

**ACCESS NOW, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**ACCESS NOW, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 9

LEDERER, LEVINE & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

KENNETH J. LEDERER, CPA
STEVEN J. LEVINE, CPA
DEREK A. FLANAGAN, CPA

1099 WALL STREET WEST - SUITE 280
LYNDHURST, NEW JERSEY 07071
(201) 933-3780
(201) 933-3575 FAX

149 MADISON AVENUE - 11th FLOOR
NEW YORK, NEW YORK 10016
(800) 269-3457 (NYC)

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Access Now, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Access Now, Inc. Affiliate (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Access Now, Inc. and Affiliate as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Lederer, Levine & Associates, LLC

Lyndhurst, NJ
November 15, 2017

**ACCESS NOW, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016**

ASSETS

Cash and cash equivalents (Notes B and H)	\$ 460,164
Grants receivable, net (Notes B and C)	843,948
Prepaid expenses	54,966
Property and equipment (Notes B and D)	7,391
Other assets (Note E)	<u>112,546</u>
TOTAL ASSETS	\$ <u>1,479,015</u>

LIABILITIES

Accounts payable and accrued expenses (Note J)	\$ 243,406
Deferred revenue (Note F)	<u>49,341</u>
TOTAL LIABILITIES	<u>292,747</u>

COMMITMENTS AND CONTINGENCIES (Note J)

NET ASSETS

Unrestricted	111,584
Temporarily restricted (Note I)	<u>1,074,684</u>
TOTAL NET ASSETS	<u>1,186,268</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,479,015</u>

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

**ACCESS NOW, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants (Note B and C)	\$ 1,452,981	\$ 1,240,624	\$ 2,693,605
Swedish International Development Agency (Note H)		2,069,798	2,069,798
Program revenues (Note B)	168,326		168,326
In-kind contributions (Notes B and G)	76,041		76,041
Loss on foreign currency conversions	(26,687)		(26,687)
Net assets released from restrictions	<u>2,963,081</u>	<u>(2,963,081)</u>	
TOTAL SUPPORT AND REVENUE	<u>4,633,742</u>	<u>347,341</u>	<u>4,981,083</u>
 EXPENSES:			
Program services	3,465,782		3,465,782
Management and general	763,757		763,757
Fundraising and development	<u>182,359</u>		<u>182,359</u>
TOTAL EXPENSES	<u>4,411,898</u>		<u>4,411,898</u>
Change in Net Assets	221,844	347,341	569,185
Net Assets - Beginning of Year	<u>(110,260)</u>	<u>727,343</u>	<u>617,083</u>
 Net Assets - End of Year	 <u>\$ 111,584</u>	 <u>\$ 1,074,684</u>	 <u>\$ 1,186,268</u>

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

ACCESS NOW, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 1,080,218	\$ 280,095	\$ 146,385	\$ 1,506,698
Payroll taxes and employee benefits (Note K)	216,923	89,786	11,975	318,684
International staff and related expenses	<u>660,410</u>	<u>56,206</u>	<u>11,090</u>	<u>727,706</u>
Total salaries and related costs	1,957,551	426,087	169,450	2,553,088
Grants	732,563			732,563
Program conference costs	392,994			392,994
Outside services	2,886			2,886
Occupancy costs (Note J)	17,850	146,071		163,921
Computer and website (Note G)	9,775	19,709		29,484
Professional fees (Note G)		71,333		71,333
Design expenses	13,269			13,269
Travel and travel support	125,839	6,724	11,752	144,315
Office supplies and expenses	2,248	13,319		15,567
Telecommunications	11,978	14,011		25,989
Insurance	591	7,008		7,599
Printing	3,043	2,029	651	5,723
Postage	1,648	564	334	2,546
Staff development	8,609	6,320		14,929
Web development and support (Note G)	180,710	3,625	172	184,507
Bank processing fees	3,249	9,714		12,963
Depreciation and amortization		18,380		18,380
Miscellaneous	<u>979</u>	<u>18,863</u>	<u> </u>	<u>19,842</u>
TOTAL EXPENSES	<u>\$ 3,465,782</u>	<u>\$ 763,757</u>	<u>\$ 182,359</u>	<u>\$ 4,411,898</u>

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

**ACCESS NOW, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 569,185
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	18,380
Changes in Assets and Liabilities:	
(Increase) decrease in assets:	
Grants receivable	(338,374)
Other receivable	2,350
Prepaid expenses	(2,329)
Other assets	(2,322)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	48,977
Deferred revenue	(156,409)
<u>Net Cash Provided by Operating Activities</u>	<u>139,458</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Property and equipment acquisitions	<u>(7,606)</u>
Net Cash Used by Investing Activities	<u>(7,606)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

131,852

Cash and cash equivalents - beginning of year

328,312

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 460,164

Supplementary Disclosure of Cash Flow Information:

Cash paid during the year for interest	\$ <u><u>- 0 -</u></u>
--	------------------------

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

ACCESS NOW, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note A - Organization and Nature of Activities

The accompanying consolidated financial statements of Access Now, Inc. ("Access Now") and Affiliate (collectively, the "Organization") have been prepared by consolidating Access Now, Inc. and Access Now Europe (the "Affiliate").

