Financial Statements

Joseph Biden Foundation Inc.
For the Period Since Inception (January 28, 2016) Through
December 31, 2016
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Joseph Biden Foundation Inc.

Financial Statements

For the Period Since Inception (January 28, 2016) Through December 31, 2016

Contents

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors

The Board of Directors
Joseph Biden Foundation Inc.

We have audited the accompanying financial statements of the Joseph Biden Foundation Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the period since inception (January 28, 2016) through December 31, 2016, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers 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 the Joseph Biden Foundation Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the period since inception (January 28, 2016) through December 31, 2016, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

September 11, 2017

Joseph Biden Foundation Inc.

Statement of Financial Position

December 31, 2016

Assets	
Cash and cash equivalents	$ 2,102,269
Contributions receivable	1,100,000
Fixed assets	67,035
Prepaid expenses	9,125
Total assets	$ 3,278,429
Liabilities and net assets	
Liabilities:	
Accounts payable	$ 21,181
Payroll liabilities	9,523
Total liabilities	30,704
Net assets:	
Unrestricted	2,247,725
Temporarily restricted	1,000,000
Total net assets	3,247,725
Total liabilities and net assets	$ 3,278,429

See accompanying notes.

Joseph Biden Foundation Inc.

Statement of Activities

For the Period Since Inception (January 28, 2016) Through December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	$ 2,401,100	$ 1,000,000	$ 3,401,100
Contributed legal services	259,563	–	259,563
Interest	329	–	329
Total revenues and other support	2,660,992	1,000,000	3,660,992
Expenses:			
Management and general	298,348	–	298,348
Programs	105,843	–	105,843
Fundraising	9,076	–	9,076
Total expenses	413,267	–	413,267
Change in net assets	2,247,725	1,000,000	3,247,725
Net assets, beginning of period	–	–	–
Net assets, end of period	$ 2,247,725	$ 1,000,000	$ 3,247,725

See accompanying notes.

Joseph Biden Foundation Inc.

Statement of Functional Expenses

For the Period Since Inception (January 28, 2016) Through December 31, 2016

	Management and General	Programs	Fundraising	Total
Legal	$ 289,083	$ 26,250	$ –	$ 315,333
Communications and web	–	68,333	–	68,333
Travel	3,653	17	8,281	11,951
Personnel	–	9,523	–	9,523
Licenses and registrations	2,677	–	–	2,677
Insurance	1,825	–	–	1,825
Telecommunications	14	761	649	1,424
Supplies	38	959	–	997
Meals	313	–	146	459
Postage and delivery	348	–	–	348
Computer equipment and software	307	–	–	307
Bank charges	90	–	–	90
Total expenses	$ 298,348	$ 105,843	$ 9,076	$ 413,267

See accompanying notes.

Joseph Biden Foundation Inc.

Statement of Cash Flows

For the Period Since Inception (January 28, 2016) Through December 31, 2016

Operating activities	
Net assets	$ 3,247,725
Adjustments to reconcile net assets to net cash provided by operating activities:	
Change in contributions receivable	(1,100,000)
Change in prepaid expenses	(9,125)
Change in accounts payable	21,181
Change in payroll liabilities	9,523
Net cash provided by operating activities	2,169,304
Investing activity	
Purchase of fixed asset	(67,035)
Net cash used in investing activity	(67,035)
Net increase in cash	2,102,269
Cash, at beginning of period	–
Cash, at end of period	$ 2,102,269

See accompanying notes.

1. Summary of Significant Accounting Policies

Entity

The Joseph Biden Foundation Inc. (the Corporation) was incorporated in Delaware on January 28, 2016, and determined to be tax exempt under Section 501(c)(3) of the Internal Revenue Code in a letter dated April 12, 2016. The Corporation commenced operations on February 2, 2016. The purpose of the Corporation is to champion progress and prosperity for American families.

Income Taxes

The Corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Corporation qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Corporation is operated exclusively for charitable, scientific, and educational purposes.

Management’s analysis of uncertain tax positions as required under Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic (ASC) 740, *Income Taxes*, determined that the Corporation has no uncertain tax positions and, as such, no liability has been recorded as of December 31, 2016. Management does not anticipate any material changes in this position in the next 12 months. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting. The Corporation is considered a voluntary health and welfare organization, and a statement of functional expenses is presented.

