

FINANCIAL STATEMENTS

**NATIONAL
ARCHIVES
FOUNDATION**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

NATIONAL ARCHIVES FOUNDATION

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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, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the nine months 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, 2015, and the change in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 791,723
Investments (Note 2)	751,141
Accounts receivable	4,645
Current portion of pledges receivable, net of allowance for doubtful accounts of \$15,164 at September 30, 2015 (Note 3)	900,086
Inventory	608,965
Prepaid expenses	<u>103,510</u>
Total current assets	<u>3,160,070</u>

FIXED ASSETS

Equipment	186,482
Less: Accumulated depreciation	<u>(162,100)</u>
Net fixed assets	<u>24,382</u>

NON-CURRENT ASSETS

Long-term pledges receivable, net of discount on long term pledges of \$787 (Note 3)	<u>24,213</u>
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TOTAL ASSETS \$ 3,208,665

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 223,334
Accrued salaries and benefits	75,600
Deferred revenue	<u>1,565</u>
Total current liabilities	<u>300,499</u>

NET ASSETS

Unrestricted	1,690,102
Temporarily restricted (Note 4)	<u>1,218,064</u>
Total net assets	<u>2,908,166</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,208,665

NATIONAL ARCHIVES FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions and grants	\$ 60,002	\$ 802,325	\$ 862,327
Contributed goods and services (Note 6)	585,927	-	585,927
Membership dues	670,001	-	670,001
Net assets released from donor restrictions (Note 5)	<u>1,038,532</u>	<u>(1,038,532)</u>	<u>-</u>
Total support	<u>2,354,462</u>	<u>(236,207)</u>	<u>2,118,255</u>
Revenue:			
Archives shop revenue, net of cost of goods sold of \$833,075 for 2015	1,264,639	-	1,264,639
Investment loss	(45,537)	-	(45,537)
Exhibition revenue	236,113	-	236,113
Royalties and miscellaneous	<u>4,078</u>	<u>-</u>	<u>4,078</u>
Total revenue	<u>1,459,293</u>	<u>-</u>	<u>1,459,293</u>
Total support and revenue	<u>3,813,755</u>	<u>(236,207)</u>	<u>3,577,548</u>
EXPENSES			
Program Services:			
(1) National Archives Experience	118,317	-	118,317
(2) Museum Activities	738,964	-	738,964
(3) Theater Programs	104,194	-	104,194
(4) Education	146,322	-	146,322
(5) Auxiliary Programs	-	-	-
(6) Exhibitions	804,613	-	804,613
(7) Archives Shop	<u>770,449</u>	<u>-</u>	<u>770,449</u>
Total program services	<u>2,682,859</u>	<u>-</u>	<u>2,682,859</u>
Supporting Services:			
(9) General and Administrative	589,922	-	589,922
(10) Fundraising	<u>616,022</u>	<u>-</u>	<u>616,022</u>
Total supporting services	<u>1,205,944</u>	<u>-</u>	<u>1,205,944</u>
Total expenses	<u>3,888,803</u>	<u>-</u>	<u>3,888,803</u>
Change in net assets	(75,048)	(236,207)	(311,255)
Net assets at beginning of year	<u>1,765,150</u>	<u>1,454,271</u>	<u>3,219,421</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,690,102</u>	<u>\$ 1,218,064</u>	<u>\$ 2,908,166</u>

NATIONAL ARCHIVES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	<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) Auxiliary Programs</u>
Salaries and benefits (Note 7)	\$ -	\$ 223,686	\$ 28,750	\$ 26,821	\$ -
Printing	-	25,999	2,854	23,044	-
Professional fees	114,347	295,013	43,870	59,596	-
Occupancy (Note 6)	-	54,020	6,943	6,477	-
Insurance	-	-	-	-	-
Travel and entertainment	-	4,494	13,382	504	-
Postage and delivery	4	825	963	347	-
Supplies	2,757	11,000	115	18,818	-
Dues and subscriptions	-	450	-	-	-
Shop operating expenses	534	-	-	-	-
Depreciation	-	-	-	-	-
Advertising and promotion (Notes 6 and 8)	675	112,421	6,585	507	-
Bad debt expense/recovery of bad debt	-	-	-	-	-
Miscellaneous	-	2,845	-	-	-
Equipment	-	-	-	8,827	-
Awards	-	-	-	1,000	-
Legal (Note 6)	-	-	-	-	-
Accounting/Audit	-	-	-	-	-
Telephone	-	-	-	-	-
Meetings and conventions	-	8,211	732	213	-
Membership dues	-	-	-	168	-
TOTAL	\$ 118,317	\$ 738,964	\$ 104,194	\$ 146,322	\$ -

