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THE NATIONAL SECURITY ARCHIVE FUND, INC.

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DECEMBER 31, 2018 AND 2017

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MATTHEWS, CARTER & BOYCE  
CPAs • ADVISORS

*Matthews, Carter and Boyce*

THE NATIONAL SECURITY ARCHIVE FUND, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,137,402	\$ 1,893,452
Foundation grants receivable, short term - without donor restrictions	-	100,000
Foundation grants receivable, short term - with donor restrictions	1,116,000	934,000
Royalties due from co-publishers	122,128	151,970
Other receivables	2,159	6,944
Prepaid expenses	59,916	54,097
	<u>\$ 3,437,605</u>	<u>\$ 3,140,463</u>
<b>NON-CURRENT ASSETS</b>		
Foundation grants receivable, long term - with donor restrictions, net	\$ 600,000	\$ 416,000
Property, plant, and equipment, net	12,798	5,283
	<u>\$ 612,798</u>	<u>\$ 421,283</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,050,403</u></u>	<u><u>\$ 3,561,746</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,101	\$ 2,251
Accrued expenses	15,400	15,150
	<u>\$ 17,501</u>	<u>\$ 17,401</u>
<b>NET ASSETS</b>		
Without donor restrictions	\$ 1,981,953	\$ 1,634,727
With donor restrictions	2,050,949	1,909,618
	<u>\$ 4,032,902</u>	<u>\$ 3,544,345</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,050,403</u></u>	<u><u>\$ 3,561,746</u></u>

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

THE NATIONAL SECURITY ARCHIVE FUND, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

(With comparative totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<b>REVENUE AND OTHER SUPPORT</b>				
Gifts from individuals	\$ 5,165	\$ 15,000	\$ 20,165	\$ 18,090
Grants from foundations:				
Received in the current year	870,500	526,860	1,397,360	1,404,000
Receivable in future years, net of discount	-	1,300,000	1,300,000	1,143,100
Royalties, honoraria, and sale of materials	521,972	-	521,972	551,570
Net assets released from restriction	1,700,529	(1,700,529)	-	-
	<u>\$ 3,098,166</u>	<u>\$ 141,331</u>	<u>\$ 3,239,497</u>	<u>\$ 3,116,760</u>
<b>EXPENSES</b>				
Program expenses	<u>\$ 2,404,527</u>	<u>\$ -</u>	<u>\$ 2,404,527</u>	<u>\$ 2,452,451</u>
Supporting services:				
Management and general	\$ 285,278	\$ -	\$ 285,278	\$ 280,668
Fund raising	61,135	-	61,135	60,728
	<u>\$ 346,413</u>	<u>\$ -</u>	<u>\$ 346,413</u>	<u>\$ 341,396</u>
	<u>\$ 2,750,940</u>	<u>\$ -</u>	<u>\$ 2,750,940</u>	<u>\$ 2,793,847</u>
<b>CHANGE IN NET ASSETS</b>	\$ 347,226	\$ 141,331	\$ 488,557	\$ 322,913
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,634,727</u>	<u>1,909,618</u>	<u>3,544,345</u>	<u>3,221,432</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,981,953</u>	<u>\$ 2,050,949</u>	<u>\$ 4,032,902</u>	<u>\$ 3,544,345</u>

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

**THE NATIONAL SECURITY ARCHIVE FUND, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	2017 Total
<b>REVENUE AND OTHER SUPPORT</b>			
Gifts from individuals	\$ 13,090	\$ 5,000	\$ 18,090
Grants from foundations:			
Received in the current year	750,000	654,000	1,404,000
Receivable in future years, net of discount	100,000	1,043,100	1,143,100
Royalties, honoraria, and sale of materials	551,570	-	551,570
Net assets released from restriction	2,186,201	(2,186,201)	-
Total Revenue and Other Support	\$ 3,600,861	\$ (484,101)	\$ 3,116,760
<b>EXPENSES</b>			
Program expenses	\$ 2,452,451	\$ -	\$ 2,452,451
Supporting services:			
Management and general	\$ 280,668	\$ -	\$ 280,668
Fund raising	60,728	-	60,728
Total Supporting Services	\$ 341,396	\$ -	\$ 341,396
Total Expenses	\$ 2,793,847	\$ -	\$ 2,793,847
<b>CHANGE IN NET ASSETS</b>	\$ 807,014	\$ (484,101)	\$ 322,913
<b>NET ASSETS, BEGINNING OF YEAR</b>	827,713	2,393,719	3,221,432
<b>NET ASSETS, END OF YEAR</b>	\$ 1,634,727	\$ 1,909,618	\$ 3,544,345

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, 2018

(With comparative totals for the year ended December 31, 2017)

