



FINANCIAL STATEMENTS

DECEMBER 31, 2018

FPF EDUCATION AND INNOVATION FOUNDATION

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DECEMBER 31, 2018**

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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, 2018, 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, 2018, 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

Emphasis of Matter

As discussed in Note 2 of the financial statements, FPF Education and Innovation Foundation adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited FPF Education and Innovation Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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.
November 22, 2019

Certified Public Accountants

FPF EDUCATION AND INNOVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,250,864	\$ 1,626,910
Grants and Contributions Receivable	1,416,390	1,116,536
Prepaid Expenses	<u>8,565</u>	<u>51,133</u>
Total Current Assets	3,675,819	2,794,579
Property and Equipment		
Furniture and Fixtures	56,911	56,911
Less Accumulated Depreciation	<u>(49,244)</u>	<u>(31,866)</u>
Net Property and Equipment	7,667	25,045
Deposit	<u>1,800</u>	<u>-</u>
Total Assets	<u><u>\$ 3,685,286</u></u>	<u><u>\$ 2,819,624</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 369,900	\$ 161,766
Deferred Revenue	10,343	1,830
Due to Future of Privacy Forum	<u>750,680</u>	<u>17,904</u>
Total Current Liabilities	1,130,923	181,500
Net Assets		
Net Assets Without Donor Restrictions	197,154	172,681
Net Assets With Donor Restrictions	<u>2,357,209</u>	<u>2,465,443</u>
Total Net Assets	<u>2,554,363</u>	<u>2,638,124</u>
Total Liabilities and Net Assets	<u><u>\$ 3,685,286</u></u>	<u><u>\$ 2,819,624</u></u>

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenue				
Grants and Contributions	\$ 266,286	\$ 632,852	\$ 899,138	\$ 2,828,491
In-Kind Contributions	1,170	-	1,170	15,130
Membership Dues	2,826,361	-	2,826,361	1,088,985
Event Sponsorship	84,144	-	84,144	36,200
Net Assets Released from Restrictions	741,086	(741,086)	-	-
Total Revenue	3,919,047	(108,234)	3,810,813	3,968,806
Expenses				
Program	2,930,653	-	2,930,653	1,238,058
General and Administration	738,889	-	738,889	86,712
Fundraising	225,032	-	225,032	30,133
Total Expenses	3,894,574	-	3,894,574	1,354,903
Change in Net Assets	24,473	(108,234)	(83,761)	2,613,903
Net Assets, Beginning of Year	172,681	2,465,443	2,638,124	24,221
Net Assets, End of Year	\$ 197,154	\$ 2,357,209	\$ 2,554,363	\$ 2,638,124

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Program	General and Administration	Fundraising	2018 Total	2017 Total
Salaries	\$ 1,506,156	\$ 363,375	\$ 161,067	\$ 2,030,598	\$ 622,006
Payroll Taxes and Benefits	230,949	55,719	24,698	311,366	89,515
Consultants	648,768	31,245	12,825	692,838	388,246
Events Expense	247,955	32,037	174	280,166	95,329
Professional Fees	-	88,310	-	88,310	35,455
Rent Expense	148,310	85,587	11,156	245,053	41,874
Office Expense	72,767	50,083	9,358	132,208	19,919
Marketing	3,707	2,124	67	5,898	18,704
Depreciation Expense	3,123	13,826	429	17,378	16,095
Miscellaneous	33,011	1,816	111	34,938	15,130
Travel	5,038	-	22	5,060	12,417
Insurance	1,092	1,941	314	3,347	-
Bank Fees	983	529	71	1,583	118
Grants and Contributions	5,022	-	11	5,033	95
Communication Charges	23,772	12,297	4,729	40,798	-
Totals	\$ 2,930,653	\$ 738,889	\$ 225,032	\$ 3,894,574	\$ 1,354,903

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (83,761)	\$ 2,613,903
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	17,379	16,095
<u>(Increase) Decrease in Assets</u>		
Grants and Contributions Receivable	(299,854)	(984,337)
Prepaid Expenses	42,568	(46,043)
Deposit	(1,800)	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	208,133	154,703
Deferred Revenue	8,513	1,830
Due to Future of Privacy Forum	732,776	(372,686)
	623,954	1,383,465
Cash Flows from Investing Activities		
Purchases of Property and Equipment	-	(11,500)
	-	(11,500)
Net Cash Used in Investing Activities		
Net Increase in Cash and Cash Equivalents	623,954	1,371,965
Cash and Cash Equivalents, Beginning of Year	1,626,910	254,945
Cash and Cash Equivalents, End of Year	\$ 2,250,864	\$ 1,626,910

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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. Since 2013, 39 states and Washington, D.C., have passed 113 student privacy laws, but few state legislatures have provided funding and training to implement them. In 2018, FPF EIF released 16 new resources in the form of blogs, short papers, and comments on legislation and its Student Privacy Pledge has more than 350 signatories.

