



FINANCIAL STATEMENTS

DECEMBER 31, 2019

FUTURE OF PRIVACY FORUM

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Independent Auditors' Report

To the Board of Directors of
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, 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 Future of Privacy Forum 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 of
Future of Privacy Forum

Report on Summarized Comparative Information

We have previously audited Future of Privacy Forum'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

FUTURE OF PRIVACY FORUM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,562,086	\$ 819,241
Due from FPF Education and Innovation Foundation	1,338,865	750,680
Prepaid Expenses	28,217	43,902
Deposit	13,305	-
Total Current Assets	3,942,473	1,613,823
Property and Equipment		
Furniture and Fixtures	153,106	151,174
Website	55,093	61,093
Computer and Software	55,226	47,861
Less Accumulated Depreciation	(203,086)	(156,074)
Net Property and Equipment	60,339	104,054
Deferred Compensation Asset	86,022	55,142
Deposit	-	13,905
Total Assets	\$ 4,088,834	\$ 1,786,924
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 73,467	\$ 34,370
Deferred Revenue	225,000	-
Obligation under Capital Lease	2,923	2,417
Deferred Rent	34,632	17,688
Total Current Liabilities	336,022	54,475
Obligation under Capital Lease, Net of Current Portion	-	2,923
Deferred Rent, Net of Current Portion	-	22,504
Deferred Compensation Liability	86,022	55,142
Total Liabilities	422,044	135,044
Net Assets		
Without Donor Restrictions	3,666,790	1,637,144
With Donor Restrictions	-	14,736
Total Net Assets	3,666,790	1,651,880
Total Liabilities and Net Assets	\$ 4,088,834	\$ 1,786,924

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

**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				
Grants and Contributions	\$ 2,343,195	\$ -	\$ 2,343,195	\$ 1,005,067
Registration and Sponsorships	-	-	-	6,220
Consulting Income	832,234	-	832,234	-
Miscellaneous Income	4,736	-	4,736	14,709
Net Assets Released from Restrictions	14,736	(14,736)	-	-
Total Revenue	3,194,901	(14,736)	3,180,165	1,025,996
Expenses				
Program Services	887,062	-	887,062	378,148
General and Administration	272,326	-	272,326	276,787
Fundraising	5,867	-	5,867	51,064
Total Expenses	1,165,255	-	1,165,255	705,999
Change in Net Assets	2,029,646	(14,736)	2,014,910	319,997
Net Assets, Beginning of Year	1,637,144	14,736	1,651,880	1,331,883
Net Assets, End of Year	\$ 3,666,790	\$ -	\$ 3,666,790	\$ 1,651,880

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

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

	Program Services	General and Administration	Fundraising	2019 Total	2018 Total
Salaries	\$ 193,720	\$ 30,111	\$ 3,638	\$ 227,469	\$ 259,315
Payroll Taxes and Benefits	33,443	11,634	628	45,705	39,434
Consultants	531,229	35,759	-	566,988	117,132
Events Expense	8,593	29,672	-	38,265	62,041
Professional Fees	-	128,897	-	128,897	74,224
Rent Expense	27,815	2,627	277	30,719	20,461
Office Expense	8,008	762	155	8,925	19,612
Travel	-	-	-	-	1,656
Depreciation and Amortization	39,286	6,988	738	47,012	63,528
Grants and Contributions	21,000	500	-	21,500	14,891
Communication Charges	20,623	98	387	21,108	5,210
Marketing	-	11,243	-	11,243	7,511
Miscellaneous	1,000	12,925	-	13,925	13,205
Bank Fees	-	693	-	693	4,129
Staff Development	-	-	-	-	3,223
Insurance	2,345	417	44	2,806	427
Total Expenses	\$ 887,062	\$ 272,326	\$ 5,867	\$ 1,165,255	\$ 705,999

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,014,910	\$ 319,997
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	47,012	63,528
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	-	1,826
Contributions Receivable	-	10,000
Due from FPF Education and Innovation Foundation	(588,185)	(732,776)
Prepaid Expenses	15,685	4,350
Deposit	600	-
Deferred Compensation Asset	(30,880)	(15,658)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	39,097	(24,387)
Deferred Revenue	225,000	(1,220)
Deferred Compensation Liability	30,880	14,908
Deferred Rent	(5,560)	(12,999)
	<u>1,748,559</u>	<u>(372,431)</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(3,297)	(49,554)
	<u>(3,297)</u>	<u>(49,554)</u>
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities		
Payments of Obligation under Capital Lease	(2,417)	(1,392)
	<u>(2,417)</u>	<u>(1,392)</u>
Net Cash Used in Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	1,742,845	(423,377)
Cash and Cash Equivalents, Beginning of Year	819,241	1,242,618
Cash and Cash Equivalents, End of Year	<u>\$ 2,562,086</u>	<u>\$ 819,241</u>

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, contributions, and consulting income.

