

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For Years Ended
June 30, 2015 and 2014**

CONTENTS

	<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 - 18
Supplementary Information	
Schedules of Functional Expenses	20 - 21

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, 2015 and 2014, 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, 2015 and 2014, 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

March 7, 2016

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 2,008,608	\$ 2,692,425
Prepaid expenses and deposits	43,380	18,563
Accounts receivable and employee advances	8,079	1,541
Current portion of grants receivable, net of allowance for doubtful accounts (Note 2)	561,225	687,231
Inventory (Note 1)	<u>27,644</u>	<u>26,528</u>
Total current assets	2,648,936	3,426,288
Grants receivable, net of current portion, allowance for doubtful accounts and present value discount (Note 2)	-	109,466
Restricted cash, donor-restricted endowment (Note 3)	104,661	-
Marketable equity securities (Note 4)	18,139,107	12,727,712
Employee affordable housing loans receivable, net of present value discount (Note 5)	451,876	51,310
Land, building, improvements, and equipment net of accumulated depreciation of \$514,012 at 2015 and \$323,601 at 2014 (Notes 1 and 6)	<u>8,876,633</u>	<u>6,564,795</u>
Total assets	<u>\$ 30,221,213</u>	<u>\$ 22,879,571</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 144,822	\$ 192,552
Deferred revenue	1,500	-
Accrued vacation liability (Note 7)	<u>229,025</u>	<u>178,289</u>
Total liabilities	<u>375,347</u>	<u>370,841</u>
Net assets:		
Unrestricted net assets:		
Undesignated	14,877,220	10,976,073
Board-designated endowment (Note 3)	<u>10,197,126</u>	<u>10,230,205</u>
Total unrestricted net assets	25,074,346	21,206,278
Temporarily restricted net assets (Note 8)	1,771,520	1,302,452
Permanently restricted net assets (Note 3)	<u>3,000,000</u>	<u>-</u>
Total net assets	<u>29,845,866</u>	<u>22,508,730</u>
Total liabilities and net assets	<u>\$ 30,221,213</u>	<u>\$ 22,879,571</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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND TRANSFERS				
Public support:				
Foundation and corporation grants	\$ 3,062,488	\$ 1,489,126	\$ 3,000,000	\$ 7,551,614
Donations and contributions	2,292,151	255,000	-	2,547,151
Memberships	2,176,873	-	-	2,176,873
Cy pres award	3,743,826	-	-	3,743,826
In-kind legal services (Note 1)	<u>237,464</u>	<u>-</u>	<u>-</u>	<u>237,464</u>
Total public support	<u>11,512,802</u>	<u>1,744,126</u>	<u>3,000,000</u>	<u>16,256,928</u>
Revenue:				
Investment income (Note 4)	138,161	116,550	-	254,711
Litigation revenue	95,306	-	-	95,306
Event income, net of expenses (Note 9)	(14,521)	-	-	(14,521)
Miscellaneous	<u>169,622</u>	<u>-</u>	<u>-</u>	<u>169,622</u>
Total revenue	<u>388,568</u>	<u>116,550</u>	<u>-</u>	<u>505,118</u>
Net assets released from restriction (Note 10)	<u>1,391,608</u>	<u>(1,391,608)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and transfers	<u>13,292,978</u>	<u>469,068</u>	<u>-</u>	<u>16,762,046</u>
EXPENSES				
Program services	7,153,752	-	-	7,153,752
General and administrative	1,150,243	-	-	1,150,243
Fundraising	<u>1,120,915</u>	<u>-</u>	<u>-</u>	<u>1,120,915</u>
Total expenses	<u>9,424,910</u>	<u>-</u>	<u>-</u>	<u>9,424,910</u>
Change in net assets	3,868,068	469,068	3,000,000	7,337,136
Net assets, beginning of year	<u>21,206,278</u>	<u>1,302,452</u>	<u>-</u>	<u>22,508,730</u>
Net assets, end of year	<u>\$ 25,074,346</u>	<u>\$ 1,771,520</u>	<u>\$ 3,000,000</u>	<u>\$ 29,845,866</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, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND TRANSFERS			
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 4)	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 6)	(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>
EXPENSES			
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 CASH FLOWS
For the years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 7,337,136</u>	<u>\$ 7,119,265</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	190,411	181,818
Unrealized loss (gain) on investments	549,864	(533,306)
Realized loss (gain) on investments	1,821	(2,134)
Realized loss on disposal of fixed assets	-	2,292
Changes in assets and liabilities:		
Prepaid expenses and deposits	(24,817)	(1,702)
Grants receivable	235,472	127,003
Accounts receivable and employee advances	(6,538)	(1,541)
Inventory	(1,116)	5,917
Employee loan receivable, net	(400,566)	(51,310)
Accounts payable and accrued expenses	(47,730)	103,994
Deferred revenue	1,500	(71,986)
Accrued vacation liability	50,736	18,227
Total adjustments	<u>549,037</u>	<u>(222,728)</u>
Net cash provided by operating activities	<u>7,886,173</u>	<u>6,896,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(8,909,978)	(6,779,947)
Sales of investments	2,842,237	-
Purchase of land, building, improvements, and equipment	<u>(2,502,249)</u>	<u>(788,864)</u>
Net cash used by investing activities	<u>(8,569,990)</u>	<u>(7,568,811)</u>
Net decrease in cash and cash equivalents	(683,817)	(672,274)
Cash and cash equivalents, beginning of year	<u>2,692,425</u>	<u>3,364,699</u>
Cash and cash equivalents, end of year	<u>\$ 2,008,608</u>	<u>\$ 2,692,425</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, 2015 and 2014

