

FINANCIAL STATEMENTS



**NATIONAL ARCHIVES
FOUNDATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

NATIONAL ARCHIVES FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



March 14, 2023

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,877,202	\$ 885,932
Investments	7,663,004	10,110,452
Accounts receivable	9,075	273,526
Current portion of pledges receivable, net	485,000	164,900
Inventory	668,308	619,894
Prepaid expenses	<u>85,039</u>	<u>39,211</u>
Total current assets	<u>12,787,628</u>	<u>12,093,915</u>
FIXED ASSETS		
Equipment	253,179	241,829
Less: Accumulated depreciation	<u>(229,969)</u>	<u>(214,325)</u>
Net fixed assets	<u>23,210</u>	<u>27,504</u>
NON-CURRENT ASSETS		
Long-term pledges receivable, net	<u>2,089,888</u>	<u>2,423,002</u>
TOTAL ASSETS	<u>\$ 14,900,726</u>	<u>\$ 14,544,421</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 682,928	\$ 661,564
Loan payable	-	82,914
Accounts payable	730,449	253,082
Accrued salaries and benefits	42,867	106,932
Deferred revenue	<u>377,536</u>	<u>32,832</u>
Total current liabilities	<u>1,833,780</u>	<u>1,137,324</u>
NONCURRENT LIABILITIES		
Loan payable, net of current portion	<u>-</u>	<u>377,721</u>
Total liabilities	<u>1,833,780</u>	<u>1,515,045</u>
NET ASSETS		
Without donor restrictions	4,676,822	4,652,385
With donor restrictions	<u>8,390,124</u>	<u>8,376,991</u>
Total net assets	<u>13,066,946</u>	<u>13,029,376</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,900,726</u>	<u>\$ 14,544,421</u>

See accompanying notes to financial statements.

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support:				
Contributions and grants	\$ 1,756,560	\$ 3,484,489	\$ 5,241,049	\$ 6,635,482
Contributed goods and services	691,889	-	691,889	663,325
Membership dues	316,419	-	316,419	359,311
Net assets released from donor restrictions	<u>2,697,584</u>	<u>(2,697,584)</u>	<u>-</u>	<u>-</u>
Total support	<u>5,462,452</u>	<u>786,905</u>	<u>6,249,357</u>	<u>7,658,118</u>
Revenue:				
Archives shop revenue, net of cost of goods sold and shrinkage of \$1,421,630 for 2022	2,175,550	-	2,175,550	560,858
Investment (loss) income, net	(707,025)	(773,772)	(1,480,797)	1,177,427
Exhibition revenue	217,575	-	217,575	17,525
Royalties and miscellaneous	<u>8,462</u>	<u>-</u>	<u>8,462</u>	<u>118,430</u>
Total revenue	<u>1,694,562</u>	<u>(773,772)</u>	<u>920,790</u>	<u>1,874,240</u>
Total support and revenue	<u>7,157,014</u>	<u>13,133</u>	<u>7,170,147</u>	<u>9,532,358</u>
EXPENSES				
Program Services:				
Museum Activities	3,303,108	-	3,303,108	974,745
Theater Programs	4,755	-	4,755	75
Education	169,311	-	169,311	231,594
Exhibitions	228,858	-	228,858	61,470
Archives Shop	1,238,020	-	1,238,020	813,638
Ronald Reagan Library	<u>262,588</u>	<u>-</u>	<u>262,588</u>	<u>148,330</u>
Total program services	<u>5,206,640</u>	<u>-</u>	<u>5,206,640</u>	<u>2,229,852</u>
Supporting Services:				
General and Administrative	1,409,991	-	1,409,991	1,178,708
Fundraising	<u>976,581</u>	<u>-</u>	<u>976,581</u>	<u>783,679</u>
Total supporting services	<u>2,386,572</u>	<u>-</u>	<u>2,386,572</u>	<u>1,962,387</u>
Total expenses	<u>7,593,212</u>	<u>-</u>	<u>7,593,212</u>	<u>4,192,239</u>
Change in net assets before other item	(436,198)	13,133	(423,065)	5,340,119
OTHER ITEM				
Extinguishment of loan payable	<u>460,635</u>	<u>-</u>	<u>460,635</u>	<u>457,255</u>
Change in net assets	24,437	13,133	37,570	5,797,374
Net assets at beginning of year	<u>4,652,385</u>	<u>8,376,991</u>	<u>13,029,376</u>	<u>7,232,002</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,676,822</u>	<u>\$ 8,390,124</u>	<u>\$ 13,066,946</u>	<u>\$ 13,029,376</u>

