Financial Statements

Biden Foundation Inc.
Year Ended December 31, 2017 and the Period Since Inception
(January 28, 2016) Through December 31, 2016
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Biden Foundation Inc.

Financial Statements

Year Ended December 31, 2017 and the Period Since Inception
(January 28, 2016) Through December 31, 2016

Contents

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Building a better working world

Report of Independent Auditors

The Board of Directors
Biden Foundation Inc.

We have audited the accompanying financial statements of the Biden Foundation Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2017, and 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 audits. We conducted our audits 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 Biden Foundation Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended December 31, 2017, and 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 5, 2018

Biden Foundation Inc.

Statements of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and cash equivalents	**$ 3,743,443**	$ 2,102,269
Contributions receivable	**121,258**	1,100,000
Fixed assets, net	**72,383**	67,035
Accounts receivable	**36,279**	–
Security deposit	**21,375**	–
Prepaid expenses	**14,059**	9,125
Total assets	**$ 4,008,797**	$ 3,278,429
Liabilities and net assets		
Liabilities:		
Accounts payable	**$ 91,534**	$ 21,181
Payroll liabilities	**–**	9,523
Total liabilities	**91,534**	30,704
Net assets:		
Unrestricted	**3,917,263**	2,247,725
Temporarily restricted	**–**	1,000,000
Total net assets	**3,917,263**	3,247,725
Total liabilities and net assets	**$ 4,008,797**	$ 3,278,429

See accompanying notes.

Biden Foundation Inc.

Statements of Activities

	Year Ended December 31, 2017			For the Period Since Inception (January 28, 2016) Through December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support:						
Contributions	**$ 3,222,073**	**$ –**	**$ 3,222,073**	$ 2,401,100	$ 1,000,000	$ 3,401,100
Contributed legal services	**267,283**	**–**	**267,283**	259,563	–	259,563
Interest	**1,010**	**–**	**1,010**	329	–	329
Total revenues and other support	**3,490,366**	**–**	**3,490,366**	2,660,992	1,000,000	3,660,992
Net assets released from restrictions	**1,000,000**	**(1,000,000)**	**–**	–	–	–
Total revenues and other support	**4,490,366**	**(1,000,000)**	**3,490,366**	2,660,992	1,000,000	3,660,992
Expense:						
Programs	**2,167,193**	**–**	**2,167,193**	105,843	–	105,843
Management and general	**512,682**	**–**	**512,682**	298,348	–	298,348
Fundraising	**140,953**	**–**	**140,953**	9,076	–	9,076
Total expenses	**2,820,828**	**–**	**2,820,828**	413,267	–	413,267
Change in net assets	**1,669,538**	**(1,000,000)**	**669,538**	2,247,725	1,000,000	3,247,725
Net assets, beginning of period	**2,247,725**	**1,000,000**	**3,247,725**	–	–	–
Net assets, end of period	**$ 3,917,263**	**$ –**	**$ 3,917,263**	$ 2,247,725	$ 1,000,000	$ 3,247,725

See accompanying notes.

Biden Foundation Inc.

Schedule of Functional Expenses

Year Ended December 31, 2017 and Summarized Financial Information for the Period Since Inception (January 28, 2016) Through December 31, 2016

	Year Ended December 31, 2017				2016
	Programs	Management and General	Fundraising	Total	Total
Personnel wages and taxes	**$ 887,743**	**$ 63,183**	**$ 102,749**	**$ 1,053,675**	$ 9,523
Grants	**495,372**	**–**	**–**	**495,372**	–
Legal	**51,250**	**325,790**	**–**	**377,040**	315,333
Consultants	**305,471**	**–**	**–**	**305,471**	–
Communications and web	**185,143**	**–**	**–**	**185,143**	68,333
Travel	**74,629**	**9,828**	**8,134**	**92,591**	11,951
Finance and accounting	**6,296**	**75,466**	**727**	**82,489**	–
Occupancy	**42,074**	**2,912**	**4,860**	**49,846**	–
Depreciation expense	**31,848**	**–**	**–**	**31,848**	–
Personnel insurance and benefits	**23,522**	**1,989**	**3,642**	**29,153**	–
Computer equipment and software	**21,925**	**1,483**	**2,474**	**25,882**	307
Information technology	**14,483**	**1,000**	**1,673**	**17,156**	–
Insurance	**–**	**15,491**	**–**	**15,491**	1,825
Development and fundraising	**–**	**–**	**13,469**	**13,469**	–
Telecommunications	**10,558**	**228**	**382**	**11,168**	1,424
Retirement benefits	**8,454**	**706**	**1,534**	**10,694**	–
Supplies	**5,187**	**292**	**769**	**6,248**	997
Catering	**–**	**5,445**	**–**	**5,445**	–
Meals	**2,951**	**1,371**	**329**	**4,651**	459
Licenses and registrations	**–**	**3,181**	**–**	**3,181**	2,677
Bank charges	**–**	**2,085**	**–**	**2,085**	90
Printing	**81**	**1,229**	**–**	**1,310**	–
Subscriptions	**159**	**403**	**–**	**562**	–
Postage and delivery	**47**	**600**	**211**	**858**	348
	$ 2,167,193	**$ 512,682**	**$ 140,953**	**$ 2,820,828**	$ 413,267

See accompanying notes.

