544
NET ASSETS, BEGINNING OF YEAR	37,242,462	8,612,183	45,854,645	35,553,917	9,865,184	45,419,101
NET ASSETS, END OF YEAR	\$ 51,141,544	\$ 5,956,307	\$ 57,097,851	\$ 37,242,462	\$ 8,612,183	\$ 45,854,645

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

ELECTRONIC FRONTIER FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2024 and 2023

	Year ended June 30, 2024				Year ended June 30, 2023			
	Education, Advocacy and Litigation Program	General and Administrative	Fundraising and Development	Total Expenses	Education, Advocacy and Litigation Program	General and Administrative	Fundraising and Development	Total Expenses
Salaries	\$ 9,789,787	\$ 2,451,858	\$ 1,527,214	\$ 13,768,859	\$ 8,648,951	\$ 2,303,971	\$ 1,403,438	\$ 12,356,360
Employee benefits	1,557,476	272,190	364,685	2,194,351	1,173,821	219,758	295,179	1,688,758
Payroll taxes	706,035	109,625	177,344	993,004	617,987	100,728	164,174	882,889
Total personnel costs	12,053,298	2,833,673	2,069,243	16,956,214	10,440,759	2,624,457	1,862,791	14,928,007
Other professional fees	1,696,711	267,236	396,753	2,360,700	1,766,131	52,572	100,122	1,918,825
Membership expenses	19,220		534,612	553,832	19,696	1,834	440,319	461,849
Planning and development expenses	198,342	50,768	42,703	291,813	164,256	33,719	32,519	230,494
Depreciation	189,907	51,728	33,305	274,940	206,068	45,629	37,681	289,378
Occupancy	183,933	50,100	32,257	266,290	187,268	41,467	34,243	262,978
Office expenses	177,988	48,481	31,214	257,683	149,209	33,039	27,284	209,532
Event expenses	132,796		33,849	166,645	17,040		68,903	85,943
Insurance	131,107	17,483	11,257	159,847	126,169	11,444	9,451	147,064
Travel	150,390	745	6,295	157,430	154,128	1,547	4,829	160,504
Litigation expenses	145,257			145,257	121,705			121,705
Legal	109,778	11,924	7,677	129,379	95,170	8,673	7,163	111,006
IT expenses	45,836	12,486	8,038	66,360	45,925	10,168	8,398	64,491
In-kind technology services (Note 13)	30,861	8,407	5,412	44,680	64,132	14,201	11,727	90,060
Intern expenses	34,327			34,327	32,417			32,417
Accounting		25,278		25,278		28,750		28,750
In-kind legal services (Note 13)	12,170			12,170	14,678			14,678
Bank fees		7,001		7,001		7,186		7,186
Fundraising expenses			2,909	2,909			1,847	1,847
Car sales expense			2,507	2,507			4,165	4,165
TOTAL FUNCTIONAL EXPENSES	\$ 15,311,921	\$ 3,385,310	\$ 3,218,031	\$ 21,915,262	\$ 13,604,751	\$ 2,914,686	\$ 2,651,442	\$ 19,170,879

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

ELECTRONIC FRONTIER FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 11,243,206	\$ 435,544
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	274,940	289,378
(Gain) on investments	(3,614,612)	(1,521,431)
Reinvested dividends	(1,019,048)	(539,519)
Change in allowance and discount on grants receivable	(571)	(9,400)
Change in allowance on employee affordable housing loans receivable	(4,792)	(4,676)
Amortization of right-of-use assets - operating lease	12,089	10,625
Reduction of lease liability - operating lease	(12,089)	(10,625)
(Increase) decrease in operating assets:		
Grants receivable	3,555,320	1,741,440
Other accounts receivable	(1,444)	(7,556)
Prepaid expenses	(75,980)	20,669
Inventory	(25,460)	(38,301)
Increase (decrease) in operating liabilities:		
Accounts payable	217,580	(120,701)
Accrued liabilities	213,229	(76,245)
Deferred revenue	4,988	1,987
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,767,356	171,189
CASH FLOWS (TO) INVESTING ACTIVITIES:		
Purchase of property and equipment	(17,600)	(6,312)
Purchase of investments	(8,045,505)	(2,216,417)
Sale of investments	421,500	1,180,074
NET CASH (USED) BY INVESTING ACTIVITIES	(7,641,605)	(1,042,655)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,125,751	(871,466)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	4,341,318	5,212,784
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,467,069	\$ 4,341,318
NON-CASH OPERATING ACTIVITIES:		
Right-of-use-assets/lease liabilities - operating leases from adoption of ASC-842	\$ -	\$ 65,649