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022						
	Program Services						
	Museum Activities	Theater Programs	Education	Exhibitions	Archives Shop	Ronald Reagan Library	Total Program Services
Salaries and benefits	\$ 362,754	\$ 1,797	\$ 29,343	\$ 14,294	\$ 703,707	\$ -	\$ 1,111,895
Printing	25,665	-	3,150	986	10,708	-	40,509
Professional fees	82,206	-	44,230	76,184	53,762	-	256,382
Occupancy	23,733	-	14,609	2,082	112,546	25,699	178,669
Insurance	-	-	-	-	-	-	-
Travel and entertainment	2,992	2,958	5,654	2,767	895	-	15,266
Postage and delivery	73	-	-	-	111,355	-	111,428
Supplies	12,448	-	-	2,788	46,704	-	61,940
Dues and subscriptions	-	-	-	-	-	-	-
Shop operating expenses	-	-	-	-	-	-	-
Depreciation	-	-	-	-	15,644	-	15,644
Advertising and promotion	135,320	-	-	114,757	73,312	-	323,389
Miscellaneous	2,502	-	1,575	-	7,057	213,161	224,295
Interest expense	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Awards	-	-	70,500	-	-	-	70,500
Contracts	2,647,005	-	-	15,000	-	-	2,662,005
Accounting/Audit	7,883	-	-	-	99,266	23,728	130,877
Telephone	-	-	-	-	1,273	-	1,273
Legal	-	-	-	-	-	-	-
Meetings and conventions	527	-	250	-	1,791	-	2,568
Membership dues	-	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	1,421,630	-	1,421,630
Sub-total	3,303,108	4,755	169,311	228,858	2,659,650	262,588	6,628,270
Less: Cost of goods sold	-	-	-	-	(1,421,630)	-	(1,421,630)
TOTAL	<u>\$ 3,303,108</u>	<u>\$ 4,755</u>	<u>\$ 169,311</u>	<u>\$ 228,858</u>	<u>\$ 1,238,020</u>	<u>\$ 262,588</u>	<u>\$ 5,206,640</u>

See accompanying notes to financial statements.

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022 (Continued)			2021	
	Supporting Services				
	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and benefits	\$ 831,434	\$ 475,040	\$ 1,306,474	\$ 2,418,369	\$ 1,831,559
Printing	10,981	60,600	71,581	112,090	101,176
Professional fees	18,572	309,630	328,202	584,584	911,793
Occupancy	134,613	77,903	212,516	391,185	379,790
Insurance	41,168	-	41,168	41,168	32,060
Travel and entertainment	10,045	19,146	29,191	44,457	676
Postage and delivery	755	16,390	17,145	128,573	128,458
Supplies	16,140	2,861	19,001	80,941	53,058
Dues and subscriptions	1,103	1,000	2,103	2,103	1,714
Shop operating expenses	-	-	-	-	1,446
Depreciation	-	-	-	15,644	15,642
Advertising and promotion	-	-	-	323,389	234,676
Miscellaneous	12,465	-	12,465	236,760	16,927
Interest expense	21,364	-	21,364	21,364	17,835
Equipment	312	-	312	312	7,690
Awards	-	-	-	70,500	111,917
Contracts	-	-	-	2,662,005	17,100
Accounting/Audit	82,974	12,901	95,875	226,752	161,760
Telephone	-	-	-	1,273	-
Legal	187,773	-	187,773	187,773	166,267
Meetings and conventions	40,292	415	40,707	43,275	-
Membership dues	-	695	695	695	695
Cost of goods sold	-	-	-	1,421,630	626,679
Sub-total	1,409,991	976,581	2,386,572	9,014,842	4,818,918
Less: Cost of goods sold	-	-	-	(1,421,630)	(626,679)
TOTAL	\$ 1,409,991	\$ 976,581	\$ 2,386,572	\$ 7,593,212	\$ 4,192,239

See accompanying notes to financial statements.

