



FINANCIAL STATEMENTS

DECEMBER 31, 2016

FPF EDUCATION AND INNOVATION FOUNDATION

**TABLE OF CONTENTS
DECEMBER 31, 2016**

	<u>Pages</u>
Independent Auditors' Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-12



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Independent Auditors' Report

To the Board of Directors
FPF Education and Innovation Foundation
Washington, D.C.

We have audited the accompanying financial statements of FPF Education and Innovation Foundation (FPF EIF), which comprise the statement of financial position as of December 31, 2016, and the related 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 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 auditors consider 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 FPF EIF as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors
FPF Education and Innovation Foundation

Report on Summarized Comparative Information

We have previously audited FPF Education and Innovation Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
June 7, 2017

Certified Public Accountants

FPF EDUCATION AND INNOVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

	2016	2015
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 254,945	\$ 542,066
Contributions Receivable	112,500	200,325
Grants Receivable	19,699	-
Prepaid Expenses	5,090	-
Total Current Assets	392,234	742,391
Property and Equipment		
Furniture and Fixtures	45,411	33,911
Less Accumulated Depreciation	(15,771)	(1,592)
Net Property and Equipment	29,640	32,319
Total Assets	\$ 421,874	\$ 774,710
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 7,063	\$ 43,979
Due to Future of Privacy Forum	390,590	305,128
Total Current Liabilities	397,653	349,107
Net Assets		
Unrestricted	(235,580)	(117,126)
Temporarily Restricted	259,801	542,729
Total Net Assets	24,221	425,603
Total Liabilities and Net Assets	\$ 421,874	\$ 774,710

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenue				
Grants and Contributions	\$ 369,699	\$ 250,000	\$ 619,699	\$ 1,192,964
In-Kind Income	-	-	-	12,499
Membership Dues	199,011	-	199,011	166,000
Net Assets Released from Restrictions	<u>532,928</u>	<u>(532,928)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>1,101,638</u>	<u>(282,928)</u>	<u>818,710</u>	1,371,463
Expenses				
Program	1,052,223	-	1,052,223	966,630
General and Administration	32,848	-	32,848	305,654
Fundraising	<u>135,021</u>	<u>-</u>	<u>135,021</u>	<u>15,977</u>
Total Expenses	<u>1,220,092</u>	<u>-</u>	<u>1,220,092</u>	1,288,261
Change in Net Assets	(118,454)	(282,928)	(401,382)	83,202
Net Assets, Beginning of Year	<u>(117,126)</u>	<u>542,729</u>	<u>425,603</u>	<u>342,401</u>
Net Assets, End of Year	<u><u>\$ (235,580)</u></u>	<u><u>\$ 259,801</u></u>	<u><u>\$ 24,221</u></u>	<u><u>\$ 425,603</u></u>

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total 2016</u>	<u>Total 2015</u>
Salaries	\$ 527,832	\$ 5,193	\$ 58,724	\$ 591,749	\$ 533,590
Payroll Taxes and Benefits	99,004	116	9,638	108,758	80,468
Rent Expense	50,198	2,418	6,158	58,774	64,767
Office Expense	37,840	-	5,579	43,419	24,560
Bank Fees	1,819	153	156	2,128	2,416
Consultants	186,701	10,189	24,271	221,161	279,877
Professional Fees	77,626	7,396	18,624	103,646	119,768
Marketing	392	-	186	578	40,772
Insurance	1,164	50	118	1,332	1,029
Events Expense	14,335	-	842	15,177	105,883
Travel	30,986	194	1,547	32,727	16,385
Communication Charges	8,518	366	895	9,779	7,329
Staff Development	1,114	1,956	134	3,204	4,005
Grants and Contributions	500	-	7,500	8,000	-
Dues and Subscriptions	270	98	-	368	26
Depreciation Expense	9,316	4,712	151	14,179	1,592
Miscellaneous	4,608	7	498	5,113	5,794
Totals	\$ 1,052,223	\$ 32,848	\$ 135,021	\$ 1,220,092	\$ 1,288,261

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	\$ (401,382)	\$ 83,202
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	14,179	1,592
Decrease (Increase) in Contributions Receivable	87,825	(200,325)
Increase in Grant Receivable	(19,699)	-
Increase in Prepaid Expenses	(5,090)	-
(Decrease) Increase in Accounts Payable	(36,916)	20,168
Increase in Due to Future of Privacy Forum	85,462	253,183
Net Cash (Used in) Provided by Operating Activities	(275,621)	157,820
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(11,500)	(33,911)
Net Cash Used in Investing Activities	(11,500)	(33,911)
Net (Decrease) Increase in Cash and Cash Equivalents	(287,121)	123,909
Cash and Cash Equivalents, Beginning of Year	542,066	418,157
Cash and Cash Equivalents, End of Year	\$ 254,945	\$ 542,066

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

FPF Education and Innovation Foundation (FPF EIF) was incorporated in 2011. FPF EIF is organized and operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

FPF EIF is supported primarily by grants and contributions.

