

**ELECTRONIC FRONTIER FOUNDATION, INC.**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2021 and 2020**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Electronic Frontier Foundation, Inc.

### Report on the Financial Statements

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, 2021 and 2020, and the related Statements of Activities, Functional Expenses, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2021, and 2020, 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.

*Harrington Group*

Oakland, California  
April 1, 2022

# ELECTRONIC FRONTIER FOUNDATION, INC.

## STATEMENT OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 3,670,905	\$ 3,840,667
Restricted cash - donor restricted endowment	7,992	44,435
Grants receivable, net (Note 4)	2,471,749	601,278
Employee affordable housing loans receivable, net (Note 5)	185,087	180,636
Inventory (Note 2)	78,554	86,605
Investments (Note 6)	29,492,828	25,127,068
Prepaid expenses	71,427	58,448
Property and equipment (Note 8)	10,576,874	10,750,658
<b>TOTAL ASSETS</b>	<u>\$ 46,555,416</u>	<u>\$ 40,689,795</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 84,681	\$ 61,467
Accrued liabilities (Note 9)	1,026,047	610,230
Deferred revenue	1,500	42,175
Paycheck protection program loan (Note 10)	-	1,692,000
<b>TOTAL LIABILITIES</b>	<u>1,112,228</u>	<u>2,405,872</u>
<b>NET ASSETS</b>		
Without restrictions	37,345,519	33,286,968
With restrictions - purpose/time (Note 12)	5,097,669	1,996,955
With restrictions - perpetual (Note 13)	3,000,000	3,000,000
<b>TOTAL NET ASSETS</b>	<u>45,443,188</u>	<u>38,283,923</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 46,555,416</u>	<u>\$ 40,689,795</u>

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

**ELECTRONIC FRONTIER FOUNDATION, INC.**

STATEMENT OF ACTIVITIES  
For the years ended June 30, 2021 and 2020

	Year ended June 30, 2021			Year ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
<b>Public Support</b>						
Donations and contributions	\$ 4,796,509	\$ 214,762	\$ 5,011,271	\$ 4,835,807	\$ 6,544	\$ 4,842,351
Memberships	5,001,141		5,001,141	4,461,788		4,461,788
Foundation and corporation grants	1,562,147	3,361,843	4,923,990	1,012,675	451,616	1,464,291
Cy pres awards	321,634		321,634	112,948		112,948
In-kind contributions (Note 2)	109,806		109,806	101,150		101,150
<b>Other revenue</b>						
Investment income (Note 6)	4,113,501	1,156,281	5,269,782	1,112,275	286,370	1,398,645
Paycheck protection program loan - forgiveness	1,692,000		1,692,000			-
Other income	128,975		128,975	75,371		75,371
Litigation revenue	69,610		69,610	567,591		567,591
Special events	74,182		74,182	(2,600)		(2,600)
Net assets released from restrictions (Note 12)	1,632,172	(1,632,172)	-	1,537,001	(1,537,001)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>19,501,677</b>	<b>3,100,714</b>	<b>22,602,391</b>	<b>13,814,006</b>	<b>(792,471)</b>	<b>13,021,535</b>
<b>EXPENSES</b>						
Education, advocacy and litigation program	10,710,627		10,710,627	10,699,683		10,699,683
General and administrative	2,403,354		2,403,354	2,303,451		2,303,451
Fundraising and development	2,329,145		2,329,145	2,013,202		2,013,202
<b>TOTAL EXPENSES</b>	<b>15,443,126</b>	<b>-</b>	<b>15,443,126</b>	<b>15,016,336</b>	<b>-</b>	<b>15,016,336</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,058,551</b>	<b>3,100,714</b>	<b>7,159,265</b>	<b>(1,202,330)</b>	<b>(792,471)</b>	<b>(1,994,801)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>33,286,968</b>	<b>4,996,955</b>	<b>38,283,923</b>	<b>34,489,298</b>	<b>5,789,426</b>	<b>40,278,724</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 37,345,519</b>	<b>\$ 8,097,669</b>	<b>\$ 45,443,188</b>	<b>\$ 33,286,968</b>	<b>\$ 4,996,955</b>	<b>\$ 38,283,923</b>

