



FINANCIAL STATEMENTS

DECEMBER 31, 2019

FPF EDUCATION AND INNOVATION FOUNDATION

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DECEMBER 31, 2019**

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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.
August 26, 2020

Certified Public Accountants

FPF EDUCATION AND INNOVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,303,052	\$ 2,250,864
Contributions Receivable	360,000	1,331,862
Grants Receivable	223,906	84,528
Prepaid Expenses	<u>52,040</u>	<u>8,565</u>
Total Current Assets	4,938,998	3,675,819
Contributions Receivable, Net of Current	1,323,462	-
Property and Equipment		
Website Development	62,140	56,911
Computers and Software	11,775	-
Less Accumulated Depreciation	<u>(55,899)</u>	<u>(49,244)</u>
Net Property and Equipment	18,016	7,667
Deposit	<u>3,840</u>	<u>1,800</u>
Total Assets	<u>\$ 6,284,316</u>	<u>\$ 3,685,286</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 421,067	\$ 369,900
Deferred Revenue	-	10,343
Due to Future of Privacy Forum	<u>1,338,865</u>	<u>750,680</u>
Total Current Liabilities	1,759,932	1,130,923
Net Assets		
Without Donor Restrictions	1,398,137	197,154
With Donor Restrictions	<u>3,126,247</u>	<u>2,357,209</u>
Total Net Assets	<u>4,524,384</u>	<u>2,554,363</u>
Total Liabilities and Net Assets	<u>\$ 6,284,316</u>	<u>\$ 3,685,286</u>

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue				
Contributions	\$ 200,000	\$ 2,873,654	\$ 3,073,654	\$ 742,819
Grants	464,915	-	464,915	156,319
In-Kind Contributions	-	-	-	1,170
Membership Dues	3,926,286	-	3,926,286	2,826,361
Event Sponsorship	83,305	-	83,305	84,144
Net Assets Released from Restrictions	2,104,616	(2,104,616)	-	-
Total Revenue	6,779,122	769,038	7,548,160	3,810,813
Expenses				
Program	3,874,597	-	3,874,597	2,930,653
General and Administration	1,163,296	-	1,163,296	738,889
Fundraising	540,246	-	540,246	225,032
Total Expenses	5,578,139	-	5,578,139	3,894,574
Change in Net Assets	1,200,983	769,038	1,970,021	(83,761)
Net Assets, Beginning of Year	197,154	2,357,209	2,554,363	2,638,124
Net Assets, End of Year	\$ 1,398,137	\$ 3,126,247	\$ 4,524,384	\$ 2,554,363

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	Program	General and Administration	Fundraising	2019 Total	2018 Total
Salaries	\$ 1,622,085	\$ 313,898	\$ 416,232	\$ 2,352,215	\$ 2,030,598
Payroll Taxes and Benefits	279,863	51,525	64,982	396,370	311,366
Consultants	1,192,040	305,900	-	1,497,940	646,828
Events Expense	326,473	312,162	8,137	646,772	326,176
Professional Fees	-	126,757	-	126,757	88,310
Rent Expense	222,857	20,930	26,284	270,071	245,053
Office Expense	84,919	16,912	16,579	118,410	132,208
Marketing	107,181	4,578	-	111,759	5,898
Depreciation Expense	4,751	844	1,060	6,655	17,378
Miscellaneous	232	735	-	967	34,938
Travel	4,291	530	650	5,471	5,060
Insurance	2,523	448	563	3,534	3,347
Bank Fees	100	991	-	1,091	1,583
Grants and Contributions	507	2,500	-	3,007	5,033
Communication Charges	25,890	4,586	5,759	36,235	40,798
Staff Development	885	-	-	885	-
Totals	\$ 3,874,597	\$ 1,163,296	\$ 540,246	\$ 5,578,139	\$ 3,894,574

See accompanying Notes to Financial Statements.

