

FINANCIAL STATEMENTS



**NATIONAL ARCHIVES
FOUNDATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

NATIONAL ARCHIVES FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of National Archives Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and changes 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, 2023, and the changes 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.

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.

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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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



March 12, 2024

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,351,307	\$ 3,877,202
Investments	8,278,980	7,663,004
Accounts receivable	48,652	9,075
Pledges receivable	1,821,861	485,000
Prepaid expenses	84,648	85,039
Inventory	<u>927,269</u>	<u>668,308</u>
Total current assets	<u>17,512,717</u>	<u>12,787,628</u>
FIXED ASSETS		
Equipment	252,375	253,179
Less: Accumulated depreciation	<u>(91,967)</u>	<u>(229,969)</u>
Net fixed assets	<u>160,408</u>	<u>23,210</u>
NON-CURRENT ASSETS		
Pledges receivable, net of current portion	<u>465,377</u>	<u>2,089,888</u>
TOTAL ASSETS	<u>\$ 18,138,502</u>	<u>\$ 14,900,726</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 611,352	\$ 730,449
Accrued salaries and benefits	13,018	42,867
Refundable advances	130,000	364,570
Deferred revenue	78,395	12,966
Line of credit	<u>727,240</u>	<u>682,928</u>
Total liabilities	<u>1,560,005</u>	<u>1,833,780</u>
NET ASSETS		
Without donor restrictions	5,916,239	4,676,822
With donor restrictions	<u>10,662,258</u>	<u>8,390,124</u>
Total net assets	<u>16,578,497</u>	<u>13,066,946</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,138,502</u>	<u>\$ 14,900,726</u>

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support:				
Contributions and grants	\$ 1,699,204	\$ 5,145,345	\$ 6,844,549	\$ 5,241,049
Contributed nonfinancial assets	612,334	-	612,334	691,889
Membership dues	330,734	-	330,734	316,419
Net assets released from donor restrictions	<u>3,213,151</u>	<u>(3,213,151)</u>	<u>-</u>	<u>-</u>
Total support	<u>5,855,423</u>	<u>1,932,194</u>	<u>7,787,617</u>	<u>6,249,357</u>
Revenue:				
Archives shop revenue, net	2,586,716	-	2,586,716	2,175,550
Program service fees	270,734	-	270,734	217,575
Other income	<u>6,123</u>	<u>-</u>	<u>6,123</u>	<u>8,462</u>
Total revenue	<u>2,863,573</u>	<u>-</u>	<u>2,863,573</u>	<u>2,401,587</u>
Total support and revenue	<u>8,718,996</u>	<u>1,932,194</u>	<u>10,651,190</u>	<u>8,650,944</u>
EXPENSES				
Program Services:				
Museum Activities	2,550,820	-	2,550,820	3,303,108
Archives Shop	1,534,003	-	1,534,003	1,238,020
Ronald Reagan Library	433,542	-	433,542	262,588
Exhibitions	331,159	-	331,159	228,858
Education	300,743	-	300,743	169,311
Theater Programs	<u>18,744</u>	<u>-</u>	<u>18,744</u>	<u>4,755</u>
Total program services	<u>5,169,011</u>	<u>-</u>	<u>5,169,011</u>	<u>5,206,640</u>
Supporting Services:				
General and Administrative	1,579,052	-	1,579,052	1,409,991
Fundraising	<u>1,225,678</u>	<u>-</u>	<u>1,225,678</u>	<u>976,581</u>
Total supporting services	<u>2,804,730</u>	<u>-</u>	<u>2,804,730</u>	<u>2,386,572</u>
Total expenses	<u>7,973,741</u>	<u>-</u>	<u>7,973,741</u>	<u>7,593,212</u>
Changes in net assets before other items	745,255	1,932,194	2,677,449	1,057,732
OTHER ITEMS				
Net investment return	494,162	339,940	834,102	(1,480,797)
Gain on forgiveness of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,635</u>
Changes in net assets	1,239,417	2,272,134	3,511,551	37,570
Net assets at beginning of year	<u>4,676,822</u>	<u>8,390,124</u>	<u>13,066,946</u>	<u>13,029,376</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,916,239</u>	<u>\$ 10,662,258</u>	<u>\$ 16,578,497</u>	<u>\$ 13,066,946</u>