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 37,570	\$ 5,797,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,644	15,642
Extinguishment of note payable	(460,635)	(457,255)
Realized gain from sale of investments	(52,233)	(181,168)
Unrealized loss (gain) on investments	1,692,439	(474,121)
Receipts of contributed securities	-	(185,601)
Proceeds from the sale of contributed securities	-	185,601
Change in discount on long term receivables	(75,602)	88,651
Decrease (increase) in:		
Accounts receivable	264,451	(273,526)
Pledges receivable	88,616	(2,540,831)
Inventory	(48,414)	359,304
Prepaid expenses	(45,828)	2,488
Increase (decrease) in:		
Accounts payable	477,367	14,676
Accrued salaries and benefits	(64,065)	(1,799)
Deferred revenue	<u>344,704</u>	<u>(36,290)</u>
Net cash provided by operating activities	<u>2,174,014</u>	<u>2,313,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(11,350)	-
Purchases of investments	(2,152,200)	(8,090,865)
Proceeds from sale of investments	<u>2,959,442</u>	<u>5,286,987</u>
Net cash provided (used) by investing activities	<u>795,892</u>	<u>(2,803,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	21,364	117,835
Proceeds from loan payable	<u>-</u>	<u>460,635</u>
Net cash provided by financing activities	<u>21,364</u>	<u>578,470</u>
Net increase in cash and cash equivalents	2,991,270	87,737
Cash and cash equivalents at beginning of year	<u>885,932</u>	<u>798,195</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,877,202</u>	<u>\$ 885,932</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 21,364</u>	<u>\$ 17,835</u>

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

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.

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 the Foundation's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

New accounting pronouncement adopted -

During the year ended September 30, 2022, the Foundation adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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.

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 September 30, 2022, the balance in the allowance for doubtful accounts was \$82,318.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

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

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, 2022, 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 -

Contributions and grants -

The Foundation receives contributions, including unconditional promises to give, from many sources as well as grants from organizations and other entities. 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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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 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.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Revenue (continued) -

Contributions and grants (continued) -

Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. For contributions and grants treated as contributions, the Foundation did not have grants that were considered conditional as of September 30, 2022.

Gala contribution or gala revenue -

The Foundation receives payments for their annual gala. A portion of the payment is tax deductible and the balance is for seats and other goods at the gala. If the gala takes place during the current fiscal year 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 fiscal year, the cost of the seat is recorded as deferred revenue until the gala occurs.

Membership revenue -

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

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.

Contracts and program revenue -

Contracts and program revenue classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, are recorded as revenue at a point in time when the performance obligations are met. The Foundation has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Archives shop revenue is recognized when the related sale has occurred. Exhibition revenue is recognized as revenue when the related event has occurred.

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.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

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

Functional allocation of expenses (continued) -

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 -

ASU 2019-01, *Leases* (Topic 842), 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 ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at September 30, 2022:

	<u>Fair Value</u>
Stocks, options and exchange traded funds	\$ 5,014,881
Mutual funds	<u>2,648,123</u>
TOTAL INVESTMENTS	<u>\$ 7,663,004</u>

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

2. INVESTMENTS (Continued)

Included in investment loss are the following:

Interest and dividends	\$ 222,610
Unrealized loss	(1,692,439)
Realized gain	52,233
Investment fees	<u>(63,201)</u>
TOTAL INVESTMENT LOSS	<u>\$ (1,480,797)</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 4.02% at September 30, 2022.