Other Consumer Privacy: FPF EIF brings together industry, academics, civil society, policymakers, and other stakeholders to explore the challenges posed by emerging technologies and develop privacy protections, ethical norms, and workable best practices. FPF EIF convenes Working Groups to develop best practices, engage with public policy, and share insights; provides expert testimony and comments to Congress, federal agencies, Congressionally chartered commissions, and legislatures in U.S. states and around the world; and shares research and insights through reports and events.

International Law and Regulation: FPF EIF'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. 2018 was a landmark year for international privacy law as the General Data Protection Regulation (GDPR) went into effect. FPF EIF has developed a deep understanding of GDPR, its applicability to various forms of data use, and how its approach compares with federal and state law in the U.S. FPF EIF has built strong partnerships across Europe through its convenings and trainings for policymakers and regulators. This transatlantic engagement helps regulators, policymakers, and EU data protection authorities better understand the technologies at the forefront of data protection law, and helps bridge the gap between European privacy culture and U.S. privacy culture to build a common data protection language.

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.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

Organization (Continued)

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.

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.

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.

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.

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.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Use of Estimates (Continued)

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.

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.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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, 2018, 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, 2018

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

Allocation of Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Expenses that relate directly to a program or supporting service are charged to that program or supporting service. Certain supporting services expenses have been allocated among the program benefited based on employee time records and ratios determined by management. The remaining general and administrative expenses include those expenses that are not directly identifiable with or allocable to any other specific function but provide for the overall support and direction of FPF EIF.

Classification of Net Assets

The financial statements of FPF EIF have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires FPF EIF to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of FPF EIF. These net assets may be used at the discretion of FPF EIF's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of FPF EIF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information as of and for the year ended December 31, 2017. 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, 2017, from which the summarized information was derived.

Reclassifications

Certain 2017 amounts have been reclassified for comparative purposes.

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended December 31, 2018, FPF Education and Innovation Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14 (CONTINUED)

changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

FPF EIF's cash flows have variations during the year due to seasonal concentrations of grants, contributions, and membership dues. FPF EIF manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

As of December 31, 2018, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2019:

Financial Assets

Cash and Cash Equivalents	\$ 2,250,864
Grants and Contributions Receivable	<u>1,416,390</u>
Total	3,667,254
Less Donor Restricted Net Assets	<u>(2,357,209)</u>
Total Financial Assets and Liquid Resources Available within One Year	<u><u>\$ 1,310,045</u></u>

4. CONCENTRATIONS

For the year ended December 31, 2018, 25% of grants and contributions receivable was due from two donors.

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.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, 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, 2018, FPF EIF owed FPF approximately \$751,000.

FPF EDUCATION AND INNOVATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018, net assets with donor restrictions were available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Building and Equipping Trusted Validators on Student Privacy Issues	\$ 1,493,433
Ensuring a Balanced Approach to Education Data Privacy	215,109
Fellowship	195,831
To Launch the Corporate-Academic Data Stewardship Research Alliance	389,170
Advance Policy Discussions, Government Relations, Industry Engagement and Academic Collaboration in Israel, Europe, and the U.S.	50,000
Protecting Privacy and Promoting Inclusion with the Internet of Things	13,666
Total Net Assets With Donor Restrictions	<u>\$ 2,357,209</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donor for the year ended December 31, 2018, as follows:

<u>Purpose</u>	<u>Amount</u>
Building and Equipping Trusted Validators on Student Privacy Issues	\$ 386,087
Ensuring a Balanced Approach to Education Data Privacy	102,076
Fellowship	121,728
To Launch the Corporate-Academic Data Stewardship Research Alliance	119,173
Protecting Privacy and Promoting Inclusion with the Internet of Things	12,022
Total Net Assets Released from Donor Restrictions	<u>\$ 741,086</u>

7. COMMITMENTS

During 2018, FPF EIF entered into a contract for hotel and conference space for a 2019 conference. The contract contains a clause whereby FPF EIF 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. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 22, 2019, which is the date the financial statements were available to be issued.