

**The National Security
Archive Fund, Inc.**

Financial Statements

As of and for the years then ended

December 31, 2010 and 2009 and Report Thereon



The National Security Archive Fund, Inc.
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December 31, 2010 and 2009

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Report of Independent Auditors

To the Audit Committee of the
National Security Archive Fund, Inc.

In our opinion, the accompanying statements of financial position and the related statements of activities, functional expenses and cash flows present fairly, in all material respects, the financial position of the National Security Archive Fund, Inc. (the NSAF) at December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the NSAF's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers up

November 22, 2011

The National Security Archive Fund, Inc.
Statements of Financial Position
As of December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 3,766,139	\$ 2,386,323
Foundation grants receivable, short term - unrestricted	-	770,000
Foundation grants receivable, short term - restricted	951,000	1,827,730
Royalties due from co-publishers	197,839	148,052
Other receivables	181	1,669
Pre-paid expenses	45,376	44,063
Total current assets	<u>4,960,535</u>	<u>5,177,837</u>
Non-current assets		
Foundation grants receivable, long term - restricted	140,476	197,680
Property, plant and equipment, net	187,656	19,185
Total assets	<u>\$ 5,288,667</u>	<u>\$ 5,394,702</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,614	\$ 15,085
Accrued expenses	135,000	127,040
Total liabilities	<u>137,614</u>	<u>142,125</u>
Net assets		
Unrestricted	2,199,508	2,473,257
Temporarily restricted	2,951,545	2,779,320
Total net assets	<u>5,151,053</u>	<u>5,252,577</u>
Total liabilities and net assets	<u>\$ 5,288,667</u>	<u>\$ 5,394,702</u>

The accompanying notes are an integral part of these financial statements.

The National Security Archive Fund, Inc.
Statement of Activities
For the year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support			
Gifts from individuals	\$ 4,617	\$ 500	\$ 5,117
Grants from foundations			
Paid in current year	77,262	1,406,762	1,484,024
Payable in future years	-	884,272	884,272
Royalties, honoraria, and sale of materials	530,804	-	530,804
Interest income	295	-	295
Net assets released from restriction	2,119,309	(2,119,309)	-
Total revenue, gains, and other support	<u>2,732,287</u>	<u>172,225</u>	<u>2,904,512</u>
Expenses			
Program expenses	2,682,166	-	2,682,166
Supporting services			
Management and general	265,580	-	265,580
Fund raising	58,290	-	58,290
Total supporting services	<u>323,870</u>	<u>-</u>	<u>323,870</u>
Total expenses	<u>3,006,036</u>	<u>-</u>	<u>3,006,036</u>
Change in net assets	(273,749)	172,225	(101,524)
Net assets, beginning of year	<u>2,473,257</u>	<u>2,779,320</u>	<u>5,252,577</u>
Net assets, end of year	<u>\$ 2,199,508</u>	<u>\$ 2,951,545</u>	<u>\$ 5,151,053</u>

The accompanying notes are an integral part of these financial statements.

The National Security Archive Fund, Inc.
Statement of Activities
For the year ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support			
Gifts from individuals	\$ 11,275	\$ -	\$ 11,275
Grants from foundations			
Paid in current year	20,300	1,048,344	1,068,644
Payable in future years	670,000	1,589,246	2,259,246
Royalties, honoraria, and sale of materials	553,706	250	553,956
Interest income	260	-	260
Net assets released from restriction	2,417,469	(2,417,469)	-
Total revenue, gains, and other support	<u>3,673,010</u>	<u>220,371</u>	<u>3,893,381</u>
Expenses			
Program expenses	2,813,214	-	2,813,214
Supporting services			
Management and general	278,481	-	278,481
Fund raising	53,904	-	53,904
Total supporting services	<u>332,385</u>	<u>-</u>	<u>332,385</u>
Total expenses	<u>3,145,599</u>	<u>-</u>	<u>3,145,599</u>
Change in net assets	527,411	220,371	747,782
Net assets, beginning of year	<u>1,945,846</u>	<u>2,558,949</u>	<u>4,504,795</u>
Net assets, end of year	<u>\$ 2,473,257</u>	<u>\$ 2,779,320</u>	<u>\$ 5,252,577</u>

The accompanying notes are an integral part of these financial statements.