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

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Electronic Frontier Foundation, Inc., (“EFF”) 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. EFF’s primary sources of revenue are grants and contributions from foundations, corporations, and individuals.

During this fiscal year, EFF underwent negotiations as part of a collective bargaining agreement with its employee union. This development led to a revision of EFF’s wage structure, resulting in increased labor costs compared to the previous year. The contract was ratified in October 2024.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting which reflects revenue when earned and expenses as incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated some net assets, from net assets without donor restrictions, to create the endowment fund.

With Donor Restrictions. Net assets subject to imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

EFF has defined cash 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 interest rates are negligible. These are generally investments with maturity dates within three months of the acquisition date.

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Contributions and Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

EFF values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or (loss) on investments. Short-term highly liquid money market deposits that are not restricted and not used for operations are treated as investments.

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 \$183,752 and \$158,292 at June 30, 2024 and 2023, respectively.

Concentration of Credit Risks

EFF places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. EFF has not incurred losses related to these investments.

One single donor donated 29% through a bequest and one Cy Pres award represented 20% of 2024 total revenue and support. One single donor contributed 23% of 2023 total revenue and support through a bequest. No other single donor contributed more than 10% of 2024 or 2023 income.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

EFF is required to measure certain investments and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Leases

EFF applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. EFF defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. EFF further determined existing leases are operating leases, which are included in ROU assets and lease liabilities in the Statement of Financial Position.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from 5 to 39 years.

EFF reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2024 and 2023.

Contributed Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the years ended June 30, 2024 and 2023, EFF recorded in-kind donations of \$67,085 and \$118,183, respectively. Also see Note 13.

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

EFF recognizes contributions when cash, securities or other assets; unconditional promises to give; or notifications of a beneficial interest are received. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved and amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions and investment income generated from such investments that are released within the year of receipt are reported as without donor restriction. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At June 30, 2024, EFF did not have any contributions categorized as conditional.

A portion of EFF's revenue is derived from fee for service contracts, which are conditioned upon certain performance requirements and/or the completion of certain deliverables. Amounts under these contracts are recognized as revenue when EFF has satisfied the performance requirements or completed the deliverables in compliance with specific contract provisions.

Deferred Revenue

Deferred revenue results from EFF recognizing event revenue in the period in which the event occurs. Accordingly, deferred revenue of \$15,343 at June 30, 2024, primarily represents event revenue received in advance for events expected to be held in the next fiscal year.

Functional Allocation of Expenses

Costs of providing EFF's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services based upon usage, employee ratios, and square footage of occupied space.

Income Taxes

EFF is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d and the Massachusetts General Law Chapter 180, Section 4, and is considered by the Internal Revenue Service to be an organization other than a private foundation.

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by EFF in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. EFF's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Reclassification

Certain amounts from the June 30, 2023 financial statements have been reclassified to conform to the June 30, 2024 presentation.

3. Liquidity and Availability of Resources

EFF receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. EFF manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Financial assets in excess of operating cash requirements are invested in certificates of deposit, money market funds and other short- and medium-term investments. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. The Chief Financial Officer meets on an as-needed basis with EFF's investments advisors to review investment results, assess risk, and make recommendations for changes as needed.

