

FINANCIAL STATEMENTS



**NATIONAL ARCHIVES
FOUNDATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

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, 2020, 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, 2020, 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

March 9, 2021

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,072,218	\$ 1,494,863
Investments	6,377,262	5,167,562
Accounts receivable	-	21,417
Current portion of pledges receivable, net	72,750	424,244
Inventory	979,198	848,772
Prepaid expenses	<u>41,699</u>	<u>116,668</u>
Total current assets	<u>8,543,127</u>	<u>8,073,526</u>
FIXED ASSETS		
Equipment	241,829	200,571
Less: Accumulated depreciation	<u>(198,683)</u>	<u>(193,459)</u>
Net fixed assets	<u>43,146</u>	<u>7,112</u>
NON-CURRENT ASSETS		
Long-term pledges receivable, net	<u>62,972</u>	<u>66,147</u>
TOTAL ASSETS	<u>\$ 8,649,245</u>	<u>\$ 8,146,785</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 543,729	\$ -
Loan payable	457,255	-
Accounts payable	238,406	180,600
Accrued salaries and benefits	108,731	58,669
Deferred revenue	<u>69,122</u>	<u>123,841</u>
Total liabilities	<u>1,417,243</u>	<u>363,110</u>
NET ASSETS		
Without donor restrictions	2,209,497	3,246,153
With donor restrictions	<u>5,022,505</u>	<u>4,537,522</u>
Total net assets	<u>7,232,002</u>	<u>7,783,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,649,245</u>	<u>\$ 8,146,785</u>

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support:				
Contributions and grants	\$ 904,744	\$ 1,612,838	\$ 2,517,582	\$ 3,501,762
Contributed goods and services	996,947	-	996,947	500,588
Membership dues	320,404	-	320,404	309,667
Net assets released from donor restrictions	<u>1,431,695</u>	<u>(1,431,695)</u>	<u>-</u>	<u>-</u>
Total support	<u>3,653,790</u>	<u>181,143</u>	<u>3,834,933</u>	<u>4,312,017</u>
Revenue:				
Archives shop revenue, net of cost of goods sold and shrinkage of \$715,874 for 2020	621,249	-	621,249	1,849,879
Investment (loss) income, net	(18,572)	219,370	200,798	299,665
Exhibition revenue	159,020	-	159,020	191,870
Royalties and miscellaneous	<u>610</u>	<u>-</u>	<u>610</u>	<u>11,891</u>
Total revenue	<u>762,307</u>	<u>219,370</u>	<u>981,677</u>	<u>2,353,305</u>
Total support and revenue	<u>4,416,097</u>	<u>400,513</u>	<u>4,816,610</u>	<u>6,665,322</u>
EXPENSES				
Program Services:				
(1) Museum Activities	695,615	-	695,615	941,501
(2) Theater Programs	66,994	-	66,994	73,567
(3) Education	491,392	-	491,392	626,856
(4) Auxiliary Programs	-	-	-	32,000
(5) Exhibitions	187,288	-	187,288	1,071,437
(6) Archives Shop	1,319,823	-	1,319,823	1,213,715
(7) Ronald Reagan Library	<u>319,390</u>	<u>-</u>	<u>319,390</u>	<u>531,845</u>
Total program services	<u>3,080,502</u>	<u>-</u>	<u>3,080,502</u>	<u>4,490,921</u>
Supporting Services:				
(9) General and Administrative	977,217	-	977,217	1,254,030
(10) Fundraising	<u>1,310,564</u>	<u>-</u>	<u>1,310,564</u>	<u>1,331,976</u>
Total supporting services	<u>2,287,781</u>	<u>-</u>	<u>2,287,781</u>	<u>2,586,006</u>
Total expenses	<u>5,368,283</u>	<u>-</u>	<u>5,368,283</u>	<u>7,076,927</u>
Change in net assets before other item	(952,186)	400,513	(551,673)	(411,605)
OTHER ITEM				
Transfer of net assets	<u>(84,470)</u>	<u>84,470</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,036,656)	484,983	(551,673)	(411,605)
Net assets at beginning of year	<u>3,246,153</u>	<u>4,537,522</u>	<u>7,783,675</u>	<u>8,195,280</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,209,497</u>	<u>\$ 5,022,505</u>	<u>\$ 7,232,002</u>	<u>\$ 7,783,675</u>

