



FINANCIAL STATEMENTS

DECEMBER 31, 2018

FUTURE OF PRIVACY FORUM

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DECEMBER 31, 2018**

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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, 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 Future of Privacy Forum 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 of
Future of Privacy Forum

Emphasis of Matter

As discussed in Note 2 of the financial statements, Future of Privacy Forum 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 Future of Privacy Forum'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.

Certified Public Accountants

Washington, D.C.
November 22, 2019

FUTURE OF PRIVACY FORUM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

Assets	2018	2017
Current Assets		
Cash and Cash Equivalents	\$ 819,241	\$ 1,242,618
Accounts Receivable	-	1,826
Contributions Receivable	-	10,000
Due from FPF Education and Innovation Foundation	750,680	17,904
Prepaid Expenses	43,902	48,252
Total Current Assets	1,613,823	1,320,600
Property and Equipment		
Furniture and Fixtures	151,174	96,632
Website	108,954	113,942
Less Accumulated Depreciation	(156,074)	(92,546)
Net Property and Equipment	104,054	118,028
Deferred Compensation Asset	55,142	39,484
Deposit	13,905	13,905
Total Assets	\$ 1,786,924	\$ 1,492,017
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 34,370	\$ 58,757
Deferred Revenue	-	1,220
Obligation under Capital Lease	2,417	1,391
Deferred Rent	17,688	12,999
Total Current Liabilities	54,475	74,367
Obligation under Capital Lease, Net of Current Portion	2,923	5,341
Deferred Rent, Net of Current Portion	22,504	40,192
Deferred Compensation Liability	55,142	40,234
Total Liabilities	135,044	160,134
Net Assets		
Without Donor Restrictions	1,637,144	1,231,883
With Donor Restrictions	14,736	100,000
Total Net Assets	1,651,880	1,331,883
Total Liabilities and Net Assets	\$ 1,786,924	\$ 1,492,017

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

**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	\$ 1,005,067	\$ -	\$ 1,005,067	\$ 2,311,000
In-Kind Contributions	-	-	-	4,216
Registration and Sponsorships	6,220	-	6,220	71,007
Consulting Income	-	-	-	31,333
Miscellaneous Income	14,709	-	14,709	6,689
Net Assets Released from Restrictions	85,264	(85,264)	-	-
Total Revenue	1,111,260	(85,264)	1,025,996	2,424,245
Expenses				
Program Services	378,148	-	378,148	1,716,371
General and Administration	276,787	-	276,787	409,848
Fundraising	51,064	-	51,064	288,900
Total Expenses	705,999	-	705,999	2,415,119
Change in Net Assets	405,261	(85,264)	319,997	9,126
Net Assets, Beginning of Year	1,231,883	100,000	1,331,883	1,322,757
Net Assets, End of Year	\$ 1,637,144	\$ 14,736	\$ 1,651,880	\$ 1,331,883

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

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

	Program Services	General and Administration	Fundraising	2018 Total	2017 Total
Salaries	\$ 133,311	\$ 87,382	\$ 38,622	\$ 259,315	\$ 1,131,238
Payroll Taxes and Benefits	20,237	13,334	5,863	39,434	198,087
Consultants	119,861	3,125	-	122,986	331,154
Events Expense	42,827	12,328	1,032	56,187	235,685
Professional Fees	4,904	68,343	977	74,224	129,092
Rent Expense	5,840	13,767	854	20,461	126,959
Office Expense	7,527	11,823	262	19,612	62,459
Travel	1,363	29	264	1,656	56,503
Depreciation and Amortization	23,308	38,008	2,212	63,528	45,404
Grants and Contributions	13,101	1,790	-	14,891	29,901
Communication Charges	733	4,346	131	5,210	28,608
Marketing	-	7,511	-	7,511	12,517
Miscellaneous	2,436	10,149	620	13,205	12,220
Bank Fees	1,290	2,697	142	4,129	7,945
Staff Development	1,349	1,793	81	3,223	3,622
Insurance	61	362	4	427	2,133
Dues and Subscriptions	-	-	-	-	1,592
Total Expenses	\$ 378,148	\$ 276,787	\$ 51,064	\$ 705,999	\$ 2,415,119