EFF's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure. The board-designated endowment is subject to an annual spending rate limited to no more than 6% of the three-year rolling average of funds as described in Note 13. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. Occasionally, the Board designates a portion of any operating surplus to its capital spending reserve, which was \$97,000 as of June 30, 2024 or to its operating reserve, which was \$19.65 million as of June 30, 2024.

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of June 30, 2024, the following financial assets could readily be made available within one year of the statement of financial position date to meet its operational cash flow needs:

<u>Financial assets at year end</u>	
Cash and cash equivalents	\$ 7,511,678
Grants receivable, net	120,098
Employee housing (EAH) loan receivables, net	199,117
Other receivables	9,000
Investments	<u>40,452,667</u>
Total financial assets	<u>48,292,560</u>
 <u>Less amounts not available to be used within one year:</u>	
Investments held for Board designated endowments	(16,046,945)
Investments held for donor endowments	(3,000,000)
Cash for restricted gifts	(2,625,460)
Contributions receivable for restricted gifts, net	(120,098)
Other receivables, beyond one year	(9,000)
EAH receivables due after one year, net	<u>(199,117)</u>
Financial assets not available to be used within one year	<u>(22,000,620)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 26,291,940</u>

4. Grants Receivable

EFF had recorded grants receivable at June 30, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
Grants receivable	\$173,725	\$3,729,044
Less: allowance for doubtful accounts	<u>(30,959)</u>	<u>(30,959)</u>
	142,766	3,698,085
Less: present value discount	<u>(22,668)</u>	<u>(23,239)</u>
Grants receivable, net	<u>\$120,098</u>	<u>\$3,674,846</u>

Grants receivable at June 30, 2024 of \$173,725 is expected to be collected as follows:

<u>Year ending June 30,</u>	
2025	<u>\$173,725</u>

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

5. 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.

As of June 30, 2024, and 2023, EFF had the following EAH loans receivable, net:

	<u>2024</u>	<u>2023</u>
EAH loans principal	\$210,750	\$210,750
Less: present value discount, equal to imputed interest discount of 1.2%	<u>(11,633)</u>	<u>(16,425)</u>
	<u>\$199,117</u>	<u>\$194,325</u>

6. Investments

Investments at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Equity	\$21,371,989	\$15,607,809
Fixed income	<u>19,080,678</u>	<u>12,587,193</u>
	<u>\$40,452,667</u>	<u>\$28,195,002</u>

Investment income, including interest on bank accounts and other sources, are as follows:

	<u>2024</u>	<u>2023</u>
Gain on investments	\$3,733,617	\$1,636,719
Interest and dividends	1,286,843	732,942
Investment management fees	<u>(105,209)</u>	<u>(147,269)</u>
	<u>\$4,915,251</u>	<u>\$2,222,392</u>

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2024 and 2023 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2024</u>				
Equities				
Domestic stock fund	\$10,382,088	\$ -	\$ -	\$10,382,088
International stock	6,319,376			6,319,376
Common stock	4,302,200			4,302,200
Preferred stock	228,707			228,707
Real estate investment trusts	89,620			89,620
Privately held stock			49,998	49,998
Total equities	<u>21,321,991</u>	<u>-</u>	<u>49,998</u>	<u>21,371,989</u>
Fixed income				
Domestic bond market		7,822,105		7,822,105
International bonds		5,548,856		5,548,856
Short term investment	3,316,068			3,316,068
International investment	2,307,793			2,307,793
Municipal bonds		63,536		63,536
Bank loan	<u>22,320</u>			<u>22,320</u>
Total fixed income	<u>5,646,181</u>	<u>13,434,497</u>	<u>-</u>	<u>19,080,678</u>
Fair value at June 30, 2024	<u>\$26,968,172</u>	<u>\$13,434,497</u>	<u>\$49,998</u>	<u>\$40,452,667</u>
<u>June 30, 2023</u>				
Equities				
Domestic stock fund	\$ 7,248,471	\$ -	\$ -	\$7,248,471
International stock	4,712,939			4,712,939
Common stock	3,363,410			3,363,410
Preferred stock	147,760			147,760
Real estate investment trusts	85,231			85,231
Privately held stock			49,998	49,998
Total equities	<u>15,557,811</u>	<u>-</u>	<u>49,998</u>	<u>15,607,809</u>
Fixed income				
Domestic bond market		5,931,798		5,931,798
International bonds		3,729,811		3,729,811
Short term investment	1,739,679			1,739,679
International investment	1,163,445			1,163,445
Bank loan	<u>22,460</u>			<u>22,460</u>
Total fixed income	<u>2,925,584</u>	<u>9,661,609</u>	<u>-</u>	<u>12,587,193</u>
Fair value at June 30, 2024	<u>\$18,483,395</u>	<u>\$9,661,609</u>	<u>\$49,998</u>	<u>\$28,195,002</u>