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>				
	<u>(1) Museum Activities</u>	<u>(2) Theater Programs</u>	<u>(3) Education</u>	<u>(5) Exhibitions</u>	<u>(6) Archives Shop</u>
Salaries and benefits	\$ 261,727	\$ 23,942	\$ 62,116	\$ 100,484	\$ 664,024
Printing	14,794	-	613	84	3,758
Professional fees	256,000	25,783	81,186	44,959	361,778
Occupancy	37,283	3,023	8,845	14,314	94,591
Insurance	-	-	-	-	-
Travel and entertainment	841	6,813	3,953	1,462	4,151
Postage and delivery	229	-	-	164	67,769
Supplies	8,716	380	8,876	400	32,632
Dues and subscriptions	34	-	-	-	-
Shop operating expenses	-	-	-	-	1,825
Depreciation	1,991	-	-	-	3,108
Advertising and promotion	103,153	7,053	28,530	25,421	40,769
Events and meetings	-	-	-	-	-
Miscellaneous	5,425	-	7,241	-	2,806
Interest expense	-	-	-	-	37
Equipment	-	-	-	-	2,584
Awards	-	-	283,905	-	-
Contracts	-	-	-	-	-
Accounting/Audit	5,045	-	-	-	39,096
Telephone	-	-	-	-	895
Legal	-	-	-	-	-
Meetings and conventions	377	-	3,627	-	-
Bank fees	-	-	-	-	-
Data processing	-	-	-	-	-
Grants	-	-	2,500	-	-
Membership dues	-	-	-	-	-
Cost of goods sold	-	-	-	-	715,874
Sub-total	695,615	66,994	491,392	187,288	2,035,697
Less: Cost of goods sold	-	-	-	-	(715,874)
TOTAL	<u>\$ 695,615</u>	<u>\$ 66,994</u>	<u>\$ 491,392</u>	<u>\$ 187,288</u>	<u>\$ 1,319,823</u>

							2019
Supporting Services							
(7) Ronald Reagan Library	(8) Total Program Services (Sum of (1) to (7))	(9) General and Administrative	(10) Fundraising	(11) Total Supporting Services (9)+(10)	(12) Total Expenses (8)+(11)	Total Expenses	
\$ -	\$ 1,112,293	\$ 493,877	\$ 936,649	\$ 1,430,526	\$ 2,542,819	\$ 2,580,067	
-	19,249	4,616	63,944	68,560	87,809	55,203	
265,112	1,034,818	55,043	123,386	178,429	1,213,247	2,025,545	
-	158,056	71,315	133,818	205,133	363,189	357,990	
-	-	23,253	-	23,253	23,253	16,488	
9,123	26,343	6,097	17,964	24,061	50,404	57,622	
-	68,162	1,925	3,190	5,115	73,277	90,734	
2,508	53,512	14,059	3,662	17,721	71,233	102,738	
-	34	325	1,052	1,377	1,411	4,415	
-	1,825	-	-	-	1,825	2,215	
-	5,099	125	-	125	5,224	8,120	
-	204,926	869	-	869	205,795	382,070	
5,500	20,972	9,544	9,874	19,418	40,390	643,864	
-	37	-	-	-	37	242	
-	2,584	228	12	240	2,824	48	
-	283,905	-	-	-	283,905	-	
-	-	-	-	-	-	466,100	
22,939	67,080	67,908	13,190	81,098	148,178	145,012	
14,208	15,103	828	-	828	15,931	448	
-	-	225,587	-	225,587	225,587	85,833	
-	4,004	1,618	2,132	3,750	7,754	20,173	
-	-	-	817	817	817	-	
-	-	-	-	-	-	32,000	
-	2,500	-	-	-	2,500	-	
-	-	-	874	874	874	-	
-	715,874	-	-	-	715,874	-	
319,390	3,796,376	977,217	1,310,564	2,287,781	6,084,157	7,076,927	
-	(715,874)	-	-	-	(715,874)	-	
\$ 319,390	\$ 3,080,502	\$ 977,217	\$ 1,310,564	\$ 2,287,781	\$ 5,368,283	\$ 7,076,927	