The National Security Archive Fund, Inc.
Statement of Functional Expenses
For the year ended December 31, 2010

	Program	Management and General	Fund Raising	Total
Staff Salaries	\$ 1,617,885	\$ 146,700	\$ 40,600	\$ 1,805,185
Staff Benefits and General Insurance	557,356	47,847	11,674	616,877
Professional Fees, Consultants, and Honoraria	145,821	35,000	-	180,821
Travel, Meetings, and Conferences	175,110	1,506	1,703	178,319
Books, Subscriptions, Directories, and Dues	8,387	-	125	8,512
Printing and Publications	1,456	-	-	1,456
Rent, Document Storage, and Parking	103,117	2,640	-	105,757
Telephone Equipment and Services	25,226	-	-	25,226
Postage and Postage Meter Expense	275	145	-	420
Computer Equipment, Supplies, and Services	22,004	6,577	-	28,581
Office Equipment, Supplies, and Services	6,404	25,165	4,188	35,757
Depreciation and Amortization	19,125	-	-	19,125
	<u>\$ 2,682,166</u>	<u>\$ 265,580</u>	<u>\$ 58,290</u>	<u>\$ 3,006,036</u>

The accompanying notes are an integral part of these financial statements.

The National Security Archive Fund, Inc.
Statement of Functional Expenses
For the year ended December 31, 2009

	Program	Management and General	Fund Raising	Total
Staff Salaries	\$ 1,777,565	\$ 141,700	\$ 36,600	\$ 1,955,865
Staff Benefits and General Insurance	574,880	46,148	10,654	631,682
Professional Fees, Consultants, and Honoraria	121,790	51,500	-	173,290
Special Projects (Film and Video)	10,000	-	-	10,000
Travel, Meetings, and Conferences	101,558	1,971	2,743	106,272
Books, Subscriptions, Directories, and Dues	10,104	-	-	10,104
Printing and Publications	3,847	-	-	3,847
Rent, Document Storage, and Parking	131,022	2,520	-	133,542
Telephone Equipment and Services	25,118	-	-	25,118
Postage and Postage Meter Expense	519	105	-	624
Computer Equipment, Supplies, and Services	36,627	6,419	-	43,046
Office Equipment, Supplies, and Services	9,193	28,118	3,907	41,218
Depreciation and Amortization	10,991	-	-	10,991
	<u>\$ 2,813,214</u>	<u>\$ 278,481</u>	<u>\$ 53,904</u>	<u>\$ 3,145,599</u>

The accompanying notes are an integral part of these financial statements.

The National Security Archive Fund, Inc.
Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ (101,524)	\$ 747,782
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities		
Depreciation and amortization	19,125	10,991
Decrease (increase) in foundation grants receivable	1,703,934	(972,746)
Increase in royalties receivable	(49,787)	(33,422)
Decrease in other receivables	1,488	5,646
(Increase) decrease in prepaid expenses	(1,313)	5,206
(Decrease)increase in accounts payable and accrued expenses	(4,511)	66,766
Net cash and cash equivalents provided by (used in) operating activities	<u>1,567,412</u>	<u>(169,777)</u>
Cash flows from investing activities		
Payments for capital expenditures	(187,596)	-
Net cash and cash equivalents used in investing activities	<u>(187,596)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	1,379,816	(169,777)
Cash and cash equivalents, beginning of year	<u>2,386,323</u>	<u>2,556,100</u>
Cash and cash equivalents, end of year	<u>\$ 3,766,139</u>	<u>\$ 2,386,323</u>

The accompanying notes are an integral part of these financial statements.

The National Security Archive Fund, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

1. Organization and Nature of Activities

The National Security Archive Fund, Inc. (the NSAF) is a District of Columbia non-profit corporation. As of December 31, 2010 and 2009 respectively, the NSAF was the corporate base for two projects, the National Security Archive (the Archive) and the Center for National Security Studies (the CNSS).

The Archive (founded in 1985) collects, analyzes, and publishes unclassified and declassified documents bearing upon U.S. foreign policy and related topics in international affairs. Its collections are used by the students and faculty of colleges and universities in the U.S. and abroad, and by journalists, researchers, and non-governmental organizations throughout the world. It also undertakes research projects and conferences to facilitate the study and open discussion of world events and trends.

