

FINANCIAL STATEMENTS



**FOUNDATION FOR THE NATIONAL
ARCHIVES**

**FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011**

FOUNDATION FOR THE NATIONAL ARCHIVES

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Foundation for the National Archives (the Foundation), which comprise the statement of financial position as of December 31, 2012, 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 December 31, 2012, 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.

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

Report on Summarized Comparative Information

We have previously audited the Foundation's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

Bethesda, Maryland
June 12, 2013

FOUNDATION FOR THE NATIONAL ARCHIVES
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,134,758	\$ 3,726,796
Accounts receivable	94,559	45,840
Pledges receivable, net of allowance for doubtful accounts (Note 2)	829,177	6,795,059
Inventory, net of allowance for obsolete inventory of \$142,795	807,595	880,126
Prepaid expenses (Note 5)	<u>291,178</u>	<u>184,009</u>
Total current assets	<u>9,157,267</u>	<u>11,631,830</u>
FIXED ASSETS		
Equipment	155,210	66,373
Less: Accumulated depreciation	<u>(62,801)</u>	<u>(60,068)</u>
Net fixed assets	<u>92,409</u>	<u>6,305</u>
NON-CURRENT ASSETS		
Long-term pledges receivable (Note 2)	<u>92,375</u>	<u>640,373</u>
TOTAL ASSETS	<u>\$ 9,342,051</u>	<u>\$ 12,278,508</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 532,872	\$ 268,474
Accrued salaries and benefits	<u>194,244</u>	<u>141,785</u>
Total current liabilities	<u>727,116</u>	<u>410,259</u>
NET ASSETS		
Unrestricted	1,832,106	1,292,472
Temporarily restricted (Note 3)	<u>6,782,829</u>	<u>10,575,777</u>
Total net assets	<u>8,614,935</u>	<u>11,868,249</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,342,051</u>	<u>\$ 12,278,508</u>

See accompanying notes to financial statements.

FOUNDATION FOR THE NATIONAL ARCHIVES

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Support:				
Contributions and grants	\$ 636,572	\$ 692,862	\$ 1,329,434	\$ 16,338,344
Contributed goods and services (Note 5)	700,799	197,780	898,579	794,084
Membership dues	744,133	-	744,133	741,258
Net assets released from donor restrictions (Note 4)	<u>4,383,590</u>	<u>(4,383,590)</u>	<u>-</u>	<u>-</u>
Total support	<u>6,465,094</u>	<u>(3,492,948)</u>	<u>2,972,146</u>	<u>17,873,686</u>
Revenue:				
Archives shop revenue, net of cost of goods sold of \$985,874 and \$1,114,417 for 2012 and 2011, respectively	1,406,029	-	1,406,029	1,429,472
Interest income	5,450	-	5,450	12,501
Exhibition revenue	310,520	-	310,520	557,594
Miscellaneous	<u>3,313</u>	<u>-</u>	<u>3,313</u>	<u>3,105</u>
Total revenue	<u>1,725,312</u>	<u>-</u>	<u>1,725,312</u>	<u>2,002,672</u>
Total support and revenue	<u>8,190,406</u>	<u>(3,492,948)</u>	<u>4,697,458</u>	<u>19,876,358</u>
EXPENSES				
Program Services:				
National Archives Experience	3,274,957	-	3,274,957	6,004,991
Museum Activities	653,040	-	653,040	796,026
Theater Programs	204,152	-	204,152	279,795
Education	145,943	-	145,943	85,712
Publications	83,635	-	83,635	110,938
Exhibitions	1,098,687	-	1,098,687	1,245,460
Archives Shop	<u>782,588</u>	<u>-</u>	<u>782,588</u>	<u>808,955</u>
Total program services	<u>6,243,002</u>	<u>-</u>	<u>6,243,002</u>	<u>9,331,877</u>
Supporting Services:				
General and Administrative	985,495	-	985,495	873,296
Fundraising	<u>579,480</u>	<u>-</u>	<u>579,480</u>	<u>539,746</u>
Total supporting services	<u>1,564,975</u>	<u>-</u>	<u>1,564,975</u>	<u>1,413,042</u>
Total expenses	<u>7,807,977</u>	<u>-</u>	<u>7,807,977</u>	<u>10,744,919</u>
Change in net assets before other items	382,429	(3,492,948)	(3,110,519)	9,131,439
OTHER ITEMS				
Transfer of net assets (Note 4)	300,000	(300,000)	-	-
Allowance for obsolete inventory	<u>(142,795)</u>	<u>-</u>	<u>(142,795)</u>	<u>-</u>
Change in net assets	539,634	(3,792,948)	(3,253,314)	9,131,439
Net assets at beginning of year	<u>1,292,472</u>	<u>10,575,777</u>	<u>11,868,249</u>	<u>2,736,810</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,832,106</u>	<u>\$ 6,782,829</u>	<u>\$ 8,614,935</u>	<u>\$ 11,868,249</u>