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023						
	Program Services						Total Program Services
	Museum Activities	Archives Shop	Ronald Reagan Library	Exhibitions	Education	Theater Programs	
Salaries and benefits	\$ 369,889	\$ 847,758	\$ -	\$ 2,132	\$ 106,970	\$ 1,974	\$ 1,328,723
Contracts	1,761,765	-	-	24,077	50,378	-	1,836,220
Professional fees	278,217	61,598	405,338	113,787	76,136	15,320	950,396
Cost of goods sold	-	1,731,887	-	-	-	-	1,731,887
Occupancy	20,146	120,876	28,204	4,029	16,117	-	189,372
Advertising and promotion	46,956	84,965	-	184,303	581	-	316,805
Printing	46,873	14,603	-	588	-	-	62,064
Accounting/Audit	-	115,134	-	-	-	-	115,134
Postage and delivery	8	131,654	-	-	-	-	131,662
Supplies	17,392	68,087	-	606	281	-	86,366
Legal	-	-	-	-	-	-	-
Depreciation	-	62,219	-	-	-	-	62,219
Travel and entertainment	3,253	2,305	-	1,637	11,282	1,450	19,927
Interest expense	-	-	-	-	-	-	-
Miscellaneous	6,321	6,571	-	-	-	-	12,892
Awards	-	-	-	-	37,200	-	37,200
Meetings and conventions	-	1,431	-	-	1,798	-	3,229
Insurance	-	-	-	-	-	-	-
Shop operating expenses	-	12,845	-	-	-	-	12,845
Equipment	-	1,962	-	-	-	-	1,962
Telephone	-	1,995	-	-	-	-	1,995
Dues and subscriptions	-	-	-	-	-	-	-
Sub-total	2,550,820	3,265,890	433,542	331,159	300,743	18,744	6,900,898
Less: Cost of goods sold	-	(1,731,887)	-	-	-	-	(1,731,887)
TOTAL	\$ 2,550,820	\$ 1,534,003	\$ 433,542	\$ 331,159	\$ 300,743	\$ 18,744	\$ 5,169,011

See accompanying notes to financial statements.

NATIONAL ARCHIVES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023 (Continued)				2022
	Supporting Services				
	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and benefits	\$ 986,966	\$ 568,852	\$ 1,555,818	\$ 2,884,541	\$ 2,418,369
Contracts	-	-	-	1,836,220	2,662,005
Professional fees	172,484	384,086	556,570	1,506,966	797,745
Cost of goods sold	-	-	-	1,731,887	1,421,630
Occupancy	136,993	80,584	217,577	406,949	391,185
Advertising and promotion	-	-	-	316,805	323,389
Printing	9,504	107,676	117,180	179,244	112,090
Accounting/Audit	53,518	12,319	65,837	180,971	226,752
Postage and delivery	740	17,481	18,221	149,883	128,573
Supplies	16,544	14,551	31,095	117,461	80,941
Legal	84,633	-	84,633	84,633	187,773
Depreciation	-	-	-	62,219	15,644
Travel and entertainment	11,047	29,408	40,455	60,382	44,457
Interest expense	40,344	-	40,344	40,344	21,364
Miscellaneous	16,338	7,986	24,324	37,216	23,599
Awards	-	-	-	37,200	70,500
Meetings and conventions	24,675	2,735	27,410	30,639	43,275
Insurance	21,244	-	21,244	21,244	41,168
Shop operating expenses	-	-	-	12,845	-
Equipment	3,698	-	3,698	5,660	312
Telephone	199	-	199	2,194	1,273
Dues and subscriptions	125	-	125	125	2,798
Sub-total	1,579,052	1,225,678	2,804,730	9,705,628	9,014,842
Less: Cost of goods sold	-	-	-	(1,731,887)	(1,421,630)
TOTAL	\$ 1,579,052	\$ 1,225,678	\$ 2,804,730	\$ 7,973,741	\$ 7,593,212

See accompanying notes to financial statements.