Big Data: FPF EIF, in partnership with Washington & Lee Law School, hosted a workshop, a day-long, immersive event that focused the discussion on ethical review mechanisms for data collected in corporate, non-profit, and other non-academic settings. Attendees had diverse backgrounds and come from a variety of different areas, from academia to business, and tackled important questions on ethical challenges posed by potential new uses of data; examined current processes and procedures from various fields; and contributed to a framework for new ethical review mechanisms and structures. Next steps include review of the National Privacy Research Strategy, and application of data ethics programs to support those research priorities.

Education Privacy: Data-driven innovations and the use of new technologies are bringing advances in teaching and learning but are also generating concerns about how student data is collected and used. FPF EIF is working with stakeholders on efforts to ensure responsible practices. FPF EIF expanded the Student Privacy Pledge enrolled companies from 60 to over 200; hosted the Student Privacy Symposium – a daylong event to focus on benefits, concerns, and civil rights aspects of student data privacy issues – and created a variety of resources and papers for student data privacy topics.

Consumer Wellness and Wearables: A wide variety of mobile apps, fitness and activity trackers, and connected medical devices are enabling individuals to generate and manage their own health information and other fitness and wellness metrics at ever increasing rates. FPF EIF is convening a group to shape approaches that will ensure practical privacy protections for this data while supporting consumer benefits.

Income Taxes

FPF EIF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, FPF EIF has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. No provision for income taxes is required for the year ended December 31, 2016, as FPF EIF had no net unrelated business income.

FPF EIF requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. FPF EIF does not believe its financial statements include, or reflect, any uncertain tax positions. FPF EIF’s Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities for three years after filing.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents

Cash and equivalents consists of amounts in checking accounts.

Contributions and Grants Receivable

Contributions and grants receivable are considered to be fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Revenue Recognition

FPF EIF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expense Allocation

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

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 assumed in preparing the financial statements.

Reclassifications

Certain 2015 amounts have been reclassified for comparative purposes.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information as of and for the year ended December 31, 2015. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with FPF EIF's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. CONCENTRATIONS

For the year ended December 31, 2016, 58% of all grants and contributions revenue was received from two donors and 91% of grants and contributions receivable was due from three donors.

FPF EIF maintains a cash balance at a financial institution in the Washington, DC, metropolitan area. The account at this institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the FPF EIF's cash balance exceeded the FDIC insurance amount. Management believes the risk in these situations to be minimal.

3. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, FPF EIF shared employees and office space with the Future of Privacy Forum (FPF), a not-for-profit organization exempt under Section 501(c)(4) of the Internal Revenue Code (the Code). FPF EIF reimbursed FPF for certain general and administrative expenses. As of the end of the year, FPF EIF owed FPF approximately \$391,000. FPF made a \$350,000 contribution to FPF EIF for the year ended December 31, 2016. The contribution was for general support.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purpose as of December 31, 2016:

<u>Purpose</u>	<u>Amount</u>
Ensuring a Balanced Approach to Education Data Privacy	\$ 8,447
Student Privacy Rights and Protections	28,513
Best Practices for Sharing Administrative Data with Academic Researchers	125,000
Protecting Privacy and Promoting Inclusion with the Internet of Things	80,000
Fellowship	17,841
Total Temporarily Restricted Net Assets	\$ 259,801

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donor for the year ended December 31, 2016, as follows:

<u>Purpose</u>	<u>Amount</u>
Ensuring a Balanced Approach to Education Data Privacy	\$ 375,519
Promoting Data Transparency	29,980
Student Privacy Rights and Protections	103,225
Meeting on Ethical Review Processes in Corporate Research Settings	2,849
Fellowship	21,355
Total Released from Donor Restriction	\$ 532,928

FPF EDUCATION AND INNOVATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

5. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 7, 2017, which is the date the financial statements were available to be issued.