See accompanying notes to financial statements.

FOUNDATION FOR THE NATIONAL ARCHIVES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012				
	Program Services				
	National Archives Experience	Museum Activities	Theater Programs	Education	Publications
Salaries and benefits (Note 6)	\$ 196,066	\$ 87,047	\$ 38,353	\$ 15,096	\$ 77,724
Printing	21,328	18,233	6,838	7,177	70
Professional fees	3,041,332	234,441	82,830	62,759	490
Occupancy (Note 5)	-	-	-	-	-
Insurance	-	-	-	-	-
Travel and entertainment	7,373	2,905	4,131	384	1,994
Postage and delivery	4,367	1,466	220	293	449
Supplies	4,431	7,178	-	16,441	1,468
Dues and subscriptions	-	645	-	-	-
Depreciation	-	-	-	-	-
Advertising and promotion (Notes 5 and 7)	-	215,260	71,780	-	-
Bad debt expense	-	-	-	-	-
Miscellaneous	-	26	-	72	1,200
Equipment	-	85,223	-	11,540	-
Awards	-	428	-	32,100	-
Contracts	-	-	-	-	-
Legal (Note 5)	-	-	-	-	-
Accounting/Audit	-	-	-	-	-
Meetings and conventions	<u>60</u>	<u>188</u>	<u>-</u>	<u>81</u>	<u>240</u>
TOTAL	\$ <u>3,274,957</u>	\$ <u>653,040</u>	\$ <u>204,152</u>	\$ <u>145,943</u>	\$ <u>83,635</u>

See accompanying notes to financial statements.

							2011
			Supporting Services				
		Total					
	Archives	Program	General and		Total	Total	Total
Exhibitions	Shop	Services	Administrative	Fundraising	Supporting	Expenses	Expenses
					Services		
\$ 255,862	\$ 649,128	\$ 1,319,276	\$ 325,295	\$ 347,735	\$ 673,030	\$ 1,992,306	\$ 1,811,615
21,184	786	75,616	5,505	42,715	48,220	123,836	103,822
281,542	8,792	3,712,186	55,749	142,916	198,665	3,910,851	7,306,733
-	-	-	337,449	-	337,449	337,449	192,080
-	-	-	9,579	-	9,579	9,579	10,860
36,547	5,560	58,894	4,692	4,007	8,699	67,593	26,765
89,244	39,807	135,846	1,884	6,918	8,802	144,648	262,770
1,750	19,289	50,557	19,377	12,903	32,280	82,837	170,156
-	224	869	4,590	933	5,523	6,392	3,705
-	2,733	2,733	-	-	-	2,733	2,733
285,581	2,460	575,081	-	1	1	575,082	366,976
-	-	-	3,422	-	3,422	3,422	-
-	1,945	3,243	9,515	6,702	16,217	19,460	17,523
344	120	97,227	96	6,681	6,777	104,004	24,841
-	-	32,528	-	-	-	32,528	57,938
125,700	-	125,700	-	-	-	125,700	6,850
-	-	-	179,800	-	179,800	179,800	289,424
-	51,378	51,378	24,939	5,627	30,566	81,944	82,009
933	366	1,868	3,603	2,342	5,945	7,813	8,119
\$ 1,098,687	\$ 782,588	\$ 6,243,002	\$ 985,495	\$ 579,480	\$ 1,564,975	\$ 7,807,977	\$ 10,744,919

See accompanying notes to financial statements.