The CNSS (founded in 1973) conducts programs addressing the relationship between civil liberties and measures undertaken to protect national security. It is located in the Washington, DC office of the Open Society Institute.

Since 1995 the Archive has been located in the Gelman Library at The George Washington University (GWU) in Washington, DC. Although the NSAF and GWU are separate legal entities, the Archive provides many materials and services to GWU students and faculty (including direct access to Archive document collections; research-assistant positions and internships for GWU students; assistance in use of the Freedom of Information Act in scholarly research; and participation in frequent collaborative activities including seminars, conferences, and research projects) and receives access to various GWU facilities (Note 4) (including office space and telephone services; information-technology equipment and support; university library, on-campus parking, and athletic facilities; participation in the services of the Washington Research Library Consortium; and advice and assistance from GWU faculty in the formulation and undertaking of Archive research projects). The services and opportunities GWU and the Archive provide each other are significant and mutually beneficial, including many intangible elements. The fair value of the services provided and received is reflected in the NSAF's financial statements where appropriate.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the NSAF have been prepared on the accrual basis, which conforms to accounting principles generally accepted in the United States of America.

Basis of Presentation

NSAF follows Accounting Standards Codification Topic 958, *Not-for-Profit Entities* ("FASB ASC 958"). FASB ASC 958 specifies that financial statements provided by not-for-profit organizations include statements of financial position, statements of activities, and statements of cash flows. FASB ASC 958 further provides that net assets be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. However, the NSAF does not currently hold permanently restricted net assets.

The National Security Archive Fund, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

The NSAF's net assets have been grouped into the following two classes:

Unrestricted net assets - Unrestricted net assets represent resources that are not restricted, either temporarily or permanently, by donor-imposed stipulations. They are available for support of all organizational operations and services.

Temporarily Restricted net assets - Temporarily restricted net assets represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations. These restrictions are temporary in that they expire either by the passage of time or by the fulfillment of certain actions of the NSAF pursuant to those stipulations. When the time period restriction is met, or the specific purpose is attained, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Management Estimates and Uncertainties

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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid bank accounts and overnight repurchase agreements with original maturities at date of purchase of three months or less. At December 31, 2010 and 2009, the NSAF's cash and cash equivalents were held by one bank; the balance on deposit at times may exceed the amount insured by federal agencies. The NSAF does not believe that, as a result of this concentration, it is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships.

Grants Receivable

NSAF accounts for grants and contributions under FASB ASC 958. FASB ASC 958 requires NSAF to record a receivable to reflect the promises of donors to make future grants. Under Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("FASB ASC 820"), grants receivable are initially recorded at fair value and are discounted to their net present value using a market rate.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or at fair market value at the date of donation. Computer and office equipment are depreciated using the straight-line method over their estimated useful lives of five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated lives of the assets or the remaining life of the lease.

Revenue Recognition

The National Security Archive Fund, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

Foundation grants to the NSAF, whether restricted or unrestricted, are recorded as revenue when committed by the grantors. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected based on a market rate of return.

Royalties due to the NSAF from publishers are recorded as revenue in the periods in which they are earned from sale of publications.

Income Taxes

The NSAF is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable state income tax regulations, except for taxes on unrelated business income. Because the NSAF had no unrelated business income for the years ended December 31, 2010 and 2009, no provision for income taxes has been made in the accompanying financial statements.

In June 2006, the FASB amended Accounting Standards Codification Topic 740, *Income Taxes* (FASB ASC 740), to address accounting for, and disclosure of, uncertain tax positions. FASB ASC 740 prescribes a model for how an entity should recognize, measure, present and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. FASB ASC 740 will require an entity to recognize the benefit of tax positions when it is "more likely than not" that the provision will be sustainable based on the merits of the position taken by an entity. The adoption of this amendment did not have a material impact on the financial statements of NSAF.

Guarantees and Indemnifications

The NSAF may enter into service agreements with service providers in which it agrees to indemnify the service provider against certain losses and liabilities arising from the service provider's performance under the agreement. Generally, such indemnification obligations do not apply in situations in which the service provider is grossly negligent, engages in willful misconduct, or acts in bad faith. The NSAF was not aware of any liability under such service agreements for the years ended December 31, 2010 and 2009.

Audit Fees

In 2007, the NSAF adopted the practice of accruing estimated audit fees as liabilities in the years to be audited.