The following is a description of FPF's Programs:

Other Consumer Privacy: FPF 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 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.

Artificial Intelligence: FPF works with commercial, academic, and civil society supporters and partners to develop best practices for managing risk in AI and machine learning and assess whether historical data protection practices such as fairness, accountability, and transparency are sufficient to answer the ethical questions they raise.

International Law and Regulation: FPF 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.

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 and money market accounts.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Property and Equipment

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

Deferred Revenue

Deferred revenue represents cash collections by December 31, 2019, for consulting fees for which services will be provided in the next fiscal year.

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, 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.

FPF recognizes consulting income when each separately identified and priced contract deliverable is completed. Accordingly, up-front fees are deferred and recognized over the terms established in the agreement.

Income Taxes

FPF is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code (the Code) and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, FPF may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of FPF and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year 2019.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Income Taxes (Continued)

FPF's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2019.

FPF's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities for three years after filing.

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.

Classification of Net Assets

The financial statements of FPF have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires FPF 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. These net assets may be used at the discretion of FPF'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 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 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

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. ADOPTION OF ACCOUNTING STANDARDS (CONTINUED)

Accounting Standards Update 2018-08 (Continued)

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.

Accounting Standards Codification Topic 606

During the year ended December 31, 2019, FPF 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 recognizes revenue; however, the presentation and disclosure of revenue has been enhanced.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

FPF's cash flows have variations during the year due to seasonal concentrations of grants and contributions. FPF manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in money markets.

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	\$ 2,562,086
Due from FPF Education and Innovation Foundation	1,338,865
Deposit	<u>13,305</u>
Total Financial Assets and Liquid Resources Available within One Year	<u><u>\$ 3,914,256</u></u>

4. CONCENTRATIONS

For the year ended December 31, 2019, 70% of grants and contributions revenue was received from two donors. FPF received approximately 93% of its consulting income from one customer during 2019.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. CONCENTRATIONS (CONTINUED)

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.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, 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 \$1,339,000.

6. 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, 2019:

Description	Level 1	Level 2	Level 3	Total
Deferred Compensation Investment				
Principal LifeTime 2030 R3 Fund	\$ 86,022	\$ -	\$ -	\$ 86,022
Total Assets at Fair Value	<u>\$ 86,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,022</u>
Deferred Compensation Liability	\$ 86,022	\$ -	\$ -	\$ 86,022
Total Liabilities at Fair Value	<u>\$ 86,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,022</u>

7. 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,

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
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7. DEFERRED COMPENSATION PLAN (CONTINUED)

such funds remain the asset of FPF and, as such, are subject to the creditors of FPF. For the year ended December 31, 2019, FPF contributed approximately \$13,000.

8. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019, FPF had no net assets with donor restrictions.

During the year ended December 31, 2019, net assets were released from restrictions as follows:

<u>Purpose</u>	<u>Amount</u>
Advance Policy Discussions, Government Relations, Industry Engagement, and Academic Collaboration in Israel, Europe, and the U.S.	\$ 14,736
Total Net Assets Released from Donor Restrictions	<u>\$ 14,736</u>

9. LEASING ARRANGEMENTS

Operating Lease

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.

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 December 2020.

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

<u>For the Year Ending December 31,</u>	
2020	<u>\$ 273,803</u>
Total Future Minimum Operating Lease Payments	<u>\$ 273,803</u>

Rent expense for the year ended December 31, 2019, was approximately \$31,000.

Capital Lease

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, 2019, was \$6,863. Interest expense related to the capital lease for the year ended December 31, 2019, amounted to approximately \$2,500.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
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9. LEASING ARRANGEMENTS (CONTINUED)

Capital Lease (Continued)

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

For the Year Ending December 31,

2020	\$ 3,654
Total Future Minimum Capital Lease Payments	3,654
Less Amount Representing Interest	(731)
Present Value of Total Future Minimum Capital Lease Payments	<u>\$ 2,923</u>

10. 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 was approximately \$10,000 for the year ended December 31, 2019.

11. SUBSEQUENT EVENTS

In August 2020, FPF amended its office lease agreement to extend the lease term to January 2022. The amendment will be effective in January 2021.

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