Cash

The Corporation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash consists of deposits in federally insured banks and petty cash. At December 31, 2016, the Corporation held $1,852,269 in excess of the Federal Deposit Insurance Corporation’s limits.

1. Summary of Significant Accounting Policies (continued)

Receivables

Contributions receivable are unconditional commitments to give and are recorded at their net realizable value. Unconditional commitments expected to be collected in future years are discounted to their estimated present values using a market-based rate. An allowance for doubtful accounts is calculated based on management's best estimates of the realizability. Amounts are deemed fully collectible and no allowance for doubtful accounts has been recorded.

Fixed Assets – Website Development Costs

The Corporation capitalizes the costs incurred to develop, upgrade, or enhance its website in accordance with ASC 350-50, *Website Development Costs*. Once the assets are placed in service, the Corporation amortizes these costs on a straight-line basis over the website's estimated useful life of between three and seven years. At December 31, 2016, website development costs were $67,035.

Net Assets

The Corporation's net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes as follows:

- *Permanently Restricted* – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions that do not expire by the passage of time or cannot be fulfilled by actions of the Corporation. The Corporation does not have any permanently restricted assets.

- *Temporarily Restricted* – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions that expire by the passage of time or are fulfilled by actions of the Corporation.

- *Unrestricted* – Those net assets that are neither permanently nor temporarily restricted.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions – Contributions are recognized as revenue when they are received or unconditionally pledged and are recorded at their estimated fair values. The Corporation 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. However, contributions that are restricted by a donor are recorded as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the contributions are recognized. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Contributed Services – Contributions of services are recognized when received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of these services is determined by management based on actual invoices or estimates of the number of hours contributed at the then-current market rates. The estimated value of these services was approximately $260,000 for the period since inception (January 28, 2016) through December 31, 2016, and is included in both contributed legal services and management and general expenses on the accompanying statement of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Accounting Standards Update No. (ASU) 2016-02, *Leases (Topic 842)* – In February 2016, the FASB issued authoritative guidance, ASC No. 2016-02, *Leases*, which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that

1. Summary of Significant Accounting Policies (continued)

represents the lessee's right to use, or control the use of, a specified asset for the lease term. The revised guidance must be applied on a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Non-public entities will be required to comply with the guidance in 2019, and for interim periods within that year. At this time, management is evaluating the implications of these requirements and the impact they will have on the financial statement amounts and footnote disclosures, if any.

The FASB and the International Accounting Standards Board have issued largely converged revenue recognition standards, ASC 606, *Revenue from Contracts with Customers*, which will supersede virtually all revenue recognition in U.S. GAAP and International Financial Reporting Standard. The standards provide accounting guidance for all revenue arising from contracts with customers and affect all entities that enter into contracts to provide goods or services to their customers. The standards also specify the accounting for costs an entity incurs to obtain and fulfill a contract to provide goods and services to customers and provide a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property and equipment, including real estate. The standards describe the principles an entity must apply to measure and recognize revenue and the related cash flows. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. In August 2015, the FASB issued ASU 2015-14, *Deferral of the Effective Date*, which deferred by one year the standard's effective dates for U.S. GAAP public and non-public entities. Due to the one-year deferral, nonpublic entities are required to adopt the standards for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. At this time, management is evaluating the implications of these requirements and the impact they will have on the financial statement amounts and footnote disclosures, if any.

Effective July 17, 2017, The Joseph Biden Foundation changed its name and began doing business as The Biden Foundation.

2. Functional Expenses

Expenses are summarized on a functional basis. Salaries and related expenses are distributed based on the estimated portion of time spent by the respective employee on each function. Direct costs are charged to the function to which they relate. The following is a summary description of the functional expense categories:

Management and General – Management and general expenses include all activities required to conduct the affairs of the Corporation that are not allocable to other functional areas.

Program – Program expenses include activities to establish a communications and policy framework for the Corporation's seven policy pillars.

Fundraising – Fundraising expenses include direct development expenses.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of $1,000,000 with a timing restriction to be recognized in 2017.

4. Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure through September 11, 2017, which is the date the accompanying financial statements were available to be issued.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ey.com