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (551,673)	\$ (411,605)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	5,224	8,120
Other change in accumulated depreciation	-	(1,834)
Realized gain from sale of investments	(86,327)	(30,850)
Unrealized gain on investments	(10,618)	(179,685)
Receipts of contributed securities	(57,228)	(254,787)
Proceeds from the sale of contributed securities	57,228	254,787
Change in discount on long term receivables	(10,831)	33,036
Decrease (increase) in:		
Accounts receivable	21,417	(17,417)
Pledges receivable	365,500	211,205
Inventory	(130,426)	116,844
Prepaid expenses	74,969	28,523
Increase (decrease) in:		
Accounts payable	57,806	(19,274)
Accrued salaries and benefits	50,062	2,444
Deferred revenue	(54,719)	27,266
Net cash used by operating activities	<u>(269,616)</u>	<u>(233,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(41,258)	-
Purchases of investments	(1,112,755)	(1,843,667)
Proceeds from sale of investments	<u>-</u>	<u>725,799</u>
Net cash used by investing activities	<u>(1,154,013)</u>	<u>(1,117,868)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	543,729	-
Proceeds from note payable	<u>457,255</u>	<u>-</u>
Net cash provided by financing activities	<u>1,000,984</u>	<u>-</u>
Net decrease in cash and cash equivalents	(422,645)	(1,351,095)
Cash and cash equivalents at beginning of year	<u>1,494,863</u>	<u>2,845,958</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,072,218</u>	<u>\$ 1,494,863</u>

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are 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.
- **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.
- **Transfer of Net Assets** - During the 2020 fiscal year, management did a review of the balance of the Ronald Reagan Library Situation Room. As a result of the review it was determined that a reclassification entry was required to correct the balances of the the fund. Accordingly, a transfer of \$84,470 was made from net assets without donor restrictions, to net assets with donor restrictions.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Basis of presentation (continued) -

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, 2019, from which the summarized information was derived.

New accounting pronouncement adopted -

The Foundation adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The Foundation adopted the ASU using a modified prospective basis.

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 (loss) 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.

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.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Pledges receivable (continued) -

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, 2020, the balance in the allowance for doubtful accounts was \$4,200.

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. The Foundation is not a private foundation.

Uncertain tax position -

For the year ended September 30, 2020, 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*.

Revenue recognition -

The majority of the Foundation's revenue is received through contributions and grants. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have 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.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Revenue recognition (continued) -

Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grant awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional.

Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, the Foundation recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). The Foundation did not have any grants or contracts that were classified as conditional.

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, 2020, 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, 2020, the contributions will be restricted for time and the revenue will be deferred until the gala takes place.

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.

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.

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.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Foundation's operations. The overall potential impact is unknown at this time.

New accounting pronouncements not yet adopted -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Foundation plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

2. INVESTMENTS

Investments consisted of the following at September 30, 2020:

	Fair Value
Stocks, options and exchange traded funds	\$ 4,270,968
Mutual funds	2,106,294
TOTAL INVESTMENTS, NET	<u>\$ 6,377,262</u>

Included in investment income are the following:

Interest and dividends	\$ 145,190
Unrealized gain	10,618
Realized gain	86,327
Less investment fees	(41,337)
TOTAL INVESTMENT INCOME	<u>\$ 200,798</u>

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, 2020.

Following is a summary, by years, of pledges receivable, net of an allowance for doubtful accounts, as of September 30, 2020:

<u>Year Ending September 30,</u>	<u>Discounted Balance</u>	<u>Allowance</u>	<u>Net</u>
2020	\$ 75,000	\$ 2,250	\$ 72,750
2021	64,922	1,950	62,972
	<u>\$ 139,922</u>	<u>\$ 4,200</u>	<u>\$ 135,722</u>

4. LOAN PAYABLE

On May 5, 2020, the Foundation received loan proceeds in the amount of \$457,255 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. The Foundation intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

The Foundation intends to apply for forgiveness after completing the 24 week period. If forgiveness is granted, the Foundation will record revenue from debt extinguishment during the period that forgiveness was approved. Subsequent to year-end, the loan was forgiven.