FOUNDATION FOR THE NATIONAL ARCHIVES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,253,314)	\$ 9,131,439
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,733	2,733
(Increase) decrease in:		
Accounts receivable	(48,719)	17,792
Pledges receivable	6,513,880	(6,065,206)
Inventory	72,531	(133,852)
Prepaid expenses	(107,169)	(106,333)
Increase (decrease) in:		
Accounts payable	264,398	(258)
Accrued salaries and benefits	<u>52,459</u>	<u>45,618</u>
Net cash provided by operating activities	<u>3,496,799</u>	<u>2,891,933</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(88,837)</u>	<u>-</u>
Net cash used by investing activities	<u>(88,837)</u>	<u>-</u>
Net increase in cash and cash equivalents	3,407,962	2,891,933
Cash and cash equivalents at beginning of year	<u>3,726,796</u>	<u>834,863</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,134,758</u>	<u>\$ 3,726,796</u>

FOUNDATION FOR THE NATIONAL ARCHIVES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Foundation for the National Archives (the Foundation), 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. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2011, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). The Foundation maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

FOUNDATION FOR THE NATIONAL ARCHIVES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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

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.

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 December 31, 2012, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 their inventory on an annual basis. If inventory is deemed to be slow moving or obsolete, the Foundation will set up an allowance for that inventory. At December 31, 2012, the Foundation had an allowance of \$142,795 for such inventory.

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.

FOUNDATION FOR THE NATIONAL ARCHIVES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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.

In-kind contributions -

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

Membership revenue -

The Foundation recognizes member dues on a pro-rata basis over the annual membership period.

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.

2. 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 December 31, 2012.

Following is a summary, by years, of pledges receivable, net of an allowance for doubtful accounts, as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Discounted Balance</u>	<u>Allowance</u>	<u>Net</u>
2013	\$ 832,028	\$ 2,851	\$ 829,177
2014	24,213	-	24,213
2015	23,451	-	23,451
2016	22,713	-	22,713
2017	<u>21,998</u>	<u>-</u>	<u>21,998</u>
	<u>\$ 924,403</u>	<u>\$ 2,851</u>	<u>\$ 921,552</u>

FOUNDATION FOR THE NATIONAL ARCHIVES

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012:

Thomas Jefferson Educational Project	\$ 26,569
National Archives Experience	298,485
National Archives Experience II	5,897,246
Congress Packet	82,435
Treasures of Congress	7,033
Federal Hall	24,888
Audience Development	144,585
Emancipation Proclamation	117,158
Docuamerica	29,348
Restricted for time	139,375
Visiting Exhibits	<u>15,707</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 6,782,829</u>

4. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2012, by either incurring expenses or the passage of time, which satisfied the restricted purposes specified by the donors. Releases consisted of the following:

National Archives Experience and Exhibitions	\$ 160,212
National Archives Experience II	3,314,745
Attachments	25,000
Emancipation Proclamation	32,842
Cuban Missile Crisis	70,000
Regional Exhibits	7,500
Visiting Exhibits	109,293
Museum Activities	190,538
Education Programs	8,700
Theater Program	168,175
Audience Development	144,585
Passage of time	<u>152,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,383,590</u>

The Foundation was granted permission by donors to transfer their portion of temporarily restricted net assets to unrestricted net assets.

5. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized in-kind contribution revenue of \$898,579 in 2012. To properly reflect expenses, the contributions have also been reflected in the appropriate natural expense category in the Statement of Functional Expenses.

FOUNDATION FOR THE NATIONAL ARCHIVES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

5. CONTRIBUTED GOODS AND SERVICES (Continued)

A portion of the contributed advertising will be received in 2013. The portion applicable to 2013 is recorded as an asset on the Statement of Financial Position. The balance at December 31, 2012 is \$144,585.

Contributed goods and services consisted of the following at December 31, 2012:

Occupancy	\$ 337,449
Legal	179,800
Advertising	376,330
Other	<u>5,000</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	\$ <u>898,579</u>

6. 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 December 31, 2012, the Foundation contributed \$46,683 to the plan.

7. 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 2012, the Foundation spent \$575,082 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 \$376,330. This amount is reflected in advertising expense in the Statement of Functional Expenses.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 12, 2013, the date the financial statements were issued.