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,511,551	\$ 37,570
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(587,419)	1,640,206
Change in allowance for doubtful pledges receivable	(11,154)	2,218
Change in discount on pledges receivable	(72,989)	84,722
Depreciation of fixed assets	62,219	15,644
Loss on write off of obsolete inventory	50,430	25,827
Gain on forgiveness of debt	-	(460,635)
(Increase) decrease in:		
Accounts receivable	(39,577)	264,451
Pledges receivable	371,793	(73,926)
Prepaid expenses	391	(45,828)
Inventory	(309,391)	(74,241)
(Decrease) increase in:		
Accounts payable	(119,097)	477,367
Accrued salaries and benefits	(29,849)	(64,065)
Refundable advances	(234,570)	339,570
Deferred revenue	<u>65,429</u>	<u>5,134</u>
Net cash provided by operating activities	<u>2,657,767</u>	<u>2,174,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	5,334,663	2,959,442
Purchases of investments	(5,363,220)	(2,152,200)
Purchase of fixed assets	<u>(199,417)</u>	<u>(11,350)</u>
Net cash (used) provided by investing activities	<u>(227,974)</u>	<u>795,892</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	<u>44,312</u>	<u>21,364</u>
Net cash provided by financing activities	<u>44,312</u>	<u>21,364</u>
Net increase in cash and cash equivalents	2,474,105	2,991,270
Cash and cash equivalents at beginning of year	<u>3,877,202</u>	<u>885,932</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,351,307</u>	<u>\$ 3,877,202</u>
SUPPLEMENTAL INFORMATION:		
Donated Securities	<u>\$ 820,427</u>	<u>\$ 636,496</u>
Interest Paid	<u>\$ 40,344</u>	<u>\$ 21,364</u>

See accompanying notes to financial statements.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

National Archives Foundation (the Foundation) was originally formed in 1992 as a nonprofit corporation in accordance with the laws of Washington, D.C. The Foundation supports the Archivist of the United States in developing programs, technology, projects, and materials that will introduce and interpret the Archives' holdings 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.

Within the National Archives Building in Washington, D.C., as well as its many regional archives, records centers, and Presidential libraries and museums, and in outreach to the American public through traveling exhibitions and national media, the Foundation's goal is to assist in presenting the historical records that:

- Reveal the ideals and values of the nation's Founders,
- Point to the meaning of the records and accomplishments of previous generations, and
- Establish the significance of these records as proof that individual citizenship not only matters, but is vital to our lives.

It is the vision of the National Archives Foundation that this creative effort, enhanced with 21st Century methods, will produce a greater understanding of the American journey – where our nation has been and how it can be best guided in the future. In this public/private partnership, the role of the Foundation is to generate financial and creative support from individuals and corporations to provide this extensive outreach, which has not been mandated by Congress.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with U.S. GAAP. 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 set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. However, there are no Board Designated net assets.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from donor restrictions. 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.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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 the Foundation's financial statements for the year ended September 30, 2022, 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 on investments are included in net investment return, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Changes in Net Assets.

Donated stock is recorded at fair value at the date of the gift. The Foundation's policy is to liquidate donated stock to cash as soon as possible after the gift.

Accounts receivable -

Accounts receivable entirely consists of program service fees due in relation to services performed under contracts with customers. Accounts receivable are recorded at their net realizable value, which approximates fair value. Management has determined that accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts has been established.

Pledges receivable -

Pledges receivable which are expected to be collected within one year are recorded at net realizable value, which approximates fair value. Pledges receivable that are expected to be collected in future years are recorded at net present value of future cash flows, which approximates fair value. The discount on long-term pledges receivable is computed using risk-adjusted interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contributions and grants on the Statement of Activities and Changes in Net Assets.

The allowance for doubtful accounts is determined by management based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. Therefore, the allowance for doubtful accounts totaled \$71,164 as of September 30, 2023.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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.

Inventory -

Inventory consists of merchandise held for sale in the Archives Shop. Inventory is stated at the lower of cost or net realizable value using the first in, first out (FIFO) method of valuation. Management performs a physical count of inventory annually and writes off obsolete inventory throughout the year as needed. Therefore, management has not established an allowance for obsolete inventory as of September 30, 2023. The loss on write off of obsolete inventory totaled \$50,430 for the year ended September 30, 2023.