	Program	Management and General	Fund Raising	2018 Total	2017 Total
<b>EXPENSES</b>					
Staff salaries	\$ 1,574,825	\$ 173,000	\$ 42,958	\$ 1,790,783	\$ 1,788,516
Staff benefits and general insurance	658,120	61,814	13,821	733,755	745,323
Books, subscriptions, directories, and dues	4,235	80	-	4,315	3,607
Computer equipment, supplies, and services	28,977	6,004	-	34,981	34,482
Depreciation and amortization	3,747	-	-	3,747	3,364
Office equipment, supplies, and services	12,126	2,503	7	14,636	15,167
Professional fees, consultants, and honoraria	32,941	15,650	-	48,591	70,365
Rent, document storage, and parking	76,195	3,470	-	79,665	74,875
Telephone equipment and services	12,478	-	-	12,478	12,349
Travel, meetings, and conferences	25,051	2,854	84	27,989	45,799
Allocation of supporting services	(24,168)	19,903	4,265	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 2,404,527</b>	<b>\$ 285,278</b>	<b>\$ 61,135</b>	<b>\$ 2,750,940</b>	<b>\$ 2,793,847</b>

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, 2017

	Program	Management and General	Fund Raising	2017 Total
<b>EXPENSES</b>				
Staff salaries	\$ 1,578,516	\$ 167,500	\$ 42,500	\$ 1,788,516
Staff benefits and general insurance	669,849	61,959	13,515	745,323
Books, subscriptions, directories, and dues	3,591	-	16	3,607
Computer equipment, supplies, and services	26,948	7,534	-	34,482
Depreciation and amortization	3,364	-	-	3,364
Office equipment, supplies, and services	12,704	2,457	6	15,167
Professional fees, consultants, and honoraria	54,895	15,470	-	70,365
Rent, document storage, and parking	71,515	3,360	-	74,875
Telephone equipment and services	12,349	-	-	12,349
Travel, meetings, and conferences	42,539	2,806	454	45,799
Allocation of supporting services	(23,819)	19,582	4,237	-
<b>TOTAL EXPENSES</b>	<u>\$ 2,452,451</u>	<u>\$ 280,668</u>	<u>\$ 60,728</u>	<u>\$ 2,793,847</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 488,557	\$ 322,913
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	\$ 3,747	\$ 3,364
(Increase) Decrease In:		
Foundation grants receivable	(266,000)	249,400
Royalties due from co-publishers	29,842	(30,830)
Other receivables	4,785	(6,012)
Prepaid expenses	(5,819)	(607)
(Decrease) Increase In:		
Accounts payable and accrued expenses	100	(12,891)
Total adjustments	<u>\$ (233,345)</u>	<u>\$ 202,424</u>
Net Cash Provided by Operating Activities	\$ 255,212	\$ 525,337
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchase of equipment	<u>\$ (11,262)</u>	<u>\$ (972)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	\$ 243,950	\$ 524,365
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,893,452</u>	<u>1,369,087</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 2,137,402</u></u>	<u><u>\$ 1,893,452</u></u>

There were no non-cash investing or financing activities for the years ended December 31, 2018 or 2017.

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

# THE NATIONAL SECURITY ARCHIVE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 1. Organization and Nature of Activities

The National Security Archive Fund, Inc. (the NSAF) is a District of Columbia non-profit corporation. Since July 1, 1999 the NSAF has been the corporate base for the National Security Archive (the Archive). The Archive was founded in 1985 under the auspices of a multi-program non-profit corporation to collect, analyze, and publish unclassified and declassified documents bearing upon U.S. foreign policy and related topics in international affairs. Its published collections of documents 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.

Since 1995 the Archive has been located in the Gelman Library at The George Washington University (GWU) in Washington, DC. Although the Archive 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 the use of the U.S. 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 (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. Where appropriate, the fair value of the services provided and received is reflected in the NSAF's financial statements.

### Note 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

The 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, statements of functional expenses, and statements of cash flows. Contributions are recognized as revenue when they are received or unconditionally pledged. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the NSAF and changes therein are classified and reported as follows:

# THE NATIONAL SECURITY ARCHIVE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 2. Summary of Significant Accounting Policies (Continued)

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of NSAF's management and the Board of Directors.

**Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NSAF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The NSAF does not currently hold net assets with perpetual donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

#### 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. At December 31, 2018 and 2017, 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

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

#### Property, Plant, and Equipment and Depreciation

Property, plant, and equipment are recorded at cost at the date of purchase or fair market value at the date of donation. Acquisitions greater than \$1,000 of property and equipment are capitalized. 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.

# THE NATIONAL SECURITY ARCHIVE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 2. Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition

Foundation grants to the NSAF, whether with or without donor restrictions, 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 co-publishers are recorded as revenue in the periods in which they are earned from the sale of publications or subscriptions.

