

FINANCIAL STATEMENTS



**NATIONAL ARCHIVES
FOUNDATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

NATIONAL ARCHIVES FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Archives Foundation
Washington, D.C.

We have audited the accompanying financial statements of the National Archives Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and change in net assets, 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.

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 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 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 Foundation as of September 30, 2019, and the change 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.

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

March 17, 2020

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,494,863	\$ 2,845,958
Investments	5,167,562	3,839,159
Accounts receivable	21,417	4,000
Current portion of pledges receivable, net	424,244	637,790
Inventory	848,772	965,616
Prepaid expenses	<u>116,668</u>	<u>145,191</u>
Total current assets	<u>8,073,526</u>	<u>8,437,714</u>
FIXED ASSETS		
Equipment	200,571	200,571
Less: Accumulated depreciation	<u>(193,459)</u>	<u>(187,173)</u>
Net fixed assets	<u>7,112</u>	<u>13,398</u>
NON-CURRENT ASSETS		
Long-term pledges receivable, net	<u>66,147</u>	<u>96,842</u>
TOTAL ASSETS	<u>\$ 8,146,785</u>	<u>\$ 8,547,954</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 180,600	\$ 199,874
Accrued salaries and benefits	58,669	56,225
Deferred revenue	<u>123,841</u>	<u>96,575</u>
Total current liabilities	<u>363,110</u>	<u>352,674</u>
NET ASSETS		
Without donor restrictions	3,246,153	3,144,355
With donor restrictions	<u>4,537,522</u>	<u>5,050,925</u>
Total net assets	<u>7,783,675</u>	<u>8,195,280</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,146,785</u>	<u>\$ 8,547,954</u>

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support:				
Contributions and grants	\$ 2,291,915	\$ 1,209,847	\$ 3,501,762	\$ 3,398,750
Contributed goods and services	488,639	11,949	500,588	1,020,204
Membership dues	309,667	-	309,667	261,452
Net assets released from donor restrictions	<u>1,855,351</u>	<u>(1,855,351)</u>	<u>-</u>	<u>-</u>
Total support	<u>4,945,572</u>	<u>(633,555)</u>	<u>4,312,017</u>	<u>4,680,406</u>
Revenue:				
Archives shop revenue, net of cost of goods sold and shrinkage of \$1,263,460 for 2019	1,849,879	-	1,849,879	1,788,329
Investment income, net	179,513	120,152	299,665	237,025
Exhibition revenue	191,870	-	191,870	306,210
Royalties and miscellaneous	<u>11,891</u>	<u>-</u>	<u>11,891</u>	<u>15,425</u>
Total revenue	<u>2,233,153</u>	<u>120,152</u>	<u>2,353,305</u>	<u>2,346,989</u>
Total support and revenue	<u>7,178,725</u>	<u>(513,403)</u>	<u>6,665,322</u>	<u>7,027,395</u>
EXPENSES				
Program Services:				
(1) National Archives Experience	2,215	-	2,215	17,398
(2) Museum Activities	941,501	-	941,501	914,252
(3) Theater Programs	73,567	-	73,567	189,052
(4) Education	626,856	-	626,856	513,853
(5) Auxiliary Programs	32,000	-	32,000	-
(6) Exhibitions	1,071,437	-	1,071,437	1,646,596
(7) Archives Shop	1,211,500	-	1,211,500	1,147,607
(8) Ronald Reagan Library	<u>531,845</u>	<u>-</u>	<u>531,845</u>	<u>597,538</u>
Total program services	<u>4,490,921</u>	<u>-</u>	<u>4,490,921</u>	<u>5,026,296</u>
Supporting Services:				
(10) General and Administrative	1,254,030	-	1,254,030	1,274,886
(11) Fundraising	<u>1,331,976</u>	<u>-</u>	<u>1,331,976</u>	<u>982,989</u>
Total supporting services	<u>2,586,006</u>	<u>-</u>	<u>2,586,006</u>	<u>2,257,875</u>
Total expenses	<u>7,076,927</u>	<u>-</u>	<u>7,076,927</u>	<u>7,284,171</u>
Change in net assets	101,798	(513,403)	(411,605)	(256,776)
Net assets at beginning of year	<u>3,144,355</u>	<u>5,050,925</u>	<u>8,195,280</u>	<u>8,452,056</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,246,153</u>	<u>\$ 4,537,522</u>	<u>\$ 7,783,675</u>	<u>\$ 8,195,280</u>