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

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

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 319,997	\$ 9,126
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	63,528	45,404
Loss on Disposal	-	2,943
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	1,826	(1,826)
Contributions Receivable	10,000	40,667
Due from FPF Education and Innovation Foundation	(732,776)	372,686
Prepaid Expenses	4,350	(3,545)
Deferred Compensation Asset	(15,658)	(20,675)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	(24,387)	(41,977)
Deferred Revenue	(1,220)	1,220
Deferred Compensation Liability	14,908	21,425
Deferred Rent	(12,999)	(8,436)
Net Cash (Used in) Provided by Operating Activities	<u>(372,431)</u>	417,012
Cash Flows from Investing Activities		
Purchases of Property and Equipment	<u>(49,554)</u>	<u>(4,760)</u>
Net Cash Used in Investing Activities	<u>(49,554)</u>	<u>(4,760)</u>
Cash Flows from Financing Activities		
Payments of Obligation under Capital Lease	<u>(1,392)</u>	<u>(800)</u>
Net Cash Used in Financing Activities	<u>(1,392)</u>	<u>(800)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(423,377)	411,452
Cash and Cash Equivalents, Beginning of Year	<u>1,242,618</u>	<u>831,166</u>
Cash and Cash Equivalents, End of Year	<u>\$ 819,241</u>	<u>\$ 1,242,618</u>

See accompanying Notes to Financial Statements.

FUTURE OF PRIVACY FORUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Future of Privacy Forum (FPF) was incorporated in 2008. FPF is established primarily to further the common good and general welfare of the citizens of the United States of America by providing a public policy forum focused on ways to improve consumer privacy protections and host conferences, publish papers, maintain online media such as a web site and blog, and provide speakers at public programs addressed to privacy.

FPF is supported primarily by grants and contributions.

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: 2018 was a landmark year for international privacy law as the General Data Protection Regulation (GDPR) went into effect. FPF 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 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.

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Cash and Cash Equivalents

Cash and equivalents consists of amounts in checking and money market accounts.

Contributions Receivable

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 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.

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.

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 2018.

FUTURE OF PRIVACY FORUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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 2018.

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.

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'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.

FUTURE OF PRIVACY FORUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended December 31, 2018, FPF 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 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'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, 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	\$ 819,241
Due from FPF Education and Innovation Foundation	<u>750,680</u>
Total	1,569,921
Less Donor Restricted Net Assets	<u>(14,736)</u>
Total Financial Assets and Liquid Resources Available within One Year	<u><u>\$ 1,555,185</u></u>

4. CONCENTRATIONS

For the year ended December 31, 2018, 37% of grants and contributions revenue was received from two donors.

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, 2018, 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 \$751,000.

FUTURE OF PRIVACY FORUM

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

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, 2018:

Description	Level 1	Level 2	Level 3	Total
Deferred Compensation Investment				
Principal LifeTime 2030 R3 Fund	\$ 55,142	\$ -	\$ -	\$ 55,142
Total Assets at Fair Value	<u>\$ 55,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,142</u>
Deferred Compensation Liability	\$ 55,142	\$ -	\$ -	\$ 55,142
Total Liabilities at Fair Value	<u>\$ 55,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,142</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, such funds remain the asset of FPF and, as such, are subject to the creditors of FPF. For the year ended December 31, 2018, FPF contributed approximately \$19,000.

8. NET ASSETS WITH DONOR RESTRICTIONS

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

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

FUTURE OF PRIVACY FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the year ended December 31, 2018, 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.	\$ 85,264
Total Net Assets Released from Donor Restrictions	<u>\$ 85,264</u>

9. LEASING ARRANGEMENTS

FPF entered into an operating lease for office space that commenced in August 2015 and will expire in December 2020. The operating lease includes an annual escalation clause as defined in the operating agreement.

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:

For the Years Ending December 31,

2019	\$ 266,475
2020	273,803
Total Future Minimum Operating Lease Payments	<u>\$ 540,278</u>

Rent expense for the year ended December 31, 2018, was approximately \$20,500.

In addition, FPF entered into a capital lease agreement from October 1, 2015 through September 30, 2020. The asset and liability under the capital lease are recorded at the present value of the minimum capital lease payments. The asset is amortized over the lease term. Amortization of the asset under the capital lease is included in depreciation and amortization expense. The accumulated amortization as of December 31, 2018, was \$5,248. Interest expense related to the capital lease for the year ended December 31, 2018, amounted to approximately \$3,500.

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

For the Years Ending December 31,

2019	\$ 4,872
2020	3,654
Total Future Minimum Capital Lease Payments	8,526
Less Amount Representing Interest	<u>(3,186)</u>
Present Value of Total Future Minimum Capital Lease Payments	<u>\$ 5,340</u>

FUTURE OF PRIVACY FORUM

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

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 \$7,500 for the year ended December 31, 2018.

11. SUBSEQUENT EVENTS

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