PPF EDUCATION AND INNOVATION FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,970,021	\$ (83,761)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	6,655	17,379
<u>(Increase) Decrease in Assets</u>		
Contributions Receivable	(351,600)	(215,326)
Grants Receivable	(139,378)	(84,528)
Prepaid Expenses	(43,475)	42,568
Deposit	(2,040)	(1,800)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	51,166	208,133
Deferred Revenue	(10,343)	8,513
Due to Future of Privacy Forum	588,185	732,776
Net Cash Provided by Operating Activities	2,069,191	623,954
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(17,003)	-
Net Cash Used in Investing Activities	(17,003)	-
Net Increase in Cash and Cash Equivalents	2,052,188	623,954
Cash and Cash Equivalents, Beginning of Year	2,250,864	1,626,910
Cash and Cash Equivalents, End of Year	\$ 4,303,052	\$ 2,250,864

See accompanying Notes to Financial Statements.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

The following is a description of the Organization's Programs.

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.

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. 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.

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

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Organization (Continued)

Smart Communities (Continued): 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. 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.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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. Contributions receivable are recorded after being discounted to the anticipated net present value of the future cash flows.

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.

Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Assets received in a conditional contribution are reported as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Conditional contributions of approximately \$309,000 as of December 31, 2019, will be recognized as revenue when the conditions are met.

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, 2019, 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, 2019

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.

Reclassifications

Certain 2018 amounts have been reclassified for comparative purposes.

2. ADOPTION OF ACCOUNTING STANDARDS

Accounting Standards Update 2018-08

During the year ended December 31, 2019, FPF EIF adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. The impact of adoption was not material to the financial statements.

FPF EDUCATION AND INNOVATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. ADOPTION OF ACCOUNTING STANDARDS (CONTINUED)

Accounting Standards Codification Topic 606

During the year ended December 31, 2019, FPF EIF adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Management believes that the adoption of this standard provides better consistency and comparability across non-profit and for-profit entities. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP. This change in accounting principle was adopted using the modified retrospective method as of January 1, 2019. Analysis of the various provisions of this standard resulted in no significant changes in the way FPF EIF recognizes revenue; however, the presentation and disclosure of revenue has been enhanced.

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, 2019, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2020:

Financial Assets

Cash and Cash Equivalents	\$ 4,303,052
Contributions Receivable	360,000
Grants Receivable	<u>223,906</u>
Total	4,886,958
Less Donor Restricted Net Assets	<u>(3,126,247)</u>
Total Financial Assets and Liquid Resources Available within One Year	<u><u>\$ 1,760,711</u></u>

4. CONCENTRATIONS

For the year ended December 31, 2019, 27% of all grants and contributions revenue was received from one donor and 89% 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, 2019, 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

FPF EDUCATION AND INNOVATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. RELATED PARTY TRANSACTIONS (CONTINUED)

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, 2019, FPF EIF owed FPF approximately \$1,339,000.

6. CONTRIBUTIONS RECEIVABLE

FPF EIF has recorded contributions receivable at the present value of estimated future cash flows at December 31, 2019. Contributions receivable due in more than one year are discounted at approximately 1.59%. Contributions receivable are summarized below as of December 31, 2019:

Receivable in Less than One Year	\$ 360,000
Receivable in One to Five Years	<u>1,349,961</u>
Total Contributions Receivable	1,709,961
Less Discount to Present Value	<u>(26,499)</u>
Net Contributions Receivable	<u><u>\$ 1,683,462</u></u>

7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019, 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	\$ 2,149,411
Ensuring a Balanced Approach to Education Data Privacy	809,939
Fellowship	54,704
To Launch the Corporate-Academic Data Stewardship Research Alliance	<u>112,193</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 3,126,247</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donor for the year ended December 31, 2019, as follows:

<u>Purpose</u>	<u>Amount</u>
Building and Equipping Trusted Validators on Student Privacy Issues	\$ 1,326,760
Ensuring a Balanced Approach to Education Data Privacy	296,087
Fellowship	191,127
To Launch the Corporate-Academic Data Stewardship Research Alliance	276,976
Protecting Privacy and Promoting Inclusion with the Internet of Things	<u>13,666</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$ 2,104,616</u></u>

8. COMMITMENTS

During 2019, FPF EIF entered into a contract for hotel and conference space for a 2020 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

FPF EDUCATION AND INNOVATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. COMMITMENTS (CONTINUED)

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.

9. SUBSEQUENT EVENTS

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and not-for-profits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

Subsequent to the year end, FPF EIF applied for and received payment of a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of approximately \$622,000. PPP provides cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If FPF EIF maintains its workforce and meets certain requirements, up to 100% of the loan may be forgiven by the SBA. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven.

Subsequent events were evaluated through August 26, 2020, which is the date the financial statements were available to be issued.