



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**FUTURE OF PRIVACY FORUM**

**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 .....	9-14

## **Independent Auditors' Report**

To the Board of Directors  
Future of Privacy Forum  
Washington, D.C.

We have audited the accompanying financial statements of Future of Privacy Forum (FPF), 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 Future of Privacy Forum 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  
Future of Privacy Forum

***Report on Summarized Comparative Information***

We have previously audited Future of Privacy Forum'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

**FUTURE OF PRIVACY FORUM**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)**

<b>Assets</b>	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 831,166	\$ 818,422
Contributions Receivable	50,667	851,000
Due from FPF Education and Innovation Foundation	390,590	305,128
Prepaid Expenses	44,707	34,187
Total Current Assets	<u>1,317,130</u>	<u>2,008,737</u>
<b>Property and Equipment</b>		
Furniture and Fixtures	99,910	120,117
Website	113,972	35,093
Less Accumulated Depreciation	<u>(52,267)</u>	<u>(14,539)</u>
Net Property and Equipment	161,615	140,671
<b>Deferred Compensation Asset</b>	18,809	49,409
<b>Deposit</b>	<u>13,905</u>	<u>13,905</u>
<b>Total Assets</b>	<u><u>\$ 1,511,459</u></u>	<u><u>\$ 2,212,722</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 100,734	\$ 120,285
Obligation under Capital Lease	801	461
Deferred Rent	<u>8,436</u>	<u>3,995</u>
Total Current Liabilities	109,971	124,741
<b>Obligation under Capital Lease, Net of Current Portion</b>	6,731	7,532
<b>Deferred Rent, Net of Current Portion</b>	53,191	61,627
<b>Deferred Compensation Liability</b>	<u>18,809</u>	<u>49,409</u>
<b>Total Liabilities</b>	188,702	243,309
<b>Net Assets</b>		
Unrestricted	1,297,757	1,894,413
Temporarily Restricted	<u>25,000</u>	<u>75,000</u>
Total Net Assets	<u>1,322,757</u>	<u>1,969,413</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,511,459</u></u>	<u><u>\$ 2,212,722</u></u>

*See accompanying Notes to Financial Statements.*

**FUTURE OF PRIVACY FORUM**

**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>2016 Total</u>	<u>2015 Total</u>
<b>Revenue</b>				
Grants and Contributions	\$ 1,667,500	\$ -	\$ 1,667,500	\$ 3,099,833
In-Kind Contributions	18,570	-	18,570	10,767
Registration and Sponsorships	29,213	-	29,213	22,181
Consulting Income	15,667	-	15,667	-
Net Assets Released from Restrictions	50,000	(50,000)	-	-
Total Revenue	<u>1,780,950</u>	<u>(50,000)</u>	<u>1,730,950</u>	<u>3,132,781</u>
<b>Expenses</b>				
Program Services	1,606,422	-	1,606,422	1,638,361
General and Administration	347,680	-	347,680	207,880
Fundraising	423,504	-	423,504	229,741
Total Expenses	<u>2,377,606</u>	<u>-</u>	<u>2,377,606</u>	<u>2,075,982</u>
<b>Change in Net Assets</b>	<b>(596,656)</b>	<b>(50,000)</b>	<b>(646,656)</b>	<b>1,056,799</b>
<b>Net Assets, Beginning of Year</b>	<u>1,894,413</u>	<u>75,000</u>	<u>1,969,413</u>	<u>912,614</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,297,757</u></u>	<u><u>\$ 25,000</u></u>	<u><u>\$ 1,322,757</u></u>	<u><u>\$ 1,969,413</u></u>

*See accompanying Notes to Financial Statements.*

## FUTURE OF PRIVACY FORUM

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

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries	\$ 448,882	\$ 175,164	\$ 224,124	\$ 848,170	\$ 442,195
Payroll Taxes and Benefits	77,671	13,875	40,557	132,103	96,251
Consultants	241,947	44,771	10,300	297,018	555,583
Events Expense	164,279	9,366	14,539	188,184	167,402
Rent Expense	46,192	32,128	23,764	102,084	76,997
Travel	66,474	1,518	7,172	75,164	47,342
Communication Charges	8,555	5,192	5,669	19,416	13,931
Office Expense	17,726	4,526	5,548	27,800	38,454
Professional Fees	115,914	41,146	57,285	214,345	125,739
Staff Development	7,287	-	1,512	8,799	8,790
Dues and Subscriptions	103	91	33	227	168
Bank Fees	1,375	592	791	2,758	2,811
Printing and Reproduction	-	-	-	-	14,547
Marketing	1,345	231	20,354	21,930	40,465
Insurance	858	274	536	1,668	1,224
Grants and Contributions	353,625	674	722	355,021	413,304
Depreciation and Amortization	17,000	12,043	8,685	37,728	5,788
Miscellaneous	37,189	6,089	1,913	45,191	24,991
<b>Total Expenses</b>	<b><u>\$ 1,606,422</u></b>	<b><u>\$ 347,680</u></b>	<b><u>\$ 423,504</u></b>	<b><u>\$ 2,377,606</u></b>	<b><u>\$ 2,075,982</u></b>