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

**ELECTRONIC FRONTIER FOUNDATION, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the years ended June 30, 2021 and 2020

	Year ended June 30, 2021				Year ended June 30, 2020			
	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	\$ 7,789,766	\$ 1,876,853	\$ 1,263,569	\$ 10,930,188	\$ 7,513,085	\$ 1,888,289	\$ 1,065,754	\$ 10,467,128
Employee benefits	978,886	172,908	233,055	1,384,849	891,989	126,555	211,331	1,229,875
Payroll taxes	511,811	83,493	125,115	720,419	510,234	71,420	129,309	710,963
Total personnel costs	9,280,463	2,133,254	1,621,739	13,035,456	8,915,308	2,086,264	1,406,394	12,407,966
Other professional fees	633,793	75,865	6,301	715,959	745,069	13,476	30,274	788,819
Membership expenses			598,741	598,741	13,252		460,523	473,775
Depreciation	211,684	55,294	35,652	302,630	197,554	53,344	32,320	283,218
Office expenses	124,348	32,470	20,943	177,761	124,284	33,603	20,333	178,220
Occupancy	118,102	30,850	19,891	168,843	181,525	49,015	29,698	260,238
Insurance	111,205	10,287	6,633	128,125	102,823	8,908	5,397	117,128
Litigation expenses	90,956			90,956	125,129			125,129
Planning and development expenses	39,622	15,781	4,238	59,641	65,645	17,725	10,740	94,110
Legal	50,257	590	380	51,227	75,051	6,225	3,771	85,047
IT expenses	32,743	8,553	5,515	46,811	19,154	5,171	3,134	27,459
In kind technology		20,450		20,450				-
Intern expenses	17,025			17,025	6,936			6,936
Accounting		16,000		16,000		21,500		21,500
Event expenses			6,174	6,174	6,635		5,812	12,447
Bank fees		3,956		3,956		4,991		4,991
Fundraising expenses			2,897	2,897			2,707	2,707
Travel	429	4	41	474	121,318	3,229	2,099	126,646
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 10,710,627</b>	<b>\$ 2,403,354</b>	<b>\$ 2,329,145</b>	<b>\$ 15,443,126</b>	<b>\$ 10,699,683</b>	<b>\$ 2,303,451</b>	<b>\$ 2,013,202</b>	<b>\$ 15,016,336</b>

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

**ELECTRONIC FRONTIER FOUNDATION, INC.**

STATEMENT OF CASH FLOWS

For the years ended June 30, 2021 and 2020

	2021	2020
<b>CASH FLOWS (TO) OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 7,159,265	\$ (1,994,801)
Adjustments to reconcile change in net assets to net cash (used) by operating activities		
Depreciation	302,630	283,218
(Gain) on investments	(4,894,914)	(773,159)
Reinvested dividends	(418,658)	(517,400)
Paycheck protection program loan - forgiveness	(1,692,000)	-
Change in allowance and discount on grants receivable	(7,570)	(13,753)
Change in allowance on employee affordable housing loans receivable	(4,451)	(38,568)
(Increase) decrease in operating assets:		
Grants receivable	(1,862,901)	578,362
Prepaid expenses	(12,979)	686
Inventory	8,051	33,310
Employee affordable housing loans receivable	-	255,000
Increase (decrease) in operating liabilities:		
Accounts payable	23,214	(65,736)
Accrued liabilities	415,817	164,010
Deferred revenue	(40,675)	21,925
	<b>(1,025,171)</b>	<b>(2,066,906)</b>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(128,846)	(755,738)
Purchase of investments	(1,969,000)	(1,214,397)
Sale of investments	2,916,812	1,043,796
Change in restricted endowment cash	36,443	28,991
	<b>855,409</b>	<b>(897,348)</b>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from paycheck protection program	-	1,692,000
	<b>-</b>	<b>1,692,000</b>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(169,762)</b>	<b>(1,272,254)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>3,840,667</b>	<b>5,112,921</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,670,905</b>	<b>\$ 3,840,667</b>

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

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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. The Corporation’s primary sources of revenue are grants and contributions from foundations, corporations, and individuals.

### 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 that 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

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### 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 \$78,554 and \$86,605 at June 30, 2021 and 2020, 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.