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019					
	Program Services					
	(1) National Archives Experience	(2) Museum Activities	(3) Theater Programs	(4) Education	(5) Auxiliary Programs	(6) Exhibitions
Salaries and benefits	\$ -	\$ 186,865	\$ 5,806	\$ 8,700	\$ -	\$ 51,144
Printing	-	28,387	3,315	3,480	-	689
Professional fees	-	469,195	34,085	140,983	-	790,181
Occupancy	-	59,029	7,587	7,078	-	19,942
Insurance	-	-	-	-	-	-
Travel and entertainment	-	10,689	4,460	3,425	-	11,113
Postage and delivery	-	4,103	16	223	-	248
Supplies	-	27,894	575	1,850	-	3,730
Dues and subscriptions	-	615	-	-	-	-
Shop operating expenses	2,215	-	-	-	-	-
Depreciation	-	2,230	-	-	-	-
Advertising and promotion	-	132,547	17,723	2,017	-	193,198
Bad debt expense	-	-	-	-	-	-
Miscellaneous	-	12,529	-	-	-	23
Interest expense	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Awards	-	-	-	-	-	-
Contracts	-	7,000	-	459,100	-	-
Accounting/Audit	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Legal	-	-	-	-	-	-
Meetings and conventions	-	418	-	-	-	1,169
Grants	-	-	-	-	32,000	-
Membership dues	-	-	-	-	-	-
TOTAL	\$ 2,215	\$ 941,501	\$ 73,567	\$ 626,856	\$ 32,000	\$ 1,071,437

2018							
Supporting Services							
(7) Archives Shop	(8) Ronald Reagan Library	(9) Total Program Services (Sum of (1) to (8))	(10) General and Administrative	(11) Fundraising	(12) Total Supporting Services ((10)+(11))	(13) Total Expenses ((9)+(12))	Total Expenses
\$ 796,381	\$ -	\$ 1,048,896	\$ 858,863	\$ 672,308	\$ 1,531,171	\$ 2,580,067	\$ 2,594,871
7,126	-	42,997	8,769	3,437	12,206	55,203	88,022
58,405	-	1,492,849	85,779	446,917	532,696	2,025,545	1,185,411
117,881	-	211,517	76,348	70,125	146,473	357,990	357,990
-	-	-	16,488	-	16,488	16,488	12,582
4,807	-	34,494	10,462	12,666	23,128	57,622	70,713
60,834	-	65,424	4,353	20,957	25,310	90,734	75,886
42,293	-	76,342	22,245	4,151	26,396	102,738	111,900
-	-	615	250	3,550	3,800	4,415	9,689
-	-	2,215	-	-	-	2,215	9,204
5,591	-	7,821	299	-	299	8,120	6,933
34,860	-	380,345	-	1,725	1,725	382,070	806,830
-	-	-	-	-	-	-	2,500
9,901	531,845	554,298	14,565	75,001	89,566	643,864	679,163
162	-	162	80	-	80	242	506
-	-	-	48	-	48	48	4,486
-	-	-	-	-	-	-	24,250
-	-	466,100	-	-	-	466,100	1,093,000
71,003	-	71,003	57,725	16,284	74,009	145,012	125,499
-	-	-	448	-	448	448	371
-	-	-	85,833	-	85,833	85,833	-
2,256	-	3,843	11,475	4,855	16,330	20,173	21,865
-	-	32,000	-	-	-	32,000	-
-	-	-	-	-	-	-	2,500
\$ 1,211,500	\$ 531,845	\$ 4,490,921	\$ 1,254,030	\$ 1,331,976	\$ 2,586,006	\$ 7,076,927	\$ 7,284,171

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (411,605)	\$ (256,776)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	8,120	6,933
Other change in accumulated depreciation	(1,834)	-
Realized gain from sale of investments	(30,850)	(61,641)
Unrealized gain on investments	(179,685)	(136,518)
Allowance for doubtful accounts	-	2,894
Change in discount on long term receivables	33,036	13,340
(Increase) decrease in:		
Accounts receivable	(17,417)	(4,000)
Pledges receivable	211,205	937,136
Inventory	116,844	(49,713)
Prepaid expenses	28,523	(85,514)
(Decrease) increase in:		
Accounts payable	(19,274)	101,836
Accrued salaries and benefits	2,444	(1,366)
Deferred revenue	27,266	(31,450)
Net cash (used) provided by operating activities	(233,227)	435,161
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(6,184)
Purchases of investments	(1,843,667)	172,034
Proceeds from sale of investments	725,799	-
Net cash (used) provided by investing activities	(1,117,868)	165,850
Net (decrease) increase in cash and cash equivalents	(1,351,095)	601,011
Cash and cash equivalents at beginning of year	2,845,958	2,244,947
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,494,863	\$ 2,845,958
SUPPLEMENTAL INFORMATION:		
Donated Securities	\$ 254,787	\$ 100,901

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Archives Foundation (the Foundation), formerly the Foundation for the National Archives, a 501(c)(3) organization, is directed by men and women from the private sector who are dedicated to the institution that holds and preserves the records of the United States of America. The National Archives is guardian of the nation's most important and treasured documents. At the heart of its holdings are the Charters of Freedom: the Declaration of Independence, the Constitution and the Bill of Rights. These documents exist as the cornerstone of our society.

