

**ACCESS NOW
AND
ACCESS NOW EUROPE**

**COMBINED FINANCIAL STATEMENTS
AND
AUDITORS' REPORTS**

DECEMBER 31, 2017

**ACCESS NOW
ACCESS NOW EUROPE
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INDEPENDENT AUDITORS' REPORT

To: The Boards of Directors of
Access Now
Access Now Europe

We have audited the accompanying combined financial statements of Access Now (a U.S. nonprofit organization) and Access Now Europe (a Belgium nonprofit association), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Access Now and Access Now Europe as of December 31, 2017, 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.

Skodys Scot & Company, CPAS, P.C.

New York, NY
October 30, 2018

**ACCESS NOW
ACCESS NOW EUROPE
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

	<u>ACCESS NOW</u>	<u>ACCESS NOW EUROPE</u>	<u>COMBINED</u>
ASSETS			
Cash	\$ 2,416,347	\$ 46,846	\$ 2,463,193
Grants & other receivables	1,414,893	52,918	1,467,811
Prepaid expenses	46,823	-	46,823
Inter-organizational receivable/(payable)	44,040	(44,040)	-
Property & equipment, net	1,185	1,082	2,267
Intangible assets, net	82,217	-	82,217
Security deposits	34,893	-	34,893
	<u>\$ 4,040,398</u>	<u>\$ 56,806</u>	<u>\$ 4,097,204</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	\$ 210,753	\$ 55,468	\$ 266,221
Grants payable	299,126	-	299,126
Deferred income	206,562	-	206,562
Total liabilities	<u>716,441</u>	<u>55,468</u>	<u>771,909</u>
Commitments and contingencies (see notes)			
Net Assets:			
Unrestricted	427,932	1,338	429,270
Temporarily restricted	2,896,025	-	2,896,025
Permanently restricted	-	-	-
Total net assets	<u>3,323,957</u>	<u>1,338</u>	<u>3,325,295</u>
Total liabilities and net assets	<u>\$ 4,040,398</u>	<u>\$ 56,806</u>	<u>\$ 4,097,204</u>

See accompanying notes to the combined financial statements.

**ACCESS NOW
ACCESS NOW EUROPE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	<u>ACCESS NOW</u>	<u>ACCESS NOW EUROPE</u>	<u>COMBINED</u>
Support and Revenues:			
Unrestricted:			
Contributions	\$ 1,054,829	\$ 28,252	\$ 1,083,081
Inter-organizational transfers	(214,695)	214,695	-
Program event sponsorship	45,177	-	45,177
Program service revenue	227,614	48,673	276,287
Government grants	2,489,100	-	2,489,100
Contributions in-kind	62,347	-	62,347
Interest & other income	384,638	1,258	385,896
Release of restricted assets	929,831	-	929,831
Temporarily restricted:			
Contributions	429,772	-	429,772
Government grants	2,321,400	-	2,321,400
Release of restricted assets	(929,831)	-	(929,831)
Total support and revenues	<u>6,800,182</u>	<u>292,878</u>	<u>7,093,060</u>
Expenses:			
Program services	3,684,500	246,155	3,930,655
Management and general	758,583	64,755	823,338
Fundraising	200,040	-	200,040
Total expenses	<u>4,643,123</u>	<u>310,910</u>	<u>4,954,033</u>
Increase/(Decrease) In Net Assets:			
Unrestricted	335,718	(18,032)	317,686
Temporarily restricted	1,821,341	-	1,821,341
Permanently restricted	-	-	-
Increase/(decrease) in net assets	<u>2,157,059</u>	<u>(18,032)</u>	<u>2,139,027</u>
Net assets, beginning of year	<u>1,166,898</u>	<u>19,370</u>	<u>1,186,268</u>
Net assets, end of year	<u>\$ 3,323,957</u>	<u>\$ 1,338</u>	<u>\$ 3,325,295</u>

See accompanying notes to the combined financial statements.

**ACCESS NOW
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COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ 2,139,027
Adjustments for non-cash items included in operating activities:	
Depreciation	21,549
Changes in assets and liabilities:	
Grants & other receivables	(623,863)
Prepaid expenses	8,143
Security deposits	(3,767)
Accounts payable and accrued expenses	22,815
Deferred income	157,221
Grants payable	299,126
Net cash provided/(used) by operating activities	<u>2,020,251</u>
Cash flows from investing activities:	
Purchase of property and equipment	(1,082)
Purchase of intangible assets	(16,140)
Net cash provided/(used) by investing activities	<u>(17,222)</u>
Cash flows from financing activities	<u>-</u>
Net increase/(decrease) in cash	2,003,029
Cash, at beginning of year	<u>460,164</u>
Cash, at end of year	<u><u>\$ 2,463,193</u></u>

See accompanying notes to the combined financial statements.

