



FINANCIAL STATEMENTS

DECEMBER 31, 2017

FUTURE OF PRIVACY FORUM

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DECEMBER 31, 2017**

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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, 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 Future of Privacy Forum 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
Future of Privacy Forum

Report on Summarized Comparative Information

We have previously audited Future of Privacy Forum'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

FUTURE OF PRIVACY FORUM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

Assets	2017	2016
Current Assets		
Cash and Cash Equivalents	\$ 1,242,618	\$ 831,166
Accounts Receivable	1,826	-
Contributions Receivable	10,000	50,667
Due from FPF Education and Innovation Foundation	17,904	390,590
Prepaid Expenses	48,252	44,707
Total Current Assets	1,320,600	1,317,130
Property and Equipment		
Furniture and Fixtures	96,632	99,910
Website	113,942	113,972
Less Accumulated Depreciation	(92,546)	(52,267)
Net Property and Equipment	118,028	161,615
Deferred Compensation Asset	39,484	18,809
Deposit	13,905	13,905
Total Assets	\$ 1,492,017	\$ 1,511,459
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 58,757	\$ 100,734
Deferred Revenue	1,220	-
Obligation under Capital Lease	1,391	801
Deferred Rent	12,999	8,436
Total Current Liabilities	74,367	109,971
Obligation under Capital Lease, Net of Current Portion	5,341	6,731
Deferred Rent, Net of Current Portion	40,192	53,191
Deferred Compensation Liability	40,234	18,809
Total Liabilities	160,134	188,702
Net Assets		
Unrestricted	1,231,883	1,297,757
Temporarily Restricted	100,000	25,000
Total Net Assets	1,331,883	1,322,757
Total Liabilities and Net Assets	\$ 1,492,017	\$ 1,511,459

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

**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>2017 Total</u>	<u>2016 Total</u>
Revenue				
Grants and Contributions	\$ 2,203,500	\$ 107,500	\$ 2,311,000	\$ 1,667,500
In-Kind Contributions	4,216	-	4,216	18,570
Registration and Sponsorships	71,007	-	71,007	29,213
Consulting Income	31,333	-	31,333	15,667
Miscellaneous Income	6,689	-	6,689	-
Net Assets Released from Restrictions	32,500	(32,500)	-	-
Total Revenue	2,349,245	75,000	2,424,245	1,730,950
Expenses				
Program Services	1,716,371	-	1,716,371	1,606,422
General and Administration	409,848	-	409,848	347,680
Fundraising	288,900	-	288,900	423,504
Total Expenses	2,415,119	-	2,415,119	2,377,606
Change in Net Assets	(65,874)	75,000	9,126	(646,656)
Net Assets, Beginning of Year	1,297,757	25,000	1,322,757	1,969,413
Net Assets, End of Year	\$ 1,231,883	\$ 100,000	\$ 1,331,883	\$ 1,322,757

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

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

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries	\$ 827,621	\$ 122,476	\$ 181,141	\$ 1,131,238	\$ 848,170
Payroll Taxes and Benefits	146,040	21,469	30,578	198,087	132,103
Consultants	276,564	42,246	12,344	331,154	297,018
Events Expense	154,871	62,474	18,340	235,685	188,184
Professional Fees	65,266	49,616	14,210	129,092	214,345
Rent Expense	64,225	48,767	13,967	126,959	102,084
Office Expense	36,581	19,923	5,955	62,459	27,800
Travel	53,925	1,938	640	56,503	75,164
Depreciation and Amortization	22,955	17,451	4,998	45,404	37,728
Grants and Contributions	26,192	2,883	826	29,901	355,021
Communication Charges	16,756	9,213	2,639	28,608	19,416
Marketing	10,483	1,581	453	12,517	21,930
Miscellaneous	6,269	4,626	1,325	12,220	45,191
Bank Fees	4,180	2,927	838	7,945	2,758
Staff Development	2,560	826	236	3,622	8,799
Insurance	1,078	820	235	2,133	1,668
Dues and Subscriptions	805	612	175	1,592	227
Total Expenses	\$ 1,716,371	\$ 409,848	\$ 288,900	\$ 2,415,119	\$ 2,377,606