#### 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, 2018 or 2017, no provision for income taxes has been made in the accompanying financial statements.

FASB ASC 740, *Income Taxes* 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 requires 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 NSAF has analyzed its tax positions, and has concluded that no liability should be recorded related to any uncertain tax positions. The NSAF is not aware of any tax positions that it believes will change materially in the next twelve months. If this position changes, the NSAF will assess the impact of any such matters on its financial position and results of operations.

#### Grantees 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 is not aware of any liability under such service agreements for the years ended December 31, 2018 or 2017.

#### Functional allocation of expenses

The costs of providing the NSAF's various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon the proportion of these costs applicable to each program. Other costs have been allocated to program expenses and supporting services based upon management's best estimates.

THE NATIONAL SECURITY ARCHIVE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 2. Summary of Significant Accounting Policies (Concluded)**

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update makes several changes to current FASB reporting requirements that address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The NSAF has adjusted the presentation of these statements accordingly.

**Note 3. Availability and Liquidity**

The following represent the NSAF's financial assets at December 31, 2018:

Cash and cash equivalents	\$2,137,402
Accounts receivable, net	<u>1,840,287</u>
Total financial assets	<u>\$3,977,689</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions expiring after December 31, 2019	<u>(681,468)</u>
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Financial assets available to meet general and restricted program expenditures over the next twelve months	<u><u>\$3,296,221</u></u>
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The NSAF is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period NSAF must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of NSAF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**Note 4. 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 to ten percent of their salaries. The NSAF's contributions to employees' accounts under the plan totaled \$172,975 and \$168,167 for the years ended December 31, 2018 and 2017.

**Note 5. 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 NATIONAL SECURITY ARCHIVE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 5. Commitments (Concluded)**

The NSAF leases office equipment from commercial suppliers under non-cancelable leases; future gross minimum annual rental payments to be paid under these leases as of December 31, 2018 totaled \$25,251 (payable during 2019 through 2023).

Rent expense under the lease agreements for the years ended December 31, 2018 and 2017 totaled \$7,764 and \$6,435, respectively.

**Note 6. Foundation Grants Receivable**

As of December 31, 2018 and 2017, the NSAF held the following multi-year grant commitments:

	<u>2018</u>	<u>2017</u>
Grants receivable	\$ 1,716,000	\$ 1,450,000
Less discount	-	-
Less current portion	<u>(1,116,000)</u>	<u>(1,034,000)</u>
Net Grants Receivable, long term	<u>\$ 600,000</u>	<u>\$ 416,000</u>

The anticipated collections of the grants receivable based upon the stated payment terms are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 1,116,000
2020	300,000
2021	<u>300,000</u>
	<u>\$ 1,716,000</u>

**Note 7. Property, Plant, and Equipment**

As of December 31, 2018 and 2017, property, plant, and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 181,824	\$ 181,824
Computer, office equipment and customized software	<u>186,834</u>	<u>175,572</u>
	\$ 368,658	\$ 357,396
Accumulated depreciation and amortization	<u>(355,860)</u>	<u>(352,113)</u>
	<u>\$ 12,798</u>	<u>\$ 5,283</u>

Depreciation and amortization expense was \$3,747 and \$3,364 for the years ended December 31, 2018 and 2017.

THE NATIONAL SECURITY ARCHIVE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 8. Composition of Net Assets with Donor Restrictions**

As of December 31, 2018 and 2017, the NSAF held net assets with donor restrictions for the following purposes:

	<u>2018</u>	<u>2017</u>
Latin America Programs	\$ 212,992	\$ 62,160
U.S.-Russia Relations and Nuclear Weapons Policy Programs	1,450,481	1,326,097
Freedom of Information Law Programs: United States	35,883	331,883
Freedom of Information Law Programs: International	7,990	7,990
Cyber Security Program	298,194	15,837
Broadly-based Human Rights Programs	45,409	18,857
Publications & Communications Programs	<u>-</u>	<u>146,794</u>
	<u>\$ 2,050,949</u>	<u>\$ 1,909,618</u>

Net assets with donor restrictions were released from restriction for the following purposes during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Latin America Programs	\$ 169,168	\$ 255,028
U.S.-Russia Relations and Nuclear Weapons Policy Programs	820,616	953,722
Freedom of Information Law Programs: United States	297,860	288,950
Cyber Security Program	217,643	259,743
Broadly-based Human Rights Programs	48,448	106,312
Publications & Communications Programs	<u>146,794</u>	<u>322,446</u>
	<u>\$ 1,700,529</u>	<u>\$ 2,186,201</u>

**Note 9. Subsequent Events**

The NSAF has performed an evaluation of subsequent events through November 27, 2019, which is the date the financial statements were available to be issued, noting no event that requires recognition or disclosure in the financial statements as of December 31, 2018.