**ACCESS NOW
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COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services			Support Services			
	Access Now	Access Now Europe	Total Program	Access Now			Total Expenses
				Management & General	Europe Management & General	Access Now Fundraising	
Personnel Costs:							
Salaries	\$ 1,214,319	\$ 181,223	\$ 1,395,542	\$ 363,979	\$ 38,511	\$ 144,188	\$ 1,942,220
Payroll taxes	139,478	13,325	152,803	32,771	4,750	12,164	202,488
Employee benefits & pension	117,188	25,741	142,929	42,717	6,585	15,844	208,075
	1,470,985	220,289	1,691,274	439,467	49,846	172,196	2,352,783
Direct expenses:							
Consultants & contractors	512,642	-	512,642	27,120	-	4,996	544,758
Depreciation	-	-	-	21,549	-	-	21,549
Equipment	1,656	511	2,167	13,217	-	-	15,384
Event costs	40,806	2,866	43,672	10	-	1,230	44,912
Grants to others	1,012,472	-	1,012,472	-	-	-	1,012,472
Insurance	912	-	912	7,279	-	-	8,191
Office supplies and expenses	35,634	4,371	40,005	43,725	3,999	660	88,389
Professional fees	4,034	-	4,034	47,233	1,308	-	52,575
Program expenses - other	29,231	-	29,231	-	-	-	29,231
Promotion	46,561	-	46,561	2,110	-	-	48,671
Rent & utilities	222,295	-	222,295	133,880	8,984	-	365,159
Staff development	8,286	2,484	10,770	2,863	-	-	13,633
Stipends and retention incentive	12,314	2,799	15,113	-	-	-	15,113
Telephone and communications	84,983	916	85,899	13,731	13	240	99,883
Travel and meetings	173,332	11,919	185,251	6,399	605	20,718	212,973
Web development and maintenance	28,357	-	28,357	-	-	-	28,357
Total expenses	\$ 3,684,500	\$ 246,155	\$ 3,930,655	\$ 758,583	\$ 64,755	\$ 200,040	\$ 4,954,033

See accompanying notes to the combined financial statements.

**ACCESS NOW
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NOTES TO COMBINED FINANCIAL STATEMENTS**

1. Nature of Activities and Summary of Significant Accounting Policies

Organization: Access Now is a not-for-profit corporation incorporated in the State of California in July 2009. Access Now Europe is an international not-for-profit association (A.I.S.B.L). The entity is registered in Brussels, Belgium and is governed by Belgium law. The primary purpose of AN is to defend and extend the digital rights of users around the world by combining direct technical support, comprehensive policy engagement, global advocacy and grassroots grantmaking. ANE shares the same primary purpose as AN.

Principles of combination: The accompanying financial statements reflect the combined financial statements of Access Now and Access Now Europe. (referred to as AN and ANE, respectively, or the Organization, collectively). AN provides the majority of funding for ANE operations, has oversight over how the funds are spent and also provides some administrative and fundraising services.

Major Sources of income: The Organization primarily receives its support from a combination of contributions, government grants, and sponsorships.

Tax exempt status: AN is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal, state or local income taxes has been recorded. ANE is exempt from income taxes as a registered international not-for-profit association (A.I.S.B.L) in Brussels, Belgium. The Organization does not believe its financial statements include any uncertain tax positions.

Programs and services provided: The Organization's five major program areas include the following: Business and Human Rights – Urging companies to make their practices more transparent, accountable, and rights-respecting; Digital Security – Working to ensure that online activities are private, safe, and secure; Freedom of Expression – Fighting for the right to speak freely, which is critical for demonstrating dissent, guaranteeing a free press, and defending human rights; Net Discrimination – Fighting for a free and open internet, advocating for the Net Neutrality principle that internet access should be offered to everyone on a nondiscriminatory basis, without favoring certain websites, applications, or services; Privacy – Defending the right to privacy, the cornerstone for human rights in the digital age.