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

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

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 9,126	\$ (646,656)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	45,404	37,728
Loss on Disposal	2,943	-
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(1,826)	-
Contributions Receivable	40,667	800,333
Due from FPF Education and Innovation Foundation	372,686	(85,462)
Prepaid Expenses	(3,545)	(10,520)
Deferred Compensation Asset	(20,675)	30,600
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	(41,977)	(19,551)
Deferred Revenue	1,220	-
Deferred Compensation Liability	21,425	(30,600)
Deferred Rent	(8,436)	(3,995)
Net Cash Provided by Operating Activities	<u>417,012</u>	<u>71,877</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	<u>(4,760)</u>	<u>(58,672)</u>
Net Cash Used in Investing Activities	<u>(4,760)</u>	<u>(58,672)</u>
Cash Flows from Financing Activities		
Payments of Obligation under Capital Lease	<u>(800)</u>	<u>(461)</u>
Net Cash Used in Financing Activities	<u>(800)</u>	<u>(461)</u>
Net Increase in Cash and Cash Equivalents	411,452	12,744
Cash and Cash Equivalents, Beginning of Year	<u>831,166</u>	<u>818,422</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,242,618</u></u>	<u><u>\$ 831,166</u></u>

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

Connected Cars: FPF'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'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'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.

De-Identification and Big Data: FPF'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'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.

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.

FUTURE OF PRIVACY FORUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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

Organization (Continued)

Artificial Intelligence: FPF'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'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 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, 2017, as FPF had no net unrelated business income.

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.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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.

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's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. CONCENTRATIONS

At December 31, 2017, contributions receivable was due 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, 2017, FPF shared employees and office space with the FPF Education and Innovation Foundation (FPF EIF), a not-for-profit organization exempt under Section 501 (c)(3) of the Internal Revenue Code (the Code). FPF is reimbursed by FPF EIF for certain general and administrative expenses under a formal cost-share agreement. As of the end of the year, FPF EIF owed FPF approximately \$18,000.

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, 2017:

Description	Level 1	Level 2	Level 3	Total
Deferred Compensation Investment				
Principal LifeTime 2030 R3 Fund	\$ 39,484	\$ -	\$ -	\$ 39,484
Total Assets at Fair Value	<u>\$ 39,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,484</u>
Deferred Compensation Liability	\$ 40,234	\$ -	\$ -	\$ 40,234
Total Liabilities at Fair Value	<u>\$ 40,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,234</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

FUTURE OF PRIVACY FORUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

5. DEFERRED COMPENSATION PLAN (CONTINUED)

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. For the year ended December 31, 2017, FPF contributed \$18,000.

6. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, temporarily restricted net assets were available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Advance Policy Discussions, Government Relations, Industry Engagement, and Academic Collaboration in Israel, Europe, and the U.S.	\$ 100,000
Total Temporarily Restricted Net Assets	<u>\$ 100,000</u>

During the year ended December 31, 2017, net assets were released from restrictions as follows:

<u>Purpose</u>	<u>Amount</u>
Israel Technology Policy Institute	\$ 5,000
Privacy Leadership Event	2,500
Student Fellowship Scholarship	25,000
Total Net Assets Released from Donor Restrictions	<u>\$ 32,500</u>

7. COMMITMENTS

During 2017, FPF entered in to a contract for hotel and conference space for a 2018 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>	
2018	\$ 170,493
2019	175,182
2020	179,999
Total Future Minimum Operating Lease Payments	<u>\$ 525,674</u>

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. LEASING ARRANGEMENTS (CONTINUED)

Rent expense for the year ended December 31, 2017, was approximately \$127,000.

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, 2017, was \$3,634. Interest expense related to the capital lease for the year ended December 31, 2017, amounted to approximately \$4,100.

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

For the Years Ending December 31,

2018	\$ 4,872
2019	4,872
2020	<u>3,654</u>
Total Future Minimum Capital Lease Payments	13,398
Less Amount Representing Interest	<u>(6,666)</u>
Present Value of Total Future Minimum Capital Lease Payments	<u><u>\$ 6,732</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 \$29,000 for the year ended December 31, 2017.

10. SUBSEQUENT EVENTS

In February 2018, FPF signed an amendment to its lease agreement for additional office space in its office building. The lease for additional office space commenced in March 2018 and will end in April 2020.

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