It is the mission of the Foundation to create public awareness of the importance of the National Archives as a cultural resource in the American democracy - a place where historians, seekers of justice and private citizens can find evidence on which truth is based.

The Foundation was created to support the Archivist of the United States in developing programs, technology, projects and materials that will introduce and interpret the Archives collection to the American people and to people around the world. The purpose of the Foundation is to educate, enrich and inspire a deeper appreciation of our country's heritage through the collected evidence of its history.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU was adopted during the year ended September 30, 2019 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Foundation's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Pledges receivable -

Pledges receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer. Pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management reviews grants and accounts receivable and estimates their allowance for doubtful accounts based on past history.

At December 31, 2019, the balance in the allowance for doubtful accounts was \$13,066.

Fixed assets -

Fixed assets in excess of \$5,000 are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended September 30, 2019 was immaterial to the financial statements taken as a whole. Subsequent to year end, this law was repealed. The Foundation is not a private foundation.

Uncertain tax position -

For the year ended September 30, 2019, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of goods to be sold in their shop and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Foundation's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Contributed goods and services -

Contributed goods and services consist of donated office space, legal services, advertising and other goods and services. Contributed goods and services are recorded at fair market value as of the date of the gift.

Membership revenue -

The Foundation recognizes member dues as revenue in the year the membership payment is received.

Gala contributions -

The Foundation receives contributions for their annual gala. A portion of the contribution is tax deductible and the balance is for seats and other goods at the gala. If the gala takes place during the year ended September 30, 2019, the contributions are recognized as contributions without donor restrictions and the cost of the seat is recorded as gala revenue. If the gala falls outside of the year ended September 30, 2019, the contributions will be restricted for time and the revenue will be deferred until the gala takes place.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by one year; thus, the effective date is for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Foundation has not yet decided on a transition method. This ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities beginning after December 15, 2020. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of September 30, 2018 as unrestricted net assets in the amount of \$3,144,355 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of \$2,150,925 and \$2,900,000, respectively, are now classified as "net assets with donor restrictions".

2. **INVESTMENTS**

Investments consisted of the following at September 30, 2019:

	<u>Fair Value</u>
Stocks, options and exchange traded funds	\$ 3,876,300
Mutual funds	<u>1,291,262</u>
TOTAL INVESTMENTS, NET	<u>\$ 5,167,562</u>

Included in investment income are the following:

Interest and dividends	\$ 123,067
Unrealized gain	179,685
Realized gain	30,850
Less investment fees	<u>(33,937)</u>
TOTAL INVESTMENT INCOME	<u>\$ 299,665</u>

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

3. PLEDGES RECEIVABLE

All pledges receivable are considered to be collectible within one year, unless otherwise stated by the donor. Pledges that will not be collected within one year have been discounted using an interest rate of 3.25% at September 30, 2019.

Following is a summary, by years, of pledges receivable, net of an allowance for doubtful accounts, as of September 30, 2019:

<u>Year Ending September 30,</u>	<u>Discounted Balance</u>	<u>Allowance</u>	<u>Net</u>
2019	\$ 435,500	\$ 11,256	\$ 424,244
2020	34,266	905	33,361
2021	<u>33,691</u>	<u>905</u>	<u>32,786</u>
	<u>\$ 503,457</u>	<u>\$ 13,066</u>	<u>\$ 490,391</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2019:

Subject to expenditure for specified purpose:	
Digitization Grant	\$ 354,000
Women's Exhibition	81,270
Capital Campaign	115,000
Women's Research	66,995
Ronald Reagan Library "Situation Room" Programs	536,954
Special Events	<u>262,500</u>
Subtotal	1,416,719
Subject to passage of time	370,803
Endowment to be invested in perpetuity:	
Ronald Reagan Library	<u>2,750,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,537,522</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Digitization Grant	\$ 544,000
Women's Exhibition	252,093
Capital Campaign	25,000
Vietnam	100
Special Events	130,000
Advertising	11,949
Sports Exhibit	49,864
Ronald Reagan Library "Situation Room" Programs	531,845
Timing restrictions accomplished	<u>310,500</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,855,351</u>