Support -

The Foundation's support includes contributions and grants, which are recognized in the appropriate category of net assets in the period received. The Foundation's membership dues are nonreciprocal and are therefore considered to be contributions. The Foundation also receives support in relation to the annual gala, which is included in contributions and grants. The portion of the annual gala payments related to the fair value of the direct benefit to donors is considered an exchange transaction which has been estimated based on the number of attendees and totaled \$48,750 for the year ended September 30, 2023. The costs of direct benefit to donors has been reported in the fundraising functional area in the accompanying Statement of Functional Expenses. When payments are received in advance of the event, the contribution portion is recorded in refundable advances and the exchange transaction portion is recorded in deferred revenue.

The Foundation performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support 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, including grants qualifying as contributions, that are unconditional but 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions with donor restrictions that are released in the same period they are received are immediately classified as net assets without donor restrictions.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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

Support (continued) -

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. The Foundation's refundable advances related to payments received in advance for the October 2023 annual gala and totaled \$130,000 as of September 30, 2023.

In addition, the Foundation may obtain funding source agreements related to conditional contributions which will be received in future years. However, the Foundation had no unrecognized conditional contributions to be received in future years as of September 30, 2023.

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of donated office space, advertising and legal services. None of the contributed nonfinancial assets were restricted by donors. In accordance with GAAP, donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Revenue -

The Foundation has certain revenue streams that are treated as exchange transactions following ASC Topic 606. Revenue from contracts with customers is recorded 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 or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. Most of the Foundation's contracts with customers have initial terms of one year or less.

Archives shop revenue is recognized when the merchandise has been sold to customers and is presented net of cost of goods sold totaling \$1,731,887 for the year ended September 30, 2023.

Program service fees consist of space rental for private events or fees for special programming such as the Night at the Museum sleepover. Revenue is recognized when the related events occur.

Advertising expense -

Advertising consists of radio air time and printed advertisements which are included in visitor's guides and Metro stations. Advertising is expensed as incurred and totaled \$316,805 for the year ended September 30, 2023. The Foundation also receives donated advertising (see Note 7) which is included in advertising expense.

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, 2023

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

Functional allocation of expenses -

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

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.

New accounting pronouncement not yet adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the year ending September 30, 2024. The ASU can be applied at the beginning of the period of adoption using a modified retrospective approach.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with U.S. GAAP, 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.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2023.

- *Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds and Exchange Traded Funds (ETFs)* - Valued at the daily closing price as reported by the fund. Mutual funds and ETFs held by the Foundation are open-end funds that are registered with the SEC and deemed to be actively traded. These funds are required to publish their daily value and to transact at that price. Mutual funds and ETFs include funds with various investment strategies, such as equities, fixed income, and blended funds.

A portion of the Foundation's investments are held in relation to the donor-restricted endowment fund, which are described in Note 9. Investments held in relation to endowment funds totaled \$2,973,481 as of September 30, 2023.

The table below summarizes investments, which are measured at fair value on a recurring basis using Level 1 inputs, as of September 30, 2023:

	<u>Fair Value</u>
Common stocks	\$ 31,836
Mutual funds	3,916,365
Exchange traded funds	<u>4,330,779</u>
TOTAL INVESTMENTS	<u>\$ 8,278,980</u>

Net investment return included the following for the year ended September 30, 2023:

Realized and unrealized gain on investments	\$ 587,419
Interest and dividends	273,964
Investment fees	<u>(27,281)</u>
NET INVESTMENT RETURN	<u>\$ 834,102</u>

3. PLEDGES RECEIVABLE

The Foundation has received unconditional promises to give from donors which are reported as pledges receivable. Long-term pledges receivable have been recorded at the present value of the estimated future cash flows using a discount rate of 4.02%.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

3. PLEDGES RECEIVABLE (Continued)

Following is a schedule of expected amounts due as of September 30, 2023:

Less than one year	\$ 1,878,207
One to five years	<u>493,926</u>
Subtotal	2,372,133
Less: Allowance for doubtful pledges receivable	(71,164)
Less: Discount to net present value	<u>(13,731)</u>
PLEDGES RECEIVABLE, NET	<u>\$ 2,287,238</u>

