



FINANCIAL STATEMENTS

DECEMBER 31, 2017

FPF EDUCATION AND INNOVATION FOUNDATION

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DECEMBER 31, 2017**

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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, 2018

Certified Public Accountants

FPF EDUCATION AND INNOVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,626,910	\$ 254,945
Grants and Contributions Receivable	1,116,536	132,199
Prepaid Expenses	51,133	5,090
Total Current Assets	2,794,579	392,234
Property and Equipment		
Furniture and Fixtures	56,911	45,411
Less Accumulated Depreciation	(31,866)	(15,771)
Net Property and Equipment	25,045	29,640
Total Assets	\$ 2,819,624	\$ 421,874
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 161,766	\$ 7,063
Deferred Revenue	1,830	-
Due to Future of Privacy Forum	17,904	390,590
Total Current Liabilities	181,500	397,653
Net Assets		
Unrestricted	172,681	(235,580)
Temporarily Restricted	2,465,443	259,801
Total Net Assets	2,638,124	24,221
Total Liabilities and Net Assets	\$ 2,819,624	\$ 421,874

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenue				
Grants and Contributions	\$ 253,471	\$ 2,575,020	\$ 2,828,491	\$ 619,699
In-Kind Contributions	15,130	-	15,130	-
Membership Dues	1,088,985	-	1,088,985	199,011
Event Sponsorship	36,200	-	36,200	-
Net Assets Released from Restrictions	369,378	(369,378)	-	-
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Total Revenue	1,763,164	2,205,642	3,968,806	818,710
Expenses				
Program	1,238,058	-	1,238,058	1,052,223
General and Administration	86,712	-	86,712	32,848
Fundraising	30,133	-	30,133	135,021
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Total Expenses	1,354,903	-	1,354,903	1,220,092
Change in Net Assets	408,261	2,205,642	2,613,903	(401,382)
Net Assets, Beginning of Year	(235,580)	259,801	24,221	425,603
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Net Assets, End of Year	\$ 172,681	\$ 2,465,443	\$ 2,638,124	\$ 24,221
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See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total 2017</u>	<u>Total 2016</u>
Salaries	\$ 568,848	\$ 44,583	\$ 8,575	\$ 622,006	\$ 591,749
Payroll Taxes and Benefits	84,210	3,447	1,858	89,515	108,758
Consultants	364,122	5,896	18,228	388,246	221,161
Events Expense	92,225	2,975	129	95,329	15,177
Professional Fees	27,149	7,700	606	35,455	103,646
Rent Expense	32,312	9,165	397	41,874	58,774
Office Expense	15,478	4,256	185	19,919	43,419
Marketing	18,704	-	-	18,704	578
Depreciation Expense	12,420	3,522	153	16,095	14,179
Miscellaneous	10,000	5,130	-	15,130	5,113
Travel	12,417	-	-	12,417	32,727
Insurance	-	-	-	-	1,332
Bank Fees	100	17	1	118	2,128
Grants and Contributions	73	21	1	95	8,000
Communication Charges	-	-	-	-	9,779
Staff Development	-	-	-	-	3,204
Dues and Subscriptions	-	-	-	-	368
Totals	\$ 1,238,058	\$ 86,712	\$ 30,133	\$ 1,354,903	\$ 1,220,092

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,613,903	\$ (401,382)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	16,095	14,179
<u>(Increase) Decrease in Assets</u>		
Grants and Contributions Receivable	(984,337)	68,126
Prepaid Expenses	(46,043)	(5,090)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	154,703	(36,916)
Deferred Revenue	1,830	-
Due to Future of Privacy Forum	(372,686)	85,462
	1,383,465	(275,621)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(11,500)	(11,500)
	(11,500)	(11,500)
Net Cash Used in Investing Activities	(11,500)	(11,500)
Net Increase (Decrease) in Cash and Cash Equivalents	1,371,965	(287,121)
Cash and Cash Equivalents, Beginning of Year	254,945	542,066
Cash and Cash Equivalents, End of Year	\$ 1,626,910	\$ 254,945

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, contributions, and membership dues.

Connected Cars: FPF EIF's Connected Car Program aims to advance privacy practices and understanding as new in-vehicle technologies and advanced mapping techniques come to market. The Program helps ensure responsible practices are in place so that the benefits of technologies will be well received by consumers. As the leading advocate for business practical approaches to consumer privacy, FPF EIF's Connected Car Program has been at the vanguard of policy and discussion related to data use in connected cars, autonomous vehicles, smart transportation, and modern mapping technologies.