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

5. MANAGEMENT AND TRANSFER OF NET ASSETS

The Foundation manages an endowment that generates income from investments to support the Ronald Reagan Presidential Library's "Situation Room" programs. Some of the management duties include paying expenses related to the programs, as well as receiving contributions and program fee income associated with the operation and growth of the program

The Foundation received permission by the funder of the their endowment to transfer \$150,000 from the endowment to net assets with donor restrictions - purpose. The funds will now be used to help develop the Ronald Reagan Presidential Library's "Situation Room". Accordingly, \$150,000 was transferred to net assets with donor restrictions - purpose.

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 1,494,863
Investments	5,167,562
Accounts receivable	21,417
Current portion of pledges receivable	424,244
Subtotal financial assets available within one year	7,108,086
Less: Donor restricted funds	<u>(4,537,522)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 2,570,564**

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. As of September 30, 2019, the Foundation has financial assets equal to approximately four months of operating expenses.

7. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized contributed goods and services revenue of \$500,588 in 2019. To properly reflect expenses, the contributions have also been reflected in the appropriate natural expense category in the Statement of Functional Expenses.

Contributed goods and services consisted of the following at September 30, 2019:

Occupancy	\$ 357,990
Legal	85,833
Advertising	<u>56,765</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	<u>\$ 500,588</u>

8. PENSION PLAN

The Foundation offers a 401(k) plan for all eligible employees. All full-time employees are eligible to participate in the Plan after six months of employment at the Foundation. The Foundation matches all contributions up to five percent. For the year ended September 30, 2019, the Foundation contributed \$62,394 to the Plan.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
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9. ADVERTISING

The Foundation does significant advertising to promote the National Archives. The advertisements are done in visitor's guides and in Metro stations, as well as over the radio. In 2019, the Foundation spent \$382,070 on advertisements. All costs associated with advertising are expensed in the year they are incurred.

Included in the above mentioned amount, the Foundation received donated services related to advertising valued at \$56,765. This amount is reflected in advertising expense in the Statement of Functional Expenses.

10. ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditures or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, the Foundation has not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classification. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Foundation and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the Foundation.

Endowment net asset composition by type of fund as of September 30, 2019:

	<u>With Donor Restrictions</u>
Donor-Restricted Endowment Funds	\$ <u>3,025,511</u>

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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11. ENDOWMENT

Changes in endowment net assets for the year ended September 30, 2019:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 3,549,704
Investment return:	
Investment income	120,152
Transfer	(150,000)
Appropriation of endowment assets for expenditure	<u>(494,345)</u>
 ENDOWMENT NET ASSETS, END OF YEAR	 <u>\$ 3,025,511</u>

Description of amounts classified as net assets with donor restrictions (Endowment only):

Net Assets with Donor Restrictions:

Original donor-restricted endowment gift amounts and amounts required to be retained by donor	\$ 2,750,000
With purpose restrictions	<u>275,511</u>

TOTAL ENDOWMENT FUNDS CLASSIFIED AS NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 3,025,511</u>
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Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriations for certain programs that was deemed prudent by the Board of Directors. There were no funds with deficiencies at September 30, 2019.

Return Objectives and Risk Parameters -

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Bard-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NATIONAL ARCHIVES FOUNDATION
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9. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives (continued) -

The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

12. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2019.

- *Stocks, options and exchange traded funds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

NATIONAL ARCHIVES FOUNDATION
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12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of September 30, 2019:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks, options and exchange traded funds	\$ 3,876,300	\$ -	\$ -	\$ 3,876,300
Mutual funds	<u>1,291,262</u>	<u>-</u>	<u>-</u>	<u>1,291,262</u>
TOTAL	<u>\$ 5,167,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,167,562</u>

There were no transfers between levels in the fair value hierarchy during the year ended September 30, 2019.

13. CONTINGENCY

During the year ended September 30, 2018, the Foundation identified an issue with respect to the collection of sales tax at the retail shop located within the National Archives Museum that the Foundation operates.

The Foundation is committed to resolving this issue, has consulted with its auditors and has retained tax counsel to assist in working with the District of Columbia government. As of September 30, 2019, there has been no determination of any liability.

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 17, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The global financial markets have declined, and the fair value of the investment portfolio of the Foundation has experienced a decrease of approximately 8% as of the date of the audit report. Other potential financial or operational impacts from COVID-19 are unknown at this time.