



FINANCIAL STATEMENTS

DECEMBER 31, 2020

FUTURE OF PRIVACY FORUM

TABLE OF CONTENTS DECEMBER 31, 2020

	<u>Pages</u>
Independent Auditors' Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-14

Independent Auditors' Report

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, 2020, 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, 2020, 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.

Board of Directors
Future of Privacy Forum

Report on Summarized Comparative Information

We have previously audited Future of Privacy Forum's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
August 3, 2021

Certified Public Accountants

FUTURE OF PRIVACY FORUM

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019)

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,757,047	\$ 2,562,086
Due from FPF Education and Innovation Foundation	-	1,338,865
Prepaid Expenses	5,582	28,217
Deposit	-	13,305
Total Current Assets	1,762,629	3,942,473
Property and Equipment		
Furniture and Fixtures	153,106	153,106
Website	55,093	55,093
Computer and Software	55,226	55,226
Less Accumulated Depreciation and Amortization	(240,490)	(203,086)
Net Property and Equipment	22,935	60,339
Deferred Compensation Asset	121,871	86,022
Deposit	13,305	-
Total Assets	\$ 1,920,740	\$ 4,088,834
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 37,034	\$ 73,467
Deferred Revenue	-	225,000
Obligation under Capital Lease	-	2,923
Deferred Rent	2,302	34,632
Total Current Liabilities	39,336	336,022
Deferred Compensation Liability	121,871	86,022
Total Liabilities	161,207	422,044
Net Assets		
Without Donor Restrictions	1,759,533	3,666,790
Total Net Assets	1,759,533	3,666,790
Total Liabilities and Net Assets	\$ 1,920,740	\$ 4,088,834

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	<u>2020 Total</u>	<u>2019 Total</u>
Revenue Without Donor Restrictions		
Grants and Contributions	\$ 302,500	\$ 2,343,195
Consulting Income	296,250	832,234
Miscellaneous Income	13,159	4,736
	<u>611,909</u>	<u>3,180,165</u>
Expenses		
Program Services	2,445,031	887,062
General and Administration	74,135	272,326
Fundraising	-	5,867
	<u>2,519,166</u>	<u>1,165,255</u>
Change in Net Assets Without Donor Restrictions	(1,907,257)	2,014,910
Net Assets, Beginning of Year	<u>3,666,790</u>	<u>1,651,880</u>
Net Assets, End of Year	<u><u>\$ 1,759,533</u></u>	<u><u>\$ 3,666,790</u></u>

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	Program Services	General and Administration	2020 Total	2019 Total
Salaries, Taxes, and Benefits	\$ 31,628	\$ 63,278	\$ 94,906	\$ 273,174
Consultants	69,534	-	69,534	566,988
Events Expense	-	-	-	38,265
Professional Fees	138	6,246	6,384	128,897
Rent Expense	1,295	2,799	4,094	30,719
Office Expense	-	-	-	8,925
Travel	369	130	499	-
Depreciation and Amortization	363	851	1,214	47,012
Grants and Contributions	2,341,507	-	2,341,507	21,500
Communication Charges	-	225	225	21,108
Marketing	-	-	-	11,243
Miscellaneous	9	17	26	13,925
Bank Fees	26	61	87	693
Equipment Rental and Fees	140	235	375	-
Dues and Subscription	-	271	271	-
Insurance	22	22	44	2,806
Total Expenses	\$ 2,445,031	\$ 74,135	\$ 2,519,166	\$ 1,165,255

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,907,257)	\$ 2,014,910
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	37,404	47,012
<u>(Increase) Decrease in Assets</u>		
Due from FPF Education and Innovation Foundation	1,338,865	(588,185)
Prepaid Expenses	22,635	15,685
Deposit	-	600
Deferred Compensation Asset	(35,849)	(30,880)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	(36,433)	39,097
Deferred Revenue	(225,000)	225,000
Deferred Compensation Liability	35,849	30,880
Deferred Rent	(32,330)	(5,560)
	(802,116)	1,748,559
Net Cash (Used in) Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchases of Property and Equipment	-	(3,297)
	-	(3,297)
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities		
Payments of Obligation under Capital Lease	(2,923)	(2,417)
	(2,923)	(2,417)
Net Cash Used in Financing Activities		
Net (Decrease) Increase in Cash and Cash Equivalents	(805,039)	1,742,845
Cash and Cash Equivalents, Beginning of Year	2,562,086	819,241
Cash and Cash Equivalents, End of Year	\$ 1,757,047	\$ 2,562,086

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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 and amortization expense 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.

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 does not have any grants or contributions with donor 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 ended December 31, 2020.

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 the year ended December 31, 2020.

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

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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 2019 amounts have been reclassified for comparative purposes.

2. 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 accounts.

As of December 31, 2020, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2021:

Financial Assets

Cash and Cash Equivalents	<u>\$ 1,757,047</u>
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3. CONCENTRATIONS

For the year ended December 31, 2020, 66% of grants and contributions revenue was received from two donors. FPF received approximately 100% of its consulting income from two customers during the year ended December 31, 2020.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CONCENTRATIONS (CONTINUED)

FPF maintains its 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.

4. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, 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. During the year, FPF EIF owed FPF approximately \$1,242,000 for various expenses. At the end of 2020, FPF decided to forgive and write off the full amount owed from FPF EIF. The amount is included in grants and contributions expense on the statement of functional expenses. FPF EIF recorded the same amount as a contribution in the year ended December 31, 2020.

5. 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, 2020:

Description	Level 1	Level 2	Level 3	Total
Deferred Compensation Investment				
Principal LifeTime 2030 R3 Fund	\$ 121,871	\$ -	\$ -	\$ 121,871
Total Assets at Fair Value	<u>\$ 121,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,871</u>
Deferred Compensation Liability	\$ 121,871	\$ -	\$ -	\$ 121,871
Total Liabilities at Fair Value	<u>\$ 121,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,871</u>

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. DEFERRED COMPENSATION PLAN

During 2015, FPF adopted a nonqualified deferred 457(f) compensation plan (the 457 Plan) for a key employee. The 457 Plan requires that FPF establish and maintain a book entry account on behalf of the employee for all contributions, deferrals and investment experience related to the 457 Plan. FPF is not liable for any specific investment success nor is it required to restore any loss of principal that may occur due to market conditions. Under current law, such funds remain the asset of FPF and, as such, are subject to the creditors of FPF. For the year ended December 31, 2020, FPF contributed approximately \$8,700.

7. LEASING ARRANGEMENTS

Operating Lease

In August 2015, FPF entered into a 5-year lease agreement for office space. The initial term of the lease commenced in August 2015 and was to 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 commencing in March 2018.

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

For the Years Ending December 31,

2021	\$ 232,400
2022	<u>22,133</u>
Total Future Minimum Operating Lease Payments	<u><u>\$ 254,533</u></u>

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

Capital Lease

FPF had 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 asset under the capital lease was fully amortized as of December 31, 2020. Interest expense related to the capital lease for the year ended December 31, 2020, amounted to approximately \$731. The capital lease agreement was not renewed.

8. 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 \$2,300 for the year ended December 31, 2020.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. CONTINGENCIES

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.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through August 3, 2021, which is the date the financial statements were available to be issued.