4. LINE OF CREDIT

The Foundation has a line of credit agreement with its investment manager, which has no expiration date. The line of credit allows the Foundation to borrow against eligible securities in its investment portfolio for general liquidity purposes with a maximum limit of \$1,027,559, which is based on assets under management. Interest is calculated based on the Secured Overnight Financing Rate (SOFR) plus a percentage rate that is also based on assets under management. The interest rate was 6.750% as of September 30, 2023. As a result of draw downs from prior years, the outstanding balance on the line of credit was \$727,240 as of September 30, 2023.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of September 30, 2023:

Purpose restricted:	
Capital Campaign	\$ 5,859,671
Ronald Reagan Library - Endowment fund	2,973,481
Education	671,143
Race in U.S. Law Policy	439,266
Women's Research	268,109
Exhibition	264,795
Rights and Justice Fund	30,593
Rightfully Hers	<u>30,200</u>
Subtotal purpose restricted	10,537,258
Time restricted	<u>125,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 10,662,258</u>

Net assets released from donor restrictions consisted of the following for the year ended September 30, 2023:

Purpose restricted:	
Capital Campaign	\$ 679,897
Race in U.S. Law Policy	541,453
Ronald Reagan Library - Endowment fund	385,146
Exhibitions	235,205
Education	98,450
Women's Research	<u>23,000</u>
Subtotal purpose restricted	1,963,151
Time restricted	<u>1,250,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,213,151</u>

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. LIQUIDITY AND AVAILABILITY

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. Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of September 30, 2023:

Cash and cash equivalents	\$ 6,351,307
Investments	8,278,980
Accounts receivable	48,652
Pledges receivable, net	<u>2,287,238</u>
Subtotal financial assets available within one year	16,966,177
Less: Net assets with donor restrictions - purpose only	<u>(10,537,258)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 6,428,919</u>
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7. CONTRIBUTED NONFINANCIAL ASSETS

The Foundation recognized contributed nonfinancial assets totaling \$612,334 during the year ended September 30, 2023. To properly reflect expenses, these donated amounts have also been reflected in the appropriate natural expense category in the Statement of Functional Expenses. Contributed nonfinancial assets consisted of the following for the year ended September 30, 2023:

Occupancy	\$ 406,949
Advertising	120,752
Legal	<u>84,633</u>
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	<u>\$ 612,334</u>

The following functional areas benefited from the contributed nonfinancial assets during the year ended September 30, 2023:

General and Administrative	\$ 221,627
Archives Shop	204,886
Fundraising	100,730
Museum Activities	60,906
Education	16,288
Exhibitions	<u>7,897</u>
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	<u>\$ 612,334</u>

8. RETIREMENT PLAN

The Foundation sponsors a defined contribution 401(k) plan (the Plan). All full-time employees are eligible to participate in the Plan after six months of employment. The Foundation matches participants' contributions up to five percent of participant compensation. The Foundation contributed \$71,924 to the Plan during the year ended September 30, 2023.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

9. ENDOWMENT FUND

The Foundation's endowment consists of one donor-restricted endowment fund for the Ronald Reagan Library's Situation Room Experience (SRE). As required by GAAP, net assets associated with endowment funds 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 consisted entirely of net assets with donor restrictions with the following components as of September 30, 2023:

	<u>Amount Held for Use</u>	<u>Amount Held in Perpetuity</u>	<u>Total</u>
Ronald Reagan Library - SRE	\$ <u>223,481</u>	\$ <u>2,750,000</u>	\$ <u>2,973,481</u>

Changes in the net assets related to the endowment fund consisted of the following as of and for the year ended September 30, 2023:

	<u>Amount Held for Use</u>	<u>Amount Held in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 381,181	\$ 2,750,000	\$ 3,131,181
Net investment return	247,403	-	247,403
Appropriations	<u>(405,103)</u>	<u>-</u>	<u>(405,103)</u>
END OF YEAR	\$ <u>223,481</u>	\$ <u>2,750,000</u>	\$ <u>2,973,481</u>

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

9. ENDOWMENT FUND (Continued)

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, 2023.

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.

10. 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 and has retained tax counsel to assist in working with the District of Columbia government. As of September 30, 2023, there has been no determination of any liability.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 12, 2024, the date the financial statements were issued.

During February 2024, as previously approved by the Board of Directors, the Foundation paid \$4.5 million to National Archives and Records Administration to cover costs associated with the renovation of the National Archives Museum.