The fair value of equities and fixed income have been measured on a recurring basis using quoted prices in active markets for identical assets (Level 1 inputs) and quoted prices in active or inactive markets for the same or similar assets (Level 2 inputs).

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

The fair value of privately held stock, as agreed by management, have been measured using prices on the stock share certificate provided by the donor (Level 3 inputs).

Activity of Level 3 assets for the year ended June 30, 2024 is as follows:

Beginning fair value, July 1, 2023	\$49,998
Additions	-
Changes in value	-
Ending fair value, June 30, 2024	<u>\$49,998</u>

The table below presents the transactions measured at fair value on a non-recurring basis during the years ended June 30, 2024 and 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2024</u>				
In-kind contributions	\$ -	\$67,085	\$ -	\$ 67,085
Pledged contributions – new			<u>838,905</u>	<u>838,905</u>
Fair value at June 30, 2024	<u>\$ -</u>	<u>\$67,085</u>	<u>\$838,905</u>	<u>\$905,990</u>
 <u>June 30, 2023</u>				
In-kind contributions	\$ -	\$118,183	\$ -	\$ 118,183
Pledged contributions – new			<u>1,637,573</u>	<u>1,637,573</u>
Fair value at June 30, 2023	<u>\$ -</u>	<u>\$118,183</u>	<u>\$1,637,573</u>	<u>\$1,755,756</u>

The fair value of in-kind contributions has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions - new are measured on a recurring basis based on the value provided by the donor at the date of pledge (Level 3 inputs).

8. Property and Equipment

Property and equipment at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$10,625,099	\$10,607,499
Land	1,689,197	1,689,197
Computer equipment	211,873	226,954
Furniture and equipment	<u>115,827</u>	<u>116,447</u>
	12,641,996	12,640,097
Less: accumulated depreciation	<u>(2,900,803)</u>	<u>(2,641,563)</u>
	<u>\$ 9,741,193</u>	<u>\$ 9,998,534</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$274,940 and \$289,378, respectively.

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ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

9. Accrued Liabilities

Accrued liabilities at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Accrued vacation	\$719,697	\$566,173
Other accrued liabilities	<u>257,137</u>	<u>197,432</u>
	<u>\$976,834</u>	<u>\$763,605</u>

10. Right-of-Use Assets and Lease Liabilities - Operating Leases

EFF evaluated current contracts to determine which met the criteria of a lease. The Right-of-use (“ROU”) assets represents EFF’s right to use underlying assets for the lease term and the lease liabilities represent EFF’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. EFF made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. The lease expense will be recognized on a straight-line basis over the lease term.

EFF’s operating leases consist of office equipment.

The ROU assets and lease liabilities were determined based on the current terms in force as of June 30, 2023. No additional options have been included.

Cash paid for operating leases for the year ended June 30, 2024 was \$12,595. For the year ended June 30, 2024, the weighted average of the discount rate is 3%, and the weighted average of the remaining lease terms is approximately 4.33 years. There were no non-cash financing transactions related to leasing during the year ended June 30, 2024.