No single donor provided more than 11% of 2021 or 2020 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

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### 2. Summary of Significant Accounting Policies, continued

#### 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 2021 and 2020.

#### Contributed 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, 2021 and 2020, EFF received donated services of \$109,806 and \$101,150, respectively.

#### 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, 2021, there were no contributions that had not been recognized because the conditions on which they depend had not yet been met.

#### Deferred Revenue

Deferred revenue results from EFF recognizing event revenue in the period in which the event occurs. Accordingly, deferred revenue of \$1,500 at June 30, 2021, primarily represents event revenue received in advance for events expected to be held in the next fiscal year.

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **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 IRS to be an organization other than a private foundation.

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, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation.

#### **Subsequent Event**

Management has evaluated subsequent events through April 1, 2022, the date which the financial statements were available for issue. No other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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 Finance Director and Deputy Executive Director meet 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 12. 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 \$101,000 as of June 30, 2021 or to its operating reserve, which was \$7.9 million as of June 30, 2021.

As of June 30, 2021, 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	\$ 3,670,905
Grants receivable, net	2,471,749
Employee housing (EAH) loan receivables, net	185,087
Investments	<u>29,492,828</u>
Total financial assets	<u>35,820,569</u>
<u>Less amounts not available to be used within one year:</u>	
Investments held for Board designated endowments	(17,033,698)
Investments held for donor endowments	(3,000,000)
Cash for restricted gifts	(2,625,920)
Contributions receivable for restricted gifts, net	(1,851,666)
Contributions receivable due after one year, net	(620,083)
EAH receivables due after one year, net	<u>(185,087)</u>
Financial assets not available to be used within one year	<u>(25,316,454)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,504,115</u>

continued

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 4. Grants Receivable

EFF had recorded grants receivable at June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Grants receivable	\$2,541,347	\$678,446
Less: allowance for doubtful debts	<u>(46,359)</u>	<u>(53,365)</u>
	2,494,988	625,081
Less: present value discount at 2.5%	<u>(23,239)</u>	<u>(23,803)</u>
Grants receivable, net	<u>\$2,471,749</u>	<u>\$601,278</u>

Total grants receivable at June 30, 2021 of \$2,541,347 is expected to be collected as follows:

<u>Year ending June 30,</u>	
2022	\$1,878,847
2023	462,500
2024	100,000
2025	<u>100,000</u>
	<u>\$2,541,347</u>

### 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, 2021, and 2020, EFF had the following EAH loans receivable, net:

	<u>2021</u>	<u>2020</u>
EAH loans principal	\$210,750	\$210,750
Less: present value discount, equal to imputed interest discount of 1.2%	<u>(25,663)</u>	<u>(30,114)</u>
	<u>\$185,087</u>	<u>\$180,636</u>

### 6. Investments

Investments at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Equity	\$17,102,067	\$14,309,893
Fixed income	12,390,761	10,601,326
Cash	<u>-</u>	<u>215,849</u>
	<u>\$29,492,828</u>	<u>\$25,127,068</u>

continued

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 6. Investments, continued

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

	<u>2021</u>	<u>2020</u>
Gain on investments	\$4,894,206	\$ 773,159
Interest and dividends	469,006	679,879
Investment management fees	<u>(93,430)</u>	<u>(54,393)</u>
	<u>\$5,269,782</u>	<u>\$1,398,645</u>

### 7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2021 and 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>June 30, 2021</u></b>				
Equities				
Domestic stock fund	\$ 7,614,256	\$ -	\$ -	\$ 7,614,256
International stock	4,941,624			4,941,624
Common stock	4,295,996			4,295,996
Preferred stock	250,191			250,191
Real estate investment trusts				-
Total equities	<u>17,102,067</u>	<u>-</u>	<u>-</u>	<u>17,102,067</u>
Fixed income				
Domestic bond market		6,363,441		6,363,441
International bonds		3,641,881		3,641,881
Short term investment	1,417,021			1,417,021
International investment	946,038			946,038
Bank loan	22,380			22,380
Total fixed income	<u>2,385,439</u>	<u>10,005,322</u>	<u>-</u>	<u>12,390,761</u>
Fair value at June 30, 2021	<u>\$19,487,506</u>	<u>\$10,005,322</u>	<u>\$ -</u>	<u>\$29,492,828</u>