Property, equipment and intangibles: Property, equipment and intangibles are stated at cost, less accumulated depreciation. Depreciation and amortization is computed on the straight-line basis over the respective assets' estimated useful lives, ranging from five to ten years. Expenditures for maintenance and repairs are charged to current operations.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Basis of accounting: The combined financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation: In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a combined statement of cash flows.

Revenue Recognition: Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

The Organization received funds from several governmental agencies. In accordance with contract and grant provisions, the Organization either receives funds following the disbursement of approved expenses or after attaining required program milestones. All unreimbursed expenses as of period-end are recorded as government contracts receivable and all advanced funds not expensed are recorded as refundable advances.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred revenue.

Functional expense allocation: The direct costs of providing various programs and other activities have been summarized on a functional basis in the combined statement of activities and in the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Management and general expenses: The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Estimates and assumptions: Management uses estimates and assumptions in preparing these combined financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Receivables: All receivables that are expected to be collected within one year are recorded at their net realizable value. All receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Government grants deemed uncollectible are written-off in the period they are determined to be unrealizable.

2. Property, Equipment and Intangibles

Property, equipment and intangibles by major class consisted of the following at December 31, 2017:

Equipment & software	\$ 37,685
Website design	<u>112,712</u>
	150,397
Less: accumulated depreciation and amortization	<u>(65,913)</u>
	<u>\$ 84,484</u>

3. Grants and Other Receivables

Promises to give are unconditional and nonreciprocal. Long-term pledges are not discounted as of December 31, 2017 because the discount has been deemed immaterial due to prevailing low interest rates. As of December 31, 2017, pledges are expected to be realized in the following periods:

In one year or less	\$ 1,023,411
In two years	<u>444,400</u>
	<u>\$ 1,467,811</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS**

4. Commitments and Contingencies

The Organization leases office space under several noncancelable operating leases. Total rent and related expenses charged to operations for the year ended December 31, 2017 was \$365,159

The minimum aggregate annual rentals for these leases are as follows:

Year ended 2018	\$ 72,132
2019	72,132
2020	72,132
2021	<u>18,033</u>
Total	<u>\$ 234,429</u>

5. Government Grants

The Organization received several grants from government agencies. Total grant revenue recognized under these grants amounted to \$4,810,500 for the year ending December 31, 2017.

6. Other Income

During the year ended December 31, 2017, the Organization was the recipient of funds totaling \$347,332 from the settlement of a class action lawsuit. The Organization was not a party directly involved in the lawsuit and does not expect to receive any more funds relating to this lawsuit.

7. Contributions In-Kind

Significant services were donated to the Organization by various organizations that meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported in the accompanying combined statement of activities for the year ended December 31, 2017 amounted to \$62,347 and consisted of donated promotional and legal services.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

8. Pension

In 2015, the Organization adopted a qualified cash or deferred compensation plan under section 403(b) of the Internal Revenue Code. The plan allows for the Organization to make discretionary contributions based on the participants salary. Organization contributions to the plan amounted to \$57,576 for the year ended December 31, 2017.

9. Foreign Currency Gains and Losses

Foreign currency assets and liabilities are translated into U.S. dollar equivalents based on month-end exchange rates. Foreign generated support and revenue and expenses are translated at the average exchange rates. Gains from foreign currency translation are included in other income in the combined statement of activities for the year ended December 31, 2017 in the amount of \$36,956.

10. Concentrations

For the year ended December 31, 2017, approximately 52% of the Organization's total revenue was provided by two major funders. It is always possible that benefactors, grantors, or contributors might be lost in the near term. In the event funding is terminated, the Organization's ability to continue as a going concern would be greatly diminished.

The Organization maintains its cash with financial institutions. The Federal Deposit Insurance Corporation insures U.S. bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts exceeded limits during the year ended December 31, 2017.

11. Temporarily Restricted Net Assets

As of December 31, 2017, contributions are restricted for the following purposes:

Digital Accelerator Project	\$ 1,063,836
Digital Security Project	470,864
Tomorrow's Internet Project	786,700
Data Protection Project	155,046
#KeepItOn Project	200,000
Listen Better Campaign	17,500
Fellowship	6,666
24/7 Helpline	50,000
2018 activities	<u>145,413</u>
	<u>\$ 2,896,025</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

12. Subsequent Events

Management has evaluated subsequent events through October 30, 2018, the date the financial statements were available to be issued, to evaluate whether any such events warrant adjustment to any reported amounts or inclusion of additional disclosures. No such adjustments or disclosures were judged to be necessary.