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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4. LOAN PAYABLE (Continued)

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending September 30,

2021		\$ 209,575
2022		228,627
2023		<u>19,053</u>
		<u>\$ 457,255</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2020:

Subject to expenditure for specified purpose:		
Capital Campaign		\$ 1,093,893
Ronald Reagan Library - Endowment earnings		442,953
Exhibition - Sports		300,000
Women's Research		226,354
Ronald Reagan Library "Situation Room" Programs		114,450
Education		50,500
Women's Exhibition		19,355
Rights and Justice Fund		<u>5,000</u>
Subtotal		2,252,505
Subject to passage of time		20,000
Endowment to be invested in perpetuity:		
Ronald Reagan Library		<u>2,750,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS		<u>\$ 5,022,505</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:		
Passage of time		\$ 380,801
Digitization Grant		354,000
Ronald Reagan Library "Situation Room" Programs		298,822
Special Events		227,500
Women's Exhibition		61,915
Capital Campaign		48,047
Hearst Grant		35,000
Ronald Reagan Library - Appropriations For Expenditures		20,070
DC Microgrant		<u>5,540</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS		<u>\$ 1,431,695</u>

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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6. LINE OF CREDIT

The Foundation has a line of credit with Wells Fargo. The total value of the line is based on the balance of their investment account with Wells Fargo. As of September 30, 2020, the outstanding balance on the line of credit was \$543,729. The line is secured by cash and investments held in accounts at the same financial institution.

7. 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	\$ 1,072,218
Investments	6,377,262
Current portion of pledges receivable	<u>72,750</u>
Subtotal financial assets available within one year	7,522,230
Less: Donor restricted funds, net net assets restricted for time	<u>(5,002,505)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 2,519,725</u>

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. As of September 30, 2020, the Foundation has financial assets equal to approximately six months of operating expenses.

8. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized contributed goods and services revenue of \$996,947 in 2020. 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, 2020:

Occupancy	\$ 363,190
Legal	225,587
Advertising	83,362
Other goods and services	<u>324,808</u>
 TOTAL CONTRIBUTED GOODS AND SERVICES	 <u>\$ 996,947</u>

The following areas benefited from the contributed goods and services:

Archives Shop	\$ 409,374
General and Administrative	296,902
Fundraising	134,550
Theater Programs	51,628
Museum	37,283
Education	36,975
Exhibitions	<u>30,235</u>
 TOTAL CONTRIBUTED GOODS AND SERVICES	 <u>\$ 996,947</u>

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

9. 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, 2020, the Foundation contributed \$57,255 to the Plan.

10. 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 2020, the Foundation spent \$205,795 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 \$83,362. This amount is reflected in advertising expense in the Statement of Functional Expenses.

11. 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.

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

11. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of September 30, 2020:

	<u>With Donor Restrictions</u>
Donor-Restricted Endowment Funds	\$ 2,750,000
Accumulated Earnings	<u>442,953</u>
TOTAL FUNDS	<u>\$ 3,192,953</u>

Changes in endowment net assets for the year ended September 30, 2020:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 3,025,511
Investment return:	
Investment income	187,512
Appropriation of endowment assets for expenditure	<u>(20,070)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 3,192,953</u>

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, 2020.

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 Board-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). 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.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

11. ENDOWMENT (Continued)

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

The Foundation has an endowment spending policy in place based on actual annual earnings from the endowment. Annually, the board will review and determine any amount from gross earnings to be used as part of its annual budget.

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, 2020.

- *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.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Stocks, options and exchange traded funds	\$ 4,270,968	\$ -	\$ -	\$ 4,270,968
Mutual funds	<u>2,106,294</u>	<u>-</u>	<u>-</u>	<u>2,106,294</u>
TOTAL	<u>\$ 6,377,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,377,262</u>

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

12. FAIR VALUE MEASUREMENT (Continued)

There were no transfers between levels in the fair value hierarchy during the year ended September 30, 2020.

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, 2020, 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 9, 2021, the date the financial statements were issued.

On December 9, 2020, the Small Business Association notified the Foundation that their loan in the amount of \$457,255 was forgiven.