Smart Communities: FPF EIF's Smart Communities Program aims to help individuals, local communities, and technology providers leverage the benefits of a data-rich society while minimizing threats to individual privacy and civil liberties. Through this Program, the organization works collaboratively with public, private, and civil society leaders to develop best practices and to help guide how cities and local communities collect, manage, and use personal data to improve services for citizens. In addition, the Program seeks to promote fair and transparent data uses, provide practical guidance to help local governments navigate complicated privacy-related issues, and help individuals better understand and engage with data-driven programs in their communities.

Education: FPF EIF's Education Program aims to ensure that student privacy is protected and that education technology and student data are used to help students succeed. The Program equips and connects advocates, industry, policymakers, and practitioners in the areas of higher education and K-12 education, providing training, resources, and guidance to address education privacy challenges.

De-Identification and Big Data: FPF EIF's De-Identification and Big Data Program aims to develop models that improve transparency and terminology around and advance practical measures of data de-identification, research ethics, and algorithmic decision-making. The Program focuses on applying a combination of practical strategies and high-level thought leadership to address new opportunities and privacy risks presented by novel uses of personal information.

Location and Advertising Technology: FPF EIF's Location and Advertising Technology Program aims to explore new and evolving advertising technologies and provide guidance on potential privacy issues that may emerge. The Program helps bring stakeholders together to discuss commercial benefits of advertising technologies as well as the need to address related privacy issues to build and maintain consumer trust.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Organization (Continued)

International Law and Regulation: FPF's International Law and Regulation Program aims to engage stakeholders in industry, academia, and regulation to facilitate the exchange of ideas and to foster understanding between the American privacy culture and data protection regimes around the world. The Program focuses on tracking and analyzing policy and legal developments in Europe and the Middle East.

Artificial Intelligence: FPF EIF's Artificial Intelligence Program aims to address the unique privacy impacts resulting from the expanded use of Machine Learning and Artificial Intelligence systems. The Program brings together corporate and academic stakeholders to discuss privacy issues in this evolving field.

Health: FPF EIF's Health Program explores issues at the intersection of health, data, and privacy, with a primary focus on the privacy challenges related to the collection, use, and sharing of both medical data and data outside of HIPAA regulations. The Health Program brings together stakeholders to analyze how new technologies and data practices in the health ecosystem can impact individual privacy and promote the more effective and ethical use of data.

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, 2017, 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.

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.

Grants and Contributions Receivable

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

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Property and Equipment

Property and equipment are stated at cost, if purchased or fair market value at date of donation, if contributed. FPF EIF capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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.

In-Kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by FPF EIF.

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 2016 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, 2016. 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, 2016, from which the summarized information was derived.

FPF EDUCATION AND INNOVATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. CONCENTRATIONS

For the year ended December 31, 2017, 48% of all grants and contributions revenue was received from one donor and 84% of grants and contributions receivable was due from one donor.

FPF EIF maintains a cash balance at a financial institution in the Washington, D.C., 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, 2017, 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 a certain general and administrative expenses under a formal cost-sharing agreement. As of December 31, 2017, FPF EIF owed FPF approximately \$18,000.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purpose as of December 31, 2017:

<u>Purpose</u>	<u>Amount</u>
Building and Equipping Trusted Validators on Student Privacy Issues	\$ 1,879,520
Ensuring a Balanced Approach to Education Data Privacy Fellowship	317,185
Protecting Privacy and Promoting Inclusion with the Internet of Things	243,050
	<u>25,688</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,465,443</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donor for the year ended December 31, 2017, as follows:

<u>Purpose</u>	<u>Amount</u>
Protecting Privacy and Promoting Inclusion with the Internet of Things	\$ 54,311
Ensuring a Balanced Approach to Education Data Privacy	91,262
Highlight Innovative Research on Emerging Privacy Issues	10,000
Developing Consensus for Best Privacy Practices and Ethical Decisions in Research and Design	1,500
Student Privacy Rights and Protections	28,513
Propose Specific Law, Policy, and Practice Changes to Promote the More Effective use of Data for Health	10,000
Best Practices for Sharing Administrative Data with Academic Researchers Fellowship	125,000
	<u>48,792</u>
Total Released from Donor Restriction	<u>\$ 369,378</u>

FPF EDUCATION AND INNOVATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 7, 2018, which is the date the financial statements were available to be issued.