*See accompanying Notes to Financial Statements.*

**FUTURE OF PRIVACY FORUM**

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

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (646,656)	\$ 1,056,799
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	37,728	10,656
Loss on Disposal	-	270
Decrease (Increase) in Contributions Receivable	800,333	(436,000)
Increase in Due from FPF Education and Innovation Foundation	(85,462)	(253,183)
Increase in Prepaid Expenses	(10,520)	(26,834)
Increase in Deposits	-	(9,405)
Decrease (Increase) in Deferred Compensation Asset	30,600	(49,409)
Decrease in Accounts Payable and Accrued Liabilities	(19,551)	(104,480)
(Decrease) Increase in Deferred Compensation Liability	(30,600)	49,409
(Decrease) Increase in Deferred Rent	(3,995)	65,622
	<u>71,877</u>	<u>303,445</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(58,672)	(129,673)
	<u>(58,672)</u>	<u>(129,673)</u>
<b>Cash Flows from Financing Activities</b>		
Payments of Obligation under Capital Lease	(461)	(81)
	<u>(461)</u>	<u>(81)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>12,744</b>	<b>173,691</b>
Cash and Cash Equivalents, Beginning of Year	<u>818,422</u>	<u>644,731</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 831,166</b></u>	<u><b>\$ 818,422</b></u>

*See accompanying Notes to Financial Statements.*



## FUTURE OF PRIVACY FORUM

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

---

#### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Organization*

Future of Privacy Forum (FPF) was incorporated in 2008. FPF is established primarily to further the common good and general welfare of the citizens of the United States of America by providing a public policy forum focused on ways to improve consumer privacy protections and host conferences, publish papers, maintain online media such as a web site and blog, and provide speakers at public programs addressed to privacy.

FPF is supported primarily by grants and contributions.

***De-Identification:*** FPF has proposed that different levels of de-identification should apply depending on whether the data is public or not, and that administrative controls should be credited as part of a responsible approach to de-identification efforts. FPF released a paper and graphic model that advanced practical de-identification and supports the utility of data.

***Connected Cars:*** FPF's Connected Car Project is designed to ensure privacy is protected and data secured as smart car technologies develop. Working with car manufacturers, leading auto associations, and technology suppliers, FPF seeks to develop a framework for privacy and data "in-car" and beyond.

***Drones:*** FPF supported the NTIA/Department of Commerce Multi-Stakeholder as they kicked off a process to agree on a set of best practices. FPF is developing a summary of the best practices to help educate drone operators about the importance of privacy, transparency, and accountability.

***Best Practices for App Developers:*** FPF is updating and expanding best practices and resources for mobile application developers, notably its app privacy guidelines produced by FPF and the Center for Democracy & Technology and FPF's Application Privacy website. A Privacy Developer Summit is also being planned.

***Location and Advertising Privacy:*** Providing expert guidance on online tracking technologies is a core of FPF's mission. Current location and advertising practices work continues to explore cutting-edge tracking technologies. FPF launched a code of conduct and opt-out mechanism for mobile location analytics, and provided guidance around the deployment and use of Bluetooth Beacons. FPF consults with government regulators about the privacy challenges presented by cross-device tracking technologies, and is developing documentation to help companies engage in ad tech due diligence and third party vendor assessments.

***Privacy Papers for Policy Makers:*** FPF will continue its signature series presenting cutting-edge research and analytical work on important privacy topics with the publication of Privacy Papers for Policy Makers sixth edition.

##### *Income Taxes*

FPF is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code (the Code). No provision for income taxes is required for the year ended December 31, 2016, as FPF had no net unrelated business income.

**FUTURE OF PRIVACY FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

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

***Income Taxes (Continued)***

FPF 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 does not believe its financial statements include, or reflect, any uncertain tax positions. FPF’s Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities for three years after filing.

***Cash and Cash Equivalents***

Cash and equivalents consists of amounts in checking accounts.

***Contributions Receivable***

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

***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.

***Property and Equipment***

Property and equipment are stated at cost, if purchased or fair market value at date of donation, if contributed. FPF 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.

***Lease Commitment***

Rent expense is recognized on a straight-line basis over the term of the lease.

***Investments***

Investments are recorded at fair value based on quoted market prices, if available.

***Revenue Recognition***

FPF 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.