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.

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.

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

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.

The Corporation reviews its investment 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 2015 or 2014.

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.

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 \$27,644 and \$26,528 at June 30, 2015 and 2014, respectively.

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

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

In-Kind Contributions - During the years ended June 30, 2015 and 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 \$237,464 and \$425,052 for the years ended June 30, 2015 and 2014, as follows:

<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>	
Legal services:				
2015	\$ -	\$ 237,464	\$ -	\$ 237,464
2014	\$ -	\$ 425,052	\$ -	\$ 425,052

Subsequent Events - Subsequent events have been evaluated through March 7, 2016, which is the date the financial statements were available to be issued.

NOTE 2 GRANTS RECEIVABLE

The Corporation had recorded the following grants receivable as of June 30, 2015 and 2014:

	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
<u>June 30, 2015:</u>			
Grants receivable	\$ 593,140	\$ -	\$ 593,140
Less: allowance for doubtful account	31,915	-	31,915
	\$ 561,225	\$ -	\$ 561,225
<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
	\$ 687,231	\$ 109,466	\$ 796,697

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
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 3 ENDOWMENT

EFF's endowment consists of two investment accounts consisting of equities, fixed income instruments, and cash and cash equivalents. Its endowment includes donor-restricted and Board-designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. EFF's Board-designated 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. EFF's donor-restricted endowment was established to permanently pay the salary of the holder of the Adams Chair for Internet Freedom.

Interpretation of Law - The Board of Directors of EFF has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, EFF classifies as permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

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.

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 3 ENDOWMENT (Continued)

Endowment Net Asset Composition by Type of Fund as of:

<u>June 30, 2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 10,197,126	\$ -	\$ -	\$ 10,197,126
Donor-restricted endowment funds	<u>-</u>	<u>116,550</u>	<u>3,000,000</u>	<u>3,116,550</u>
Total funds	<u>\$ 10,197,126</u>	<u>\$ 116,550</u>	<u>\$ 3,000,000</u>	<u>\$ 13,313,676</u>

<u>June 30, 2014</u>				
Board-designated endowment funds	\$ 10,230,205	\$ -	\$ -	\$ 10,230,205
Total funds	<u>\$ 10,230,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,230,205</u>

Changes in Endowment Net Assets for the years ended June 30, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>(24,215)</u>	<u>-</u>	<u>-</u>	<u>(24,215)</u>
Total investment return	<u>766,228</u>	<u>-</u>	<u>-</u>	<u>766,228</u>
Contributions	<u>4,751,137</u>	<u>-</u>	<u>-</u>	<u>4,751,137</u>
Appropriation of endowment assets for expenditure:				
Board-approved withdrawal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2014	<u>10,230,205</u>	<u>-</u>	<u>-</u>	<u>10,230,205</u>

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 3 ENDOWMENT (Continued)

Changes in Endowment Net Assets for the years ended June 30, 2015 and 2014 (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment return				
Realized gain	(1,821)	-	-	(1,821)
Unrealized gain	(508,386)	106,042	-	(402,344)
Interest and dividends	520,849	21,495	-	542,344
Investment fees	(43,721)	(10,987)	-	(54,708)
Total investment return	(33,079)	116,550	-	83,471
Contributions	-	-	3,000,000	3,000,000
Appropriation of endowment assets for expenditure:				
Board-approved withdrawal	-	-	-	-
	-	-	-	-
Endowment net assets, June 30, 2015	<u>\$ 10,197,126</u>	<u>\$ 116,550</u>	<u>\$ 3,000,000</u>	<u>\$ 13,313,676</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the Fiscal Years Ended June 30:

	<u>2015</u>	<u>2014</u>
<i>Permanently Restricted Net Assets</i>		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 3,000,000</u>	<u>\$ -</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 3,000,000</u>	<u>\$ -</u>

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 3 ENDOWMENT (Continued)

	2015	2014
<i>Temporarily Restricted Net Assets</i>		
Term endowment funds	\$ -	\$ -
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	116,550	-
Total endowment funds classified as temporarily restricted net assets	\$ 116,550	\$ -

Funds with Deficiencies

As of June 30, 2015 and 2014, 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 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.