continued

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### 7. Fair Value Measurements, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2020</u>				
Equities				
Domestic stock fund	\$ 6,583,375	\$ -	\$ -	\$ 6,583,375
International stock	4,312,930			4,312,930
Common stock	3,187,550			3,187,550
Preferred stock	174,330			174,330
Real estate investment trusts	<u>51,708</u>			<u>51,708</u>
Total equities	<u>14,309,893</u>	<u>-</u>	<u>-</u>	<u>14,309,893</u>
Fixed income				
Domestic bond market		5,145,587		5,145,587
International bonds		2,992,312		2,992,312
Short term investment	1,058,405			1,058,405
International investment	709,335			709,335
Intermediate term bond	293,802			293,802
Short term bond	231,112			231,112
Bank loan	74,816			74,816
High yield investment	51,130			51,130
Intermediate core bond	21,107			21,107
Nontraditional bond	13,300			13,300
Ultrashort funds	<u>10,420</u>			<u>10,420</u>
Total fixed income	<u>2,463,427</u>	<u>8,137,899</u>	<u>-</u>	<u>10,601,326</u>
Fair value at June 30, 2020	<u>\$16,773,320</u>	<u>\$8,137,899</u>	<u>\$ -</u>	<u>\$24,911,219</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).

The table below presents the transactions measured at fair value on a non-recurring basis during the years ended June 30, 2021 and 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2021</u>				
In-kind contributions	\$ -	\$109,806	\$ -	\$ 109,806
Pledged contributions – new			<u>3,576,605</u>	<u>3,576,605</u>
Fair value at June 30, 2021	<u>\$ -</u>	<u>\$109,806</u>	<u>\$3,576,605</u>	<u>\$3,686,411</u>
<u>June 30, 2020</u>				
In-kind contributions	\$ -	\$101,150	\$ -	\$101,150
Pledged contributions – new			<u>458,160</u>	<u>458,160</u>
Fair value at June 30, 2020	<u>\$ -</u>	<u>\$101,150</u>	<u>\$458,160</u>	<u>\$559,310</u>

continued

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 7. Fair Value Measurements, continued

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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$10,590,913	\$10,462,067
Land	1,689,197	1,689,197
Computer equipment	238,477	238,477
Furniture and equipment	<u>148,184</u>	<u>148,184</u>
	12,666,771	12,537,925
Less: accumulated depreciation	<u>(2,089,897)</u>	<u>(1,787,267)</u>
	<u>\$10,576,874</u>	<u>\$10,750,658</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$302,630 and \$283,218, respectively.

### 9. Accrued Liabilities

Accrued liabilities at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Accrued vacation	\$ 703,988	\$568,197
Other accrued liabilities	<u>322,059</u>	<u>7,096</u>
	<u>\$1,026,047</u>	<u>\$575,293</u>

### 10. Paycheck Protection Program Loan

In April 2020, EFF received loan proceeds in the amount of \$1,692,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are eligible for forgiveness for a covered period of up to twenty-four weeks, as long as the borrower uses the loan proceeds for eligible purposes (which includes payroll, benefits, rent and utilities) and maintains its full-time staff equivalency levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

continued



# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 10. Paycheck Protection Program Loan, continued

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral period for loan payments of either (1) the date that Small Business Administration (“SBA”) remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period. EFF intends to use the proceeds for purposes consistent with the PPP guidelines.

On February 8, 2021, the SBA approved EFF’s request for full forgiveness of its outstanding PPP loan. As such, the PPP loan amount of \$1,692,000 was recorded as revenue during the fiscal year ended June 30, 2021.

The SBA reserves the right to review any loan at their discretion and the SBA has indicated that it will review loans of \$2 million or more. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

### 11. Commitments and Contingencies

#### Contingencies

##### Impact of COVID-19 Virus

Following the State “Safer at Home” order to close all non-essential business activities, EFF, as an essential business, has been conducting business activities under Safer at Home isolation protocols. The overall long-term, financial impact of the COVID-19 virus on EFF cannot be foreseen at this time and is not reflected in these financial statements.