Following is a summary, by years, of pledges receivable, net of an allowance for doubtful accounts, as of September 30, 2022:

<u>Year Ending September 30,</u>	<u>Discounted Balance</u>	<u>Allowance</u>	<u>Net</u>
2022	\$ 500,000	\$ 15,000	\$ 485,000
2023	<u>2,157,206</u>	<u>67,318</u>	<u>2,089,888</u>
	<u>\$ 2,657,206</u>	<u>\$ 82,318</u>	<u>\$ 2,574,888</u>

4. 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, 2022, the outstanding balance on the line of credit was \$682,928. The line is secured by cash and investments held in accounts at the same financial institution.

5. LOAN PAYABLE

On February 23, 2021, the Foundation received loan proceeds in the amount of \$460,635 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 until the amount of forgiveness is determined.

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.

On January 21, 2022, the Foundation received partial forgiveness in the amount of \$334,912. On September 27, 2022 the Foundation requested reconsideration and were granted full forgiveness of the entire loan. The Foundation recorded revenue from debt extinguishment as an "Other Item" on the Statement of Activities and Change in Net Assets for the full amount of the loan.

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2022:

Subject to expenditure for specified purpose:	
Capital Campaign	\$ 2,645,740
Education	550,000
Women's Research	273,479
Rights and Justice Fund	30,276
Rightfully Hers	28,729
Race in U.S. Law Policy	480,719
Ronald Reagan Library - Endowment earnings	<u>381,181</u>
Subtotal	4,390,124
Subject to passage of time	1,250,000
Endowment to be invested in perpetuity:	
Ronald Reagan Library	<u>2,750,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 8,390,124</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:	
Ronald Reagan Library	\$ 76,798
Education	95,450
Women's Research	30,000
Exhibition Sports	296,700
Women's Exhibition	19,355
Race in U.S. Law Policy	794,281
Passage of time	<u>1,385,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,697,584</u>

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	\$ 3,877,202
Investments	7,663,004
Accounts receivable	9,075
Current portion of pledges receivable	485,000
Long-term pledges receivable	<u>2,089,888</u>
Subtotal financial assets available within one year	14,124,169
Less: Donor restricted funds	(7,140,124)
Less: Restricted for time	<u>(1,250,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,734,045</u>

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

7. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. The Foundation has a line of credit agreement (as discussed in Note 4).

8. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized contributed goods and services revenue of \$691,889 in 2022. To properly reflect expenses, the contributions have also been reflected in the appropriate natural expense category in the Statement of Functional Expenses. There were no restrictions on these contributed goods and services. Contributed goods and services consisted of the following at September 30, 2022:

Occupancy	\$ 134,613
Legal	187,773
Advertising	112,931
Other goods and services	<u>256,572</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	<u>\$ 691,889</u>

The following areas benefited from the contributed goods and services:

Archives Shop	\$ 112,546
General and Administrative	322,386
Fundraising	77,903
Capital Campaign	25,699
Museum	136,664
Education	14,609
Exhibitions	<u>2,082</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	<u>\$ 691,889</u>

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, 2022, the Foundation contributed \$38,251 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 2022, the Foundation spent \$323,389 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 \$112,931. This amount is reflected in advertising expense in the Statement of Functional Expenses.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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.

Endowment net asset composition by type of fund as of September 30, 2022:

	With Donor Restrictions
Donor-Restricted Endowment Funds	\$ 2,750,000
Accumulated Earnings	381,181
TOTAL FUNDS	\$ 3,131,181

Changes in endowment net assets for the year ended September 30, 2022:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 3,728,571
Investment return:	
Investment loss, net of fees	(597,390)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 3,131,181

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 appropriates for certain programs that was deemed prudent by the Board of Directors. There were no funds with deficiencies at September 30, 2022.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

11. ENDOWMENT (Continued)

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.

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.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

12. FAIR VALUE MEASUREMENT (Continued)

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, 2022.

- *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, 2022:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks, options and exchange traded funds	\$ 5,014,881	\$ -	\$ -	\$ 5,014,881
Mutual funds	<u>2,648,123</u>	<u>-</u>	<u>-</u>	<u>2,648,123</u>
TOTAL	<u>\$ 7,663,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,663,004</u>

There were no transfers between levels in the fair value hierarchy during the year ended September 30, 2022.

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, 2022, 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 14, 2023, the date the financial statements were issued.