Supporting Services							
(6) Exhibitions	(7) Archives Shop	(8) Total Program Services (Sum of (1) to (7))	(9) General and Administrative	(10) Fundraising	(11) Total Supporting Services ((9)+(10))	(12) Total Expenses ((8)+(11))	
\$ 75,567	\$ 487,397	\$ 842,221	\$ 289,309	\$ 265,729	\$ 555,038	\$ 1,397,259	
3,095	1,420	56,412	5,187	37,331	42,518	98,930	
425,027	27,221	965,074	53,305	92,739	146,044	1,111,118	
18,250	117,707	203,397	69,869	64,174	134,043	337,440	
-	-	-	5,449	-	5,449	5,449	
26,443	2,160	46,983	32,770	13,888	46,658	93,641	
897	40,320	43,356	2,159	24,167	26,326	69,682	
7,815	20,909	61,414	17,334	3,240	20,574	81,988	
-	150	600	182	850	1,032	1,632	
-	-	534	-	-	-	534	
-	27,599	27,599	-	-	-	27,599	
246,439	129	366,756	430	532	962	367,718	
-	-	-	(6,697)	-	(6,697)	(6,697)	
385	1,979	5,209	6,672	13,758	20,430	25,639	
-	108	8,935	108	-	108	9,043	
-	-	1,000	1,000	-	1,000	2,000	
-	-	-	67,495	-	67,495	67,495	
-	42,103	42,103	41,249	-	41,249	83,352	
-	-	-	739	-	739	739	
695	1,247	11,098	3,362	99,614	102,976	114,074	
-	-	168	-	-	-	168	
<u>\$ 804,613</u>	<u>\$ 770,449</u>	<u>\$ 2,682,859</u>	<u>\$ 589,922</u>	<u>\$ 616,022</u>	<u>\$ 1,205,944</u>	<u>\$ 3,888,803</u>	

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (311,255)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	27,599
Realized gain from sale of investments	(1,191)
Unrealized loss on investments	47,102
(Increase) decrease in:	
Accounts receivable	154,140
Pledges receivable	67,274
Inventory	50,402
Prepaid expenses	(45,367)
(Decrease) increase in:	
Accounts payable	(602,357)
Accrued salaries and benefits	30,018
Deferred revenue	<u>(3,085)</u>
Net cash used by operating activities	<u>(586,720)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(8,945)
Purchases of investments	<u>(797,054)</u>
Net cash used by investing activities	<u>(805,999)</u>
Net decrease in cash and cash equivalents	(1,392,719)
Cash and cash equivalents at beginning of year	<u>2,184,442</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 791,723</u>

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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.

The Foundation, to align themselves with the National Archives' budget year changed their year end from December 31 to September 30.

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 loss 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.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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. 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, 2015, the balance in their 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, 2015, 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 their 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, 2015.

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, 2015

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 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.

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.

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.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**2. INVESTMENTS**

Investments consisted of the following at September 30, 2015:

	<u>Fair Value</u>
Stocks, options and EFTs	\$ 412,310
Fixed income securities	249,717
Mutual funds	<u>89,114</u>
TOTAL INVESTMENTS	\$ <u>751,141</u>

Included in investment loss are the following:

Interest and dividends	\$ 1,192
Unrealized loss	(47,102)
Realized gain	<u>373</u>
TOTAL INVESTMENT LOSS	\$ <u>(45,537)</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, 2015. Following is a summary, by years, of pledges receivable, net of an allowance for doubtful accounts, as of September 30, 2015:

<u>Year Ending December 31,</u>	<u>Discounted Balance</u>	<u>Allowance</u>	<u>Net</u>
2016	\$ 915,250	\$ 15,164	\$ 900,086
2017	<u>24,213</u>	<u>-</u>	<u>24,213</u>
	\$ <u>939,463</u>	\$ <u>15,164</u>	\$ <u>924,299</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2015:

Amending America	\$ 125,000
Charters of Freedom Project	4,747
Digitization Grant	537,000
Docs Teach	5,000
Gala	79,036
McGowan Theater Program	100,513
National Archives Experience II	69,000
Primarily Teaching	9,000
Spirited Republic	3,472
What's Cooking, Uncle Sam?	30,000
Restricted for time	<u>255,296</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>1,218,064</u>

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2015, 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	\$ 310,000
Charters of Freedom Project	45,253
Digitization Grant	13,000
Docs Teach	58,000
Gala	42,505
McGowan Theater Program	129,110
National Archives Experience	43,910
National Archives Experience II	18,765
Spirited America	147,881
Exhibits General	16,187
Making their Mark	5,193
Congressional Packet	31,228
Passage of time	<u>177,500</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,038,532</u>

6. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized in-kind contribution revenue of \$585,927 in 2015. 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, 2015:

Occupancy	\$ 337,440
Legal	67,494
Advertising	173,075
Other goods and services	<u>7,918</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	<u>\$ 585,927</u>

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, 2015, the Foundation contributed \$35,621 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 2015, the Foundation spent \$367,718 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 \$173,075. This amount is reflected in advertising expense in the Statement of Functional Expenses.

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. SUBSEQUENT EVENTS

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