### 12. Net Assets With Donor Restrictions – Purpose/Time

Net assets with donor restrictions for purpose or time at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Time restricted	\$2,314,723	\$ 593,470
Adams endowed chair for internet freedom	1,601,298	613,018
Prime number contest	387,786	387,786
Threat lab	294,432	-
Chair to eliminate stupid patents	250,000	36,851
Fellowships	174,975	117,323
Others	96,008	50,210
Saved by Alice – patent stories	48,046	48,046
Artificial intelligence	-	227,420
Allowances for doubtful accounts and present value on related grants receivable	<u>(69,599)</u>	<u>(77,169)</u>
	<u>\$5,097,669</u>	<u>\$1,996,955</u>

continued

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 12. Net Assets With Donor Restrictions – Purpose/Time, continued

For the years ended June 30, 2021 and 2020, net assets released from purpose restrictions were \$1,632,172 and \$1,537,001, respectively.

### 13. 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, 2021 and 2020, 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.

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.

continued

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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

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.

Endowment net assets composition by type of fund at June 30, 2021 and 2020:

	<b><u>Without</u></b>	<b><u>With</u></b>	<b><u>Total</u></b>
	<b><u>Restrictions</u></b>	<b><u>Restrictions</u></b>	<b><u>Endowment</u></b>
			<b><u>Assets</u></b>
<b><u>June 30, 2021</u></b>			
Board-designated endowment	\$17,033,698	\$ -	\$17,033,698
Donor restricted endowment-perpetual		3,000,000	3,000,000
Donor restricted endowment-purpose		<u>1,601,300</u>	<u>1,601,300</u>
	<u>\$17,033,698</u>	<u>\$4,601,300</u>	<u>\$21,634,998</u>
<b><u>June 30, 2020</u></b>			
Board-designated endowment	\$14,435,541	\$ -	\$14,435,541
Donor restricted endowment-perpetual		3,000,000	3,000,000
Donor restricted endowment-purpose		<u>613,018</u>	<u>613,018</u>
	<u>\$14,435,541</u>	<u>\$3,613,018</u>	<u>\$18,048,559</u>

continued

# ELECTRONIC FRONTIER FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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

Changes in endowment net assets for the years ended June 30, 2021 and 2020:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total Endowment Assets</u>
<b><u>June 30, 2021</u></b>			
Endowment net assets, beginning of year	\$14,435,541	\$3,613,018	<b>\$18,048,559</b>
Withdrawals	(800,500)	(168,000)	<b>(968,500)</b>
Investment return:			
Net appreciation (realized and unrealized)	<u>3,398,657</u>	<u>1,156,282</u>	<u><b>4,554,939</b></u>
Endowment net assets, end of year	<u>\$17,033,698</u>	<u>\$4,601,300</u>	<u><b>\$21,634,998</b></u>
<b><u>June 30, 2020</u></b>			
Endowment net assets, beginning of year	\$14,105,101	\$3,477,648	\$17,582,749
Withdrawals	(345,000)	(151,000)	(496,000)
Investment return:			
Net appreciation (realized and unrealized)	<u>675,440</u>	<u>286,370</u>	<u>961,810</u>
Endowment net assets, end of year	<u>\$14,435,541</u>	<u>\$3,613,018</u>	<u>\$18,048,559</u>

### 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, 2021 and 2020 were \$244,347 and \$89,795, respectively.

### 15. Related Party Transaction

On May 13, 2019, EFF received a \$75,000 donation from the Kahle/Austin Foundation to fund the “Internet Archive Fellowship” to be hosted by EFF. The contribution was directed by Brewster Kahle, Founder & Digital Librarian of the Internet Archive and Board member of EFF. The Internet Archive and EFF are both deeply concerned about the protection of the Internet, especially with regard to recent copyright and filtering efforts in Europe. The Board, with the exception of Brewster Kahle, reviewed and unanimously approved the acceptance of hosting this fellowship as it is well within the mission of the organization. The fellow was contracted on July 27, 2019 and the final payment was made to Brigitta on July 8, 2020.

No other related party transactions occurred in the fiscal year ended June 30, 2021.