**FUTURE OF PRIVACY FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

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

*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's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**2. CONCENTRATIONS**

For the year ended December 31, 2016, 15% of grants and contribution revenue was received from one donor and 100% of contributions receivable were from one donor.

FPF maintains 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'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 shared employees and office space with FPF Education and Innovation Foundation (FPF Education), a not-for-profit organization exempt under Section 501(c)(3) of the Internal Revenue Code (the Code). FPF is reimbursed by FPF Education for certain general and administrative expenses. As of the end of the year, FPF Education owed FPF approximately \$391,000. FPF made a \$350,000 contribution to FPF Education for the year ended December 31, 2016. The contribution was used for general support.

**FUTURE OF PRIVACY FORUM**

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

**4. FAIR VALUE MEASUREMENTS**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

*Level 1* - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

*Level 2* - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

*Level 3* - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

The following presents FPF's assets and liabilities measured at fair value as of December 31, 2016:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Deferred Compensation Investment				
Principal LifeTime 2030 R3 Fund	\$ 18,809	\$ -	\$ -	\$ 18,809
<b>Total Assets at Fair Value</b>	<u>\$ 18,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,809</u>
Deferred Compensation Liability	\$ 18,809	\$ -	\$ -	\$ 18,809
<b>Total Liabilities at Fair Value</b>	<u>\$ 18,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,809</u>

**5. DEFERRED COMPENSATION PLAN**

During 2015, FPF adopted a nonqualified deferred 457(f) compensation plan (the 457 Plan) for a key employee. The 457 Plan requires that FPF establish and maintain a book entry account on behalf of the employee for all contributions, deferrals and investment experience related to the 457 Plan. FPF is not liable for any specific investment success nor is it required to restore any loss of principal that may occur due to market conditions. Under current law, such funds remain the asset of FPF and, as such, are subject to the creditors of FPF. FPF contributed \$50,000 to the 457 Plan in 2015 and subsequently made a distribution to the beneficiary. For the year ended December 31, 2016, FPF contributed \$18,000 and as of December 31, 2016, \$18,809 is included in the accompanying statement of financial position as a component of liabilities and assets.

**6. TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2016, temporarily restricted net assets were available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Student Fellowship Scholarship	\$ 25,000
<b>Total Temporarily Restricted Net Assets</b>	<u>\$ 25,000</u>

**FUTURE OF PRIVACY FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

During the year ended December 31, 2016, net assets were released from restrictions as follows:

<u>Purpose</u>	<u>Amount</u>
Student Fellowship Scholarship	\$ (50,000)
<b>Total Released from Donor Restriction</b>	<b>\$ (50,000)</b>

**7. COMMITMENTS**

During 2016, FPF entered in to a contract for hotel and conference space for a 2017 conference. The contract contains a clause whereby FPF is liable for liquidated damages in the event of cancellation based upon a percentage of the contract price determined by the length of time between the cancellation and the event date. Management does not believe any cancellation under this contract will occur and result in a material impact on the financial statements.

**8. LEASING ARRANGEMENTS**

FPF entered into an operating lease for office space that commenced in August 2015 and will expire in December 2020. The operating lease includes an annual escalation clause as defined in the operating agreement.

The future minimum operating lease payments required under the operating lease agreement are as follows:

<u>For the Years Ending December 31,</u>	
2017	\$ 165,930
2018	170,493
2019	175,182
2020	179,999
<b>Total Future Minimum Operating Lease Payments</b>	<b>\$ 691,604</b>

Rent expense for the year ended December 31, 2016, was approximately \$102,100.

In addition, FPF entered into a capital lease agreement from October 1, 2015 through September 30, 2020. The asset and liability under the capital lease are recorded at the present value of the minimum capital lease payments. The asset is amortized over the lease term. Amortization of the asset under the capital lease is included in depreciation and amortization expense. The accumulated amortization as of December 31, 2016, was \$2,019. Interest expense related to the capital lease for the year ended December 31, 2016, amounted to approximately \$4,400.

**FUTURE OF PRIVACY FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**8. LEASING ARRANGEMENTS (CONTINUED)**

The future minimum capital lease payments required under the capital lease agreement are as follows:

For the Years Ending December 31,

2017	\$ 4,872
2018	4,872
2019	4,872
2020	<u>3,654</u>
Total Future Minimum Capital Lease Payments	18,270
Less Amount Representing Interest	<u>(10,737)</u>
Present Value of Total Future Minimum Capital Lease Payments	<u><u>\$ 7,533</u></u>

**9. RETIREMENT PLAN**

FPF has a qualified retirement plan (the Plan). The Plan allows eligible employees to contribute a percentage of their compensation. FPF matches contributions up to 4 percent of each employee's contributions. Total contributions made by FPF were approximately \$24,000 for the year ended December 31, 2016.

**10. SUBSEQUENT EVENTS**

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