Biden Foundation Inc.

Statements of Cash Flows

	Year Ended December 31, 2017	For the Period Since Inception (January 28, 2016) through December 31, 2016
Operating activities		
Changes in net assets	**$ 669,538**	$ 3,247,725
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	**31,848**	–
Increase in accounts receivable	**(36,279)**	–
Increase in security deposit	**(21,375)**	–
Increase in prepaid expenses	**(4,934)**	(9,125)
Decrease (increase) in contributions receivable	**978,742**	(1,100,000)
Increase in accounts payable	**70,353**	21,181
(Decrease) increase in payroll liabilities	**(9,523)**	9,523
Net cash provided by operating activities	**1,678,370**	2,169,304
Investing activities		
Purchase of fixed asset	**(37,196)**	(67,035)
Net cash used in investing activities	**(37,196)**	(67,035)
Net increase in cash and cash equivalent	**1,641,174**	2,102,269
Cash and cash equivalent, beginning of year	**2,102,269**	–
Cash and cash equivalent, end of year	**$ 3,743,443**	$ 2,102,269

See accompanying notes.

1. Summary of Significant Accounting Policies

Entity

The Biden Foundation Inc. (Foundation or Corporation) was incorporated as the Joseph Biden Foundation Inc. in Delaware on January 28, 2016. The Corporation is determined to be tax exempt under Section 501(c)(3) of the Internal Revenue Code (the 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 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, 2017 or 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 and Cash Equivalents

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, 2017 and 2016, the Corporation held $3,493,443 and $1,852,269, respectively, 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. Accounts receivable consist of reimbursement for shared office expenses and reimbursement due for travel costs received in the following year. 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 all asset additions that exceed $2,500 and depreciates them over the useful life of the asset.

The Corporation capitalizes the costs incurred to develop, upgrade, or enhance its website in accordance with Accounting Standards Codification (ASC) 350-50, *Website Development Costs*. Once the assets are placed in service, the Corporation depreciates these costs on a straight-line basis over the website's estimated useful life of between three and seven years. At December 31, 2017 and 2016, website development costs were $37,196 and $67,035, respectively. Depreciation expense for the period ending December 31, 2017 and for the period since inception (January 28, 2016 to December 31, 2016 was $31,848 and $0, respectively.

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.

1. Summary of Significant Accounting Policies (continued)

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

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 $267,000 for the year ended December 31, 2017, and $260,000 for the period since inception (January 28, 2016) through December 31, 2016, respectively. The contributed services are included in both contributed legal services and management and general expenses on the accompanying statements 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.

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* – In February 2016, the Financial Accounting Standards Board (the FASB) issued authoritative guidance, ASU No. 2016-02, 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 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 (IASB) 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 Standards (IFRS). The IASB and IFRS 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 IASB and IFRS 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 IASB and IFRS 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, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred by one year the IASB's and IFRS' 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.

1. Summary of Significant Accounting Policies (continued)

ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* – In August 2016, the FASB added a project to its agenda to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The amendments in ASU 2016-14 should be applied on a retrospective basis in the year that ASU 2016-14 is first applied. In the period that the amendments are first applied, an NFP should disclose the nature of any reclassifications or restatements and their effects, if any, on changes in the net asset classes for each period presented. 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.

During 2017, the Biden Cancer Initiative, Inc. (BCI), an unrelated entity, was organized as a 501(c)(3) organization to promote and enhance development and implementation of solutions to increase progress in cancer prevention, detection, diagnosis, treatment, and care. During its incubation period, the Foundation served as its fiscal sponsor and agreed to receive contributions to support BCI's mission. The Foundation retained the unilateral right to review, approve, and spend such funds during the incubation period, including directing funds away from BCI to another beneficiary fulfilling a similar mission. During 2017, the Foundation granted approximately $495,000 to BCI.

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:

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

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.

2. Functional Expenses (continued)

Fundraising – Fundraising expenses include direct development expenses.

Program, Management and General, and Fundraising expenses incurred during the year ended December 31, 2017 and for the period since inception (January 28, 2016) through December 31, 2016 were as follows:

	2017	2016
Program	**$ 2,167,193**	$ 298,348
Management and general	**512,682**	105,843
Fundraising	**140,953**	9,076
Total expenses	**$ 2,820,828**	$ 413,267

3. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of approximately $1,000,000 as of December 31, 2016, with a timing restriction which was recognized in 2017.

During the year ended December 31, 2017, the Foundation received a conditional promise to give from 2018 to 2021 for approximately $2,000,000 ($500,000 per year). The donations are contingent upon a yearly evaluation of the Foundation's progress toward its goals. Each yearly contribution decision will be made separately based on these evaluations.

4. Retirement Plan

In 2017, the Corporation instituted a defined benefit contribution 401(k) retirement plan, which covers all full-time employees who have completed three months of eligible experience and also meet certain age requirements. The Corporation provides a 100% match of each eligible employee's contribution up to 3% of covered compensation and a 50% match of each employee's contribution between 3% and 5% of covered compensation. Contributions to the plan during the year ended December 31, 2017 totaled $10,694.

5. Commitments

In 2017, the Corporation signed an agreement on a month-to-month basis for space in Washington, D.C.

6. Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure through September 5, 2018, which is the date the accompanying financial statements were available to be issued.

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