Future maturities of the lease liabilities are as follows:

<u>Year ending June 30,</u>	
2025	\$13,740
2026	13,740
2027	13,740
2028	<u>4,580</u>
Total lease payments	45,800
Less: present value discount	<u>(2,865)</u>
	<u>\$42,935</u>

The underlying ROU assets related to the above liabilities are as follows:

ROU asset balance at July 1, 2023	\$ 55,024
Less: amortization of lease	<u>(12,089)</u>
ROU asset balance at June 30, 2024	<u>\$ 42,935</u>

Operating lease expense for the year ended June 30, 2024 was \$13,740.

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

11. Net Assets With Donor Restrictions – Purpose/Time

Net assets with donor restrictions for purpose or time at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Adams endowed chair for internet freedom	\$1,661,174	\$ 721,008
Prime number contest	387,786	387,786
Time restricted	381,710	3,927,190
Chair to eliminate stupid patents	231,879	116,142
Others	197,033	223,494
How to fix internet podcast	100,043	-
Law enforcement access to data	50,310	200,000
Fellowships	-	90,761
Allowances for doubtful accounts and present value on related grants receivable	<u>(53,628)</u>	<u>(54,198)</u>
	<u>\$2,956,307</u>	<u>\$5,612,183</u>

For the years ended June 30, 2024 and 2023, net assets released from purpose/time restrictions were \$4,645,947 and \$3,415,229, respectively.

12. Net Assets With Donor Restrictions – Perpetual in Nature (Endowment)

Net assets with donor restrictions that are perpetual in nature represent contributions which the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends therefrom may be expended for unrestricted or restricted purposes. At June 30, 2024 and 2023, net assets with donor restrictions that are perpetual in nature were \$3,000,000.

Generally accepted accounting principles provide guidance on the net asset classification of donor restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). Generally accepted accounting principles also require additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not EFF is subject to UPMIFA.

EFF’s endowment consists of two investment accounts consisting of equities, fixed income instruments, and cash and cash equivalents. EFF’s endowment includes donor-restricted and Board-designated endowment funds. EFF’s Board-designated endowment was established to further the charitable purposes of EFF by providing general support in meeting the operating needs of EFF, as determined by the EFF Board of Directors. EFF’s donor-restricted endowment was established to permanently pay the salary of the holder of the Adams Chair for Internet Freedom.

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

12. Net Assets With Donor Restrictions – Perpetual in Nature (Endowment), continued

EFF classifies as net assets with donor restrictions - perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund if applicable. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions - perpetuity is classified as net assets with donor restrictions - temporary until those amounts are appropriated for expenditure by EFF.

Investment Objectives, Asset Allocation and Disbursement Policy

EFF has adopted investment and spending policies for board designated 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. 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.

For donor restricted endowment assets, EFF has adopted a balanced investment policy that attempts 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. Under this policy, as approved by the donor and the Board of Directors, the endowment assets are invested using an allocation model of no more than 70-80% of the funds in equities and no less than 20-30% in fixed income. Additional investment guidelines are detailed in the Capital Group asset management investment policy statement. Actual returns in any given year may vary.

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.

Withdrawals from the board-designated 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, unless otherwise specified by the Board.

Withdrawals from the donor-restricted endowment account shall be limited to no more than 5% of the three-year rolling average of funds under investment at December 31, unless otherwise specified by donor.

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 provides the following disclosures.

