

FINANCIAL STATEMENTS

**NATIONAL
ARCHIVES
FOUNDATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2016

NATIONAL ARCHIVES FOUNDATION

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the National Archives Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2016, 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.

March 21, 2017

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NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 812,173
Investments (Note 2)	738,077
Accounts receivable	3,564
Current portion of pledges receivable, net of allowance for doubtful accounts of \$15,164 (Note 3)	740,086
Inventory	788,288
Prepaid expenses	<u>66,865</u>
Total current assets	<u>3,149,053</u>

FIXED ASSETS

Equipment	186,482
Less: Accumulated depreciation	<u>(175,130)</u>
Net fixed assets	<u>11,352</u>

NON-CURRENT ASSETS

Long-term pledges receivable, net of discount on long-term pledges of \$85,860 (Note 3)	<u>1,436,640</u>
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TOTAL ASSETS \$ 4,597,045

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 104,207
Accrued salaries and benefits	98,613
Deferred revenue	<u>10,150</u>
Total current liabilities	<u>212,970</u>

NET ASSETS

Unrestricted	1,905,628
Temporarily restricted (Note 4)	<u>2,478,447</u>
Total net assets	<u>4,384,075</u>

TOTAL LIABILITIES AND NET ASSETS \$ 4,597,045

NATIONAL ARCHIVES FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions and grants	\$ 818,083	\$ 3,125,854	\$ 3,943,937
Contributed goods and services (Note 6)	541,946	-	541,946
Membership dues	957,106	-	957,106
Net assets released from donor restrictions (Note 5)	<u>1,865,471</u>	<u>(1,865,471)</u>	<u>-</u>
Total support	<u>4,182,606</u>	<u>1,260,383</u>	<u>5,442,989</u>
Revenue:			
Gala	33,500	-	33,500
Archives shop revenue, net of cost of goods sold of \$1,089,695 for 2016	1,591,430	-	1,591,430
Investment income	75,337	-	75,337
Exhibition revenue	161,525	-	161,525
Royalties and miscellaneous	<u>4,916</u>	<u>-</u>	<u>4,916</u>
Total revenue	<u>1,866,708</u>	<u>-</u>	<u>1,866,708</u>
Total support and revenue	<u>6,049,314</u>	<u>1,260,383</u>	<u>7,309,697</u>
EXPENSES			
Program Services:			
(1) National Archives Experience	78,324	-	78,324
(2) Museum Activities	989,490	-	989,490
(3) Theater Programs	144,575	-	144,575
(4) Education	749,894	-	749,894
(5) Exhibitions	1,102,210	-	1,102,210
(6) Archives Shop	<u>1,209,111</u>	<u>-</u>	<u>1,209,111</u>
Total program services	<u>4,273,604</u>	<u>-</u>	<u>4,273,604</u>
Supporting Services:			
(8) General and Administrative	806,650	-	806,650
(9) Fundraising	<u>753,534</u>	<u>-</u>	<u>753,534</u>
Total supporting services	<u>1,560,184</u>	<u>-</u>	<u>1,560,184</u>
Total expenses	<u>5,833,788</u>	<u>-</u>	<u>5,833,788</u>
Change in net assets	215,526	1,260,383	1,475,909
Net assets at beginning of year	<u>1,690,102</u>	<u>1,218,064</u>	<u>2,908,166</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,905,628</u>	<u>\$ 2,478,447</u>	<u>\$ 4,384,075</u>

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Program Services</u>				
	<u>(1) National Archives Experience</u>	<u>(2) Museum Activities</u>	<u>(3) Theater Programs</u>	<u>(4) Education</u>	<u>(5) Exhibitions</u>
Salaries and benefits (Note 7)	\$ -	\$ 263,762	\$ 46,770	\$ 50,625	\$ 116,516
Printing	-	26,575	4,456	28,472	5,151
Professional fees	65,684	473,778	33,878	634,787	695,998
Occupancy (Note 6)	-	54,020	6,943	6,477	18,250
Insurance	-	-	-	-	-
Travel and entertainment	-	21,562	19,648	2,169	53,498
Postage and delivery	792	1,516	739	265	521
Supplies	6,165	17,799	28	10,701	2,271
Dues and subscriptions	-	2,508	-	-	-
Shop operating expenses	5,683	-	-	-	-
Depreciation	-	-	-	-	-
Advertising and promotion (Notes 6 and 8)	-	111,363	29,735	200	194,583
Miscellaneous	-	6,892	-	-	165
Interest expense	-	-	-	-	-
Equipment	-	-	-	-	-
Awards	-	-	-	16,040	-
Legal	-	-	-	-	-
Accounting/Audit	-	-	-	-	-
Telephone	-	-	-	-	-
Meetings and conventions	-	9,715	2,378	158	15,257
TOTAL	\$ 78,324	\$ 989,490	\$ 144,575	\$ 749,894	\$ 1,102,210