Access Now, Inc. is a global movement for digital freedom that focuses on public awareness projects intended to educate the general public around the world on matters of digital freedom, internet access and internet security rights. Access Now, Inc. is a not-for-profit organization incorporated in the state of California and was granted exemption from income tax under Section 501(c)(4) of the Internal Revenue Code ("IRC") from the date of incorporation, July 31, 2009 up to December 31, 2013. Effective January 1, 2015, the Organization was granted tax exemption under Section 501(c)(3) of the IRC.

Access Now Europe (the "Affiliate", the "Association") is an international not-for-profit association (A.I.S.B.L.) registered in Brussels, Belgium, and is governed by Belgian Law. It was incorporated on December 26, 2015, and became a fully-fledged legal entity on January 13, 2016 and began operations until June 2016. It shares the same mission as Access Now, Inc., to defend and extend the digital rights of users at risk around the world through the combination of innovative policy, global advocacy, and direct technical support. The Association is supported by Access Now, Inc. and solicits contributions globally.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting. The Organization follows accounting principles generally accepted in the United States of America ("US GAAP") which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

Basis of Consolidation

Access Now, Inc. consolidates the activities of its affiliate since it has both control and an economic interest in the affiliate. All significant intercompany balances and transactions have been eliminated during the consolidation.

Cash and Cash Equivalents

Access Now considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

Grants Receivable

Grants, which consist of unconditional promises to give, are recognized as revenue in the year received. 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 present value of their estimated future cash flows.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The Organization capitalizes property and equipment with a useful life of two years or more and a cost of \$3,000 or more.

Contributions

Contributions are recognized when the donor makes a promise to give to Access Now that is, in substance, unconditional. Contributions that are restricted by the donor 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.

ACCESS NOW, INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

Conditional Contributions

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Program Revenues

Represents registration fees at conferences presented by the Organization.

In-Kind Contributions

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require special skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Fair Value Measurements

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statement through the date that the financial statements were available to be issued, which date is November 15, 2017.

Accounting for Uncertainty in Income Taxes

The Organization's accounting policy is to record liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Note C – Grants Receivable

Grants receivable consist of the following as of December 31, 2016:

Unconditional promises to be collected in:

Less than one year	\$ 695,873
One to five years	<u>150,000</u>
	845,873
Less: present value discount	<u>(1,925)</u>
	\$ <u>843,948</u>

Based on the Organization's history with its grants collections, no allowance for doubtful accounts was considered necessary at December 31, 2016.

**ACCESS NOW, INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note D – Property and Equipment

Property and equipment consist of the following as of December 31, 2016:

Equipment	\$ 36,604
Less: accumulated depreciation	<u>29,213</u>
	<u>\$ 7,391</u>

Note E – Other Assets

Other assets consist of the following as of December 31, 2016:

Website	\$ 96,572
Less: accumulated amortization	<u>15,152</u>
	81,420
Security deposits	<u>31,126</u>
	<u>\$ 112,546</u>

Note F – Deferred Revenue

Deferred revenue consists of payments received for the subsequent year's program conference.

Note G – In-Kind Contributions

The Organization received the following in-kind services and costs for the year ended December 31, 2016:

Professional fees - legal	\$ 6,500
Web development and support	64,179
Computer and website	<u>5,362</u>
	<u>\$ 76,041</u>

Note H – Concentrations

- 1) For the year ended December 31, 2016 approximately 18% of the Organization's support and revenue was received from two contributors.
- 2) The Organization maintains two bank accounts at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. At December 31, 2016, the uninsured cash balances amounted to \$190,599. Management believes the credit risk related to these accounts to be minimal. The Organization maintains three foreign bank accounts with approximately \$25,000 which is not insured.

Note I – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2016:

Purpose restrictions	\$ 352,038
Purpose and time restrictions	<u>722,646</u>
	<u>\$ 1,074,684</u>

Purpose restrictions include core and business development, digital security and technology, Over the Top ("OTT") regulatory and RightsCon Brussels.

ACCESS NOW, INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note J – Commitments and Contingencies

- 1) Access Now, Inc. entered into a lease extension for office space in NYC, NY on April 1, 2016. Rental payments are \$6,011 per month. The Organization also leases offices in various other locations including Washington DC, Tunisia, Costa Rica and Belgium. Occupancy costs amounted to \$144,661 for the year ended December 31, 2016, respectively. Approximate future minimum annual rental commitments under non-cancelable rental lease obligations are as follows:

For the years ended December 31, 2017	\$ 118,753
2018	72,132
2019	72,132
2020	72,132
2021	18,033

- 2) The Organization has a line of credit with a bank up to \$100,000 related to its credit card usage by various employees. At December 31, 2016, approximately \$66,000, was used. The line of credit balances are included in accounts payable and accrued expenses on the statements of financial position.

Note K – Retirement Plan

Access Now, Inc. offers a 401(k) plan to its employees. All full time employees are eligible without a waiting period. Access Now matches the first 3% of employee retirement contributions and half of employee contributions up to 5%. The retirement plan expense was \$58,487 for 2016.