3. Defined Contribution Retirement Plan

In April 2002 the NSAF established a defined-contribution retirement plan for its employees under Section 403(b) of the Internal Revenue Code. All non-temporary employees may make contributions to accounts under the plan on a pre-tax basis, subject to the maximums provided by law. In cases in which employees who are at least 21 years of age and who have been employed by the NSAF for at least two years without a break in service contribute five percent or more of their salaries, the NSAF makes contributions to their retirement accounts established under the plan equal

The National Security Archive Fund, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

to ten percent of their salaries. The NSAF's contributions to employees' accounts under the plan totaled \$131,808 and \$140,864 for the years ended December 31, 2010 and 2009 respectively.

4. Commitments

Under the terms of a license agreement, the NSAF pays GWU \$50,000 a year for office space and certain related facilities and services. The agreement, which commenced in January 1995, runs in automatically renewable five-year periods and is cancelable upon nine months notice by either party.

The NSAF leases computer and office equipment from commercial suppliers under non-cancelable leases; future gross minimum rental payments to be made under these leases as of December 31, 2010 were as follows:

2011	\$	8,884
2012		6,972
2013		5,229
		<u>21,085</u>
	\$	<u>21,085</u>

Rent expense under lease agreements for the years ended December 31, 2010 and 2009 totaled \$10,795 in each year.

5. Foundation Grants Receivable

As of December 31, 2010 and 2009, the NSAF held the following multi-year grant commitments:

	2010	2009
Amounts due in		
Less than one year	\$ 951,000	\$ 2,597,730
One to five years	150,000	216,000
Subtotal	<u>1,101,000</u>	<u>2,813,730</u>
Less discount	<u>(9,524)</u>	<u>(18,320)</u>
Total grants receivable	<u>\$ 1,091,476</u>	<u>\$ 2,795,410</u>

At both December 31, 2010 and 2009, the NSAF had outstanding conditional promises to give of approximately \$250,000. These conditional promises are not recognized as assets and, if received, will be restricted for the purpose stipulated by the grantor, specifically the Center for National Security Studies.

The National Security Archive Fund, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

6. Property, Plant, and Equipment

As of December 31, 2010 and 2009, property, plant, and equipment consisted of the following:

	2010	2009
Leasehold improvements	\$ 179,452	\$ 15,331
Computer and office equipment	155,089	131,613
	<u>334,541</u>	<u>146,944</u>
Accumulated depreciation and amortization	<u>(146,885)</u>	<u>(127,759)</u>
	<u>\$ 187,656</u>	<u>\$ 19,185</u>

Depreciation and amortization expense was \$19,125 and \$10,991 for the years ended December 31, 2010 and 2009, respectively.

7. Composition of Temporarily Restricted Net Assets

As of December 31, 2010 and 2009 the NSAF held temporarily restricted net assets for the following purposes:

	2010	2009
Latin America Programs	\$ 302,675	\$ 481,121
Russia/Eurasia/Former Soviet Union Programs	360,051	163,000
Arms Control Programs	260,000	453,585
Freedom of Information Law Programs	320,580	501,800
U.S.-Iran Relations Program	23,706	51,496
Broadly-based Human Rights Programs	748,871	-
Smith Bagley Research Center	142,500	-
Center for National Security Studies	793,162	1,128,318
	<u>\$ 2,951,545</u>	<u>\$ 2,779,320</u>

The National Security Archive Fund, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

Temporarily restricted net assets were released from restriction for the following purposes during the years ended December 31, 2010 and 2009:

	2010	2009
Latin America Programs	\$ 545,947	\$ 763,603
Russia/Eurasia/Former Soviet Union Programs	402,949	331,881
Arms Control Programs	260,000	290,000
Iraq War Programs	-	21,767
Freedom of Information Law Programs	331,220	372,587
U.S.-Iran Relations Program	77,789	97,414
Broadly-based Human Rights Programs	143,986	-
U.S.-Japan-Korea Relations Program	-	12,000
Smith Bagley Research Center	7,500	-
Center for National Security Studies	349,918	528,217
	<u>\$ 2,119,309</u>	<u>\$ 2,417,469</u>

8. Subsequent Event

NSAF has performed an evaluation of subsequent events through November 22, 2011, which is the date the financial statements were available to be issued, noting no events which affect the financial statements as of November 22, 2011.