Supporting Services					
(6) Archives Shop	(7)Total Program Services (Sum of (1) to (6))	(8) General and Administrative	(9) Fundraising	(10)Total Supporting Services ((8)+(9))	(11)Total Expenses ((7)+(10))
\$ 814,966	\$ 1,292,639	\$ 433,767	\$ 391,058	\$ 824,825	\$ 2,117,464
7,548	72,202	9,535	49,763	59,298	131,500
106,692	2,010,817	82,792	103,642	186,434	2,197,251
117,707	203,397	69,869	64,174	134,043	337,440
-	-	10,931	-	10,931	10,931
3,437	100,314	7,158	17,895	25,053	125,367
43,225	47,058	1,591	17,096	18,687	65,745
38,649	75,613	19,896	2,735	22,631	98,244
-	2,508	700	3,264	3,964	6,472
-	5,683	-	-	-	5,683
13,030	13,030	-	-	-	13,030
500	336,381	489	430	919	337,300
7,332	14,389	13,203	17,019	30,222	44,611
-	-	31	-	31	31
1,014	1,014	144	-	144	1,158
-	16,040	-	-	-	16,040
-	-	88,502	-	88,502	88,502
54,284	54,284	64,370	3	64,373	118,657
-	-	995	-	995	995
727	28,235	2,677	86,455	89,132	117,367
\$ 1,209,111	\$ 4,273,604	\$ 806,650	\$ 753,534	\$ 1,560,184	\$ 5,833,788

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,475,909
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	13,030
Realized gain from sale of investments	(46,681)
Unrealized gain on investments	(14,973)
Decrease (increase) in:	
Accounts receivable	1,081
Pledges receivable	(1,252,427)
Inventory	(179,323)
Prepaid expenses	36,645
(Decrease) increase in:	
Accounts payable	(119,127)
Accrued salaries and benefits	23,013
Deferred revenue	<u>8,585</u>
Net cash used by operating activities	<u>(54,268)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(183,053)
Proceeds from sale of investments	<u>257,771</u>
Net cash provided by investing activities	<u>74,718</u>
Net increase in cash and cash equivalents	20,450
Cash and cash equivalents at beginning of year	<u>791,723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 812,173</u>

SUPPLEMENTAL INFORMATION:

Donated Securities	<u>\$ 80,092</u>
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NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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 FASB ASC 958, *Not-for-Profit Entities*.

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.

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 income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible.

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.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Pledges receivable (continued) -

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 December 31, 2016, the balance in its allowance for doubtful accounts was \$15,164.

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. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax position -

For the year ended September 30, 2016, 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 shop inventory, which is recorded at the lower of cost or market value, using the first-in, first-out method of inventory. The Foundation reviews the value of its inventory on an annual basis. If inventory is deemed to be slow moving or obsolete, the Foundation will set up an allowance. There is no allowance at September 30, 2016.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

Contributed goods and services -

In-kind contributions consist of donated office space, legal services, advertising and other goods and services. The value of the in-kind contributions is recorded at fair market value.

Membership revenue -

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

Gala contributions

The Foundation receives contributions for their annual gala. A portion of the contribution is tax deductible and the balance is for seats and other goods at the gala. If the gala takes place during the year ended September 30, the contributions are recognized as unrestricted contributions and the cost of the seat is recorded as gala revenue. If the gala falls outside of the year ended September 30, the contributions will be restricted for time and the revenue will be deferred until the gala takes place.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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.

2. INVESTMENTS

Investments consisted of the following at September 30, 2016:

	Fair Value
Stocks, options and EFTs	\$ 347,309
Fixed income securities	249,946
Mutual funds	140,822
TOTAL INVESTMENTS	\$ <u>738,077</u>

Included in investment income are the following:

Interest and dividends	\$ 13,683
Unrealized gain	14,973
Realized gain	46,681
TOTAL INVESTMENT INCOME	\$ <u>75,337</u>

3. PLEDGES RECEIVABLE

All pledges receivable are considered to be collectible within one-year, unless otherwise stated by the donor. Pledges that will not be collected within one-year have been discounted using an interest rate of 3.25% at September 30, 2016. Following is a summary, by years, of pledges receivable, net of an allowance for doubtful accounts, as of September 30, 2016:

Year Ending December 31,	Discounted Balance	Allowance	Net
2017	\$ 755,250	\$ 15,164	\$ 740,086
2018	570,944	-	570,944
2019	573,610	-	573,610
2020	292,086	-	292,086
	\$ <u>2,191,890</u>	\$ <u>15,164</u>	\$ <u>2,176,726</u>

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2016:

Amending America	\$ 371,314
Digitization Grant	1,712,000
McGowan Theater Program	126,458
Vietnam War	2,000
Restricted for Time	170,046
Time Restricted - 4th of July	<u>96,629</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 2,478,447</u>

5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2016, by either incurring expenses or the passage of time, which satisfied the restricted purposes specified by the donors. Releases consisted of the following:

Amending America	\$ 593,778
Charters of Freedom Project	46,909
Digitization Grant	475,000
Docs Teach	5,000
Gala	79,036
McGowan Theater Program	124,055
National Archives Experience II	69,000
Primarily Teaching	10,600
Spirited America	3,472
Vietnam War	100,000
What's Cooking, Uncle Sam?	30,000
Passage of Time	185,250
Passage of Time - 4th of July	<u>143,371</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,865,471</u>

6. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized in-kind contribution revenue of \$541,946 in 2016. To properly reflect expenses, the contributions have also been reflected in the appropriate natural expense category in the Statement of Functional Expenses.

Contributed goods and services consisted of the following at December 31, 2016:

Occupancy	\$ 337,440
Legal	88,502
Advertising	110,964
Other goods and services	<u>5,040</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	<u>\$ 541,946</u>

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

7. 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, 2016, the Foundation contributed \$50,734 to the plan.

8. 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 2016, the Foundation spent \$337,300 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 \$110,964. This amount is reflected in advertising expense in the Statement of Functional Expenses.

9. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 21, 2017, the date the financial statements were issued.