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.

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 3 ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

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 the donor.

NOTE 4 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, 2015 and 2014, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Description	Fair Value Measurements Using			Total
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>June 30, 2015</u>				
Mutual funds	\$ 5,262,626	\$ -	\$ -	\$ 5,262,626
Fixed income	3,900,947	-	-	3,900,947
Equities	8,975,534	-	-	8,975,534
	<u>\$ 18,139,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,139,107</u>
<u>June 30, 2014</u>				
Mutual funds	\$ 2,683,632	\$ -	\$ -	\$ 2,683,632
Fixed income	3,872,690	-	-	3,872,690
Equities	6,171,390	-	-	6,171,390
	<u>\$ 12,727,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,727,712</u>

The following summarizes the investment income (loss) including interest on bank accounts and other sources during the years ended June 30, 2015 and 2014:

	2015	2014
Unrealized (loss) gain on investments	\$ (549,864)	\$ 533,306
Realized (loss) gain on investments	(1,821)	2,134
Interest and dividend income	864,435	495,990
Investment management fees	(58,039)	(25,537)
	<u>\$ 254,711</u>	<u>\$ 1,005,893</u>

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 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, 2015 and 2014, the Corporation had made the following EAH loans:

	2015	2014
Principal	\$ 590,850	\$ 69,900
Less: present value discount, equal to imputed interest discount; 3.14%	(138,974)	(18,590)
	\$ 451,876	\$ 51,310

Subsequent to year-end, the Corporation issued one additional EAH loan totaling \$92,250.

NOTE 6 LAND, BUILDING, IMPROVEMENTS, AND EQUIPMENT

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

	Land	Building and Improvements	Furniture and Equipment	Total
<u>Land, building, improvements, and equipment, at cost</u>				
Balance, June 30, 2013	\$ 954,712	\$ 4,959,902	\$ 217,083	\$ 6,131,697
Additions	-	776,453	12,411	788,864
Disposals	-	-	(32,165)	(32,165)
Balance, June 30, 2014	954,712	5,736,355	197,329	6,888,396
Additions	495,568	1,968,646	38,035	2,502,249
Balance, June 30, 2015	1,450,280	7,705,001	235,364	9,390,645
<u>Accumulated depreciation</u>				
Balance, June 30, 2013	-	85,545	86,111	171,656
Depreciation expense	-	146,896	34,922	181,818
Disposals	-	-	(29,873)	(29,873)
Balance, June 30, 2014	-	232,441	91,160	323,601
Depreciation expense	-	156,849	33,562	190,411
Balance, June 30, 2015	-	389,290	124,722	514,012
Land, building, improvements, and equipment, net	\$ 1,450,280	\$ 7,315,711	\$ 110,642	\$ 8,876,633

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 7 ACCRUED VACATION LIABILITY

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Corporation. The value of accumulated vacation at June 30, 2015 and 2014, was \$229,025 and \$178,289, respectively.

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, 2015 and 2014, are designated for the following uses:

	2015	2014
Time-Restricted	\$ 457,877	\$ 714,156
Prime Number Contest	387,786	387,786
Online Censorship.org	195,910	-
World Without Mass Surveillance LatAm Tour	40,106	31,955
Digital Privacy Training	100,000	-
Patent-busting Project	227,383	-
Surveillance Reform/Patriot Act Sunset Videos	47,579	-
Adams Endowed Chair for Internet Freedom	31,550	-
Student and Grassroots Patent Reform	25,000	-
Public Service Venture Fund Fellowship	-	11,250
Other	28,994	24,220
First Amendment fellowship	261,250	165,000
Allowances for doubtful accounts and present value on related grants receivable	(31,915)	(31,915)
	\$ 1,771,520	\$ 1,302,452

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, 2015 and 2014:

	Gross Income	Gross Expense	Net Income/(Loss)
<u>2015</u>			
Pioneer Award	\$ 42,115	\$ 44,379	\$ (2,264)
Trivia Night	11,318	12,840	(1,522)
Donor Celebration Dinner	-	8,682	(8,682)
Other	1,200	3,253	(2,053)
	\$ 54,633	\$ 69,154	\$ (14,521)

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

NOTE 9 EVENT INCOME (Continued)

<u>2014</u>	<u>Gross</u> <u>Income</u>	<u>Gross</u> <u>Expense</u>	<u>Net</u> <u>Income/(Loss)</u>
Pioneer Award	\$ 30,122	\$ 28,645	\$ 1,477
Other	<u>2,161</u>	<u>19,078</u>	<u>(16,917)</u>
	<u>\$ 32,283</u>	<u>\$ 47,723</u>	<u>\$ (15,440)</u>

NOTE 10 NET ASSETS RELEASED FROM RESTRICTION

During the years ended June 30, 2015 and 2014, 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>2015</u>	<u>2014</u>
Civil Liberties Program	\$ 400,000	\$ 450,000
Distributed Denial of Service	-	15,000
Time-restricted	409,971	327,284
Free Speech	-	25,000
eHealth Privacy Project	31,955	50,000
Public Service Venture Fund Fellowship	-	33,750
Surveillance Self-Defense	13,640	36,360
Trolling Effects	-	50,000
Patent-busting Project	22,617	247,177
Adams Endowed Chair for Internet Freedom	85,000	-
First Amendment Fellowship	68,750	-
Intermediary Liability Project	80,786	-
Online Censorship.org	54,090	-
Surveillance Reform/Patriot Act Sunset Videos	52,421	-
World Without Mass Surveillance LatAm tour	79,893	-
Summer Intern Program	25,812	-
Privacy Badger	25,000	-
Other	<u>41,673</u>	<u>23,948</u>
	<u>\$ 1,391,608</u>	<u>\$ 1,258,519</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, 2015 and 2014, the Corporation matched up to 10% of employee contributions to the plan, for a total of \$36,729 and \$32,274, respectively. Additionally, the Corporation approved a one-time anniversary bonus contribution totaling \$114,000 for the year ended June 30, 2015, and \$76,000 for the year ended June 30, 2014, for a total contribution of \$150,729 and \$108,274, respectively.

ELECTRONIC FRONTIER FOUNDATION
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2015 and 2014

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. There were no pro bono transactions between the Corporation and the non-profit during the year ended June 30, 2015.

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, 2015, the Corporation received approximately 19% of its total income from an individual donor, an additional 18% from a Cy Pres award, and 9% from contributions made by customers of Humble Bundle, Inc. For the year ended June 30, 2014, the Corporation received approximately 26% of its total income from one donor.

As of June 30, 2015, the Corporation had exceeded the Federal Depository Insurance Corporation cash limit of \$250,000 on its depository accounts. At June 30, 2015, the Corporation had approximately \$1,467,000 on deposit in excess of federally insured limits.

SUPPLEMENTARY INFORMATION

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

SCHEDULES OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 4,194,243	\$ 834,774	\$ 525,610	\$ 5,554,627
Pension plan contributions	117,692	24,867	12,478	155,037
Other employee benefits	577,251	76,967	115,450	769,668
Payroll taxes	298,787	59,757	39,838	398,382
Legal	244,785	-	-	244,785
Accounting	-	18,155	-	18,155
Other professional fees	587,769	17,255	-	605,024
Bank fees	-	16,134	-	16,134
Office expenses	86,965	20,408	11,752	119,125
Information technology	38,501	8,324	5,203	52,028
Occupancy	132,272	28,598	17,875	178,745
Travel	379,227	-	51,712	430,939
Depreciation	140,903	30,467	19,041	190,411
Insurance	95,622	6,554	4,097	106,273
Litigation expenses	215,129	-	-	215,129
Membership expenses	7,949	-	315,945	323,894
Fundraising expenses	-	-	1,914	1,914
Intern expenses	24,162	-	-	24,162
Other expenses	12,495	7,983	-	20,478
	<u>\$ 7,153,752</u>	<u>\$ 1,150,243</u>	<u>\$ 1,120,915</u>	<u>\$ 9,424,910</u>
Total expenses	<u>\$ 7,153,752</u>	<u>\$ 1,150,243</u>	<u>\$ 1,120,915</u>	<u>\$ 9,424,910</u>

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

SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
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
	<u>3,991</u>	<u>-</u>	<u>-</u>	<u>3,991</u>
Total expenses	<u>\$ 5,609,238</u>	<u>\$ 808,631</u>	<u>\$ 1,032,778</u>	<u>\$ 7,450,647</u>