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

12. Net Assets With Donor Restrictions – Perpetual in Nature (Endowment), continued

Endowment net assets composition by type of fund at June 30, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
<u>June 30, 2024</u>			
Board-designated endowment	\$16,046,945	\$ -	\$16,046,945
Donor restricted endowment - perpetual		3,000,000	3,000,000
Donor restricted endowment - purpose		<u>1,661,174</u>	<u>1,661,174</u>
	<u>\$16,046,945</u>	<u>\$4,661,174</u>	<u>\$20,708,119</u>
<u>June 30, 2023</u>			
Board-designated endowment	\$14,637,508	\$ -	\$14,637,508
Donor restricted endowment - perpetual		3,000,000	3,000,000
Donor restricted endowment - purpose		<u>721,009</u>	<u>721,009</u>
	<u>\$14,637,508</u>	<u>\$3,721,009</u>	<u>\$18,358,517</u>

Changes in endowment net assets for the years ended June 30, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
<u>June 30, 2024</u>			
Endowment net assets, beginning of year	\$14,637,508	\$3,721,009	\$18,358,517
Contributions			-
Withdrawals	(361,000)	(211,000)	(572,000)
Investment return:			
Net appreciation (realized and unrealized)	<u>1,770,437</u>	<u>1,151,165</u>	<u>2,921,602</u>
Endowment net assets, end of year	<u>\$16,046,945</u>	<u>\$4,661,174</u>	<u>\$20,708,119</u>
<u>June 30, 2023</u>			
Endowment net assets, beginning of year	\$14,313,918	\$3,410,354	\$17,724,272
Contributions			-
Withdrawals	(983,000)	(214,000)	(1,197,000)
Investment return:			
Net appreciation (realized and unrealized)	<u>1,306,590</u>	<u>524,655</u>	<u>1,831,245</u>
Endowment net assets, end of year	<u>\$14,637,508</u>	<u>\$3,721,009</u>	<u>\$18,358,517</u>

continued

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

13. In-kind Contributions

In-kind contributions received for the years June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Services	\$56,850	\$104,738
Vehicles	<u>10,235</u>	<u>13,445</u>
Total in-kind contributions	<u>\$67,085</u>	<u>\$118,183</u>

Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions. The contributed services were used entirely for the education, advocacy and litigation program, and the contributed vehicles were monetized as part of EFF's fundraising efforts. The established fair value of each category of contributions received are as follows:

Contributed Services

Contributed services are valued and reported in the financial statements at their estimated fair value based on current rates for similar services in the region. For the years ended June 30, 2024 and 2023, EFF received \$44,680 and \$90,060, respectively, in web hosting services and \$12,170 and \$14,678, respectively, in legal services.

Contributed Vehicles

EFF uses Car Program, Inc., a third party, to solicit, process and sell vehicles. Though donors contact Car Program, Inc. and they handle the processing and sale of the vehicles, donors are made aware that the vehicle sales benefit EFF. The estimated fair value of the contributed vehicles is based on sale amounts received by Car Program, Inc. The gross sales amounts of \$10,235 and \$13,445 for the years ended June 30, 2024 and 2023, respectively, are recorded by EFF as an in-kind contribution. The related fees to participate in the program are recorded as car sales expense under fundraising in the functional expense. No vehicles are donated directly to EFF.

14. Tax Sheltered Annuity

EFF established a 403(b) deferred income plan for all eligible employees. Voluntary contributions made by employees who choose to participate to the extent permissible by law. EFF makes matching contributions up to 10% of employee contributions. Employer contributions under this plan for the years ended June 30, 2024 and 2023 were \$327,234 and \$286,881, respectively.

15. Donor Relationship Management (CRM) System Upgrade

In fiscal year 2024, EFF modernized its donor interaction processes by implementing a new Donor Relationship Management (CRM) system. This upgrade replaced the outdated relationships management system, enhancing the ability to engage with both current and potential customers. The implementation required an implementation investment of \$498,172 during the fiscal year ending June 30, 2024 and an anticipated \$350,000 during the fiscal year that will end on June 30, 2025.

ELECTRONIC FRONTIER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

16. Subsequent Events

EFF made a one-time pay out of accrued vacation of \$745,255 in the fiscal year June 30, 2025. The payment was made as a result of negotiations made by EFF as part of a collective bargaining agreement with its employee union.

Management has evaluated subsequent events through March 25, 2025, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.