

FINANCIAL STATEMENTS



**NATIONAL ARCHIVES
FOUNDATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

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, 2017, 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, 2017, 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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Report on Summarized Comparative Information

We have previously audited the Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 6, 2018

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,244,947	\$ 812,173
Investments	3,813,034	738,077
Accounts receivable	-	3,564
Current portion of pledges receivable, net of allowance for doubtful accounts of \$15,164	784,486	740,086
Inventory	915,903	788,288
Prepaid expenses	<u>59,677</u>	<u>66,865</u>
Total current assets	<u>7,818,047</u>	<u>3,149,053</u>
FIXED ASSETS		
Equipment	194,387	186,482
Less: Accumulated depreciation	<u>(180,240)</u>	<u>(175,130)</u>
Net fixed assets	<u>14,147</u>	<u>11,352</u>
NON-CURRENT ASSETS		
Long-term pledges receivable, net of discount on long-term pledges of \$39,484	<u>903,516</u>	<u>1,436,640</u>
TOTAL ASSETS	<u>\$ 8,735,710</u>	<u>\$ 4,597,045</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 98,039	\$ 104,207
Accrued salaries and benefits	57,590	98,613
Deferred revenue	<u>128,025</u>	<u>10,150</u>
Total current liabilities	<u>283,654</u>	<u>212,970</u>
NET ASSETS		
Unrestricted	2,570,772	1,905,628
Temporarily restricted	2,981,284	2,478,447
Permanently restricted	<u>2,900,000</u>	<u>-</u>
Total net assets	<u>8,452,056</u>	<u>4,384,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,735,710</u>	<u>\$ 4,597,045</u>

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Support:					
Contributions and grants	\$ 529,162	\$ 2,114,531	\$ 2,900,000	\$ 5,543,693	\$ 3,943,937
Contributed goods and services	476,955	-	-	476,955	541,946
Membership dues	974,125	-	-	974,125	957,106
Net assets released from donor restrictions	<u>1,606,769</u>	<u>(1,606,769)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support	<u>3,587,011</u>	<u>507,762</u>	<u>2,900,000</u>	<u>6,994,773</u>	<u>5,442,989</u>
Revenue:					
Gala	-	-	-	-	33,500
Archives shop revenue, net of cost of goods sold and shrinkage of \$1,297,338 for 2017	1,896,100	-	-	1,896,100	1,591,430
Investment income (loss)	90,548	(4,925)	-	85,623	75,337
Exhibition revenue	143,875	-	-	143,875	161,525
Royalties and miscellaneous	<u>31,943</u>	<u>-</u>	<u>-</u>	<u>31,943</u>	<u>4,916</u>
Total revenue	<u>2,162,466</u>	<u>(4,925)</u>	<u>-</u>	<u>2,157,541</u>	<u>1,866,708</u>
Total support and revenue	<u>5,749,477</u>	<u>502,837</u>	<u>2,900,000</u>	<u>9,152,314</u>	<u>7,309,697</u>
EXPENSES					
Program Services:					
(1) National Archives Experience	55,193	-	-	55,193	78,324
(2) Museum Activities	728,689	-	-	728,689	989,490
(3) Theater Programs	163,016	-	-	163,016	144,575
(4) Education	354,968	-	-	354,968	749,894
(5) Exhibitions	772,541	-	-	772,541	1,102,210
(6) Archives Shop	1,114,944	-	-	1,114,944	1,209,111
(7) Ronald Reagan Library	<u>68,310</u>	<u>-</u>	<u>-</u>	<u>68,310</u>	<u>-</u>
Total program services	<u>3,257,661</u>	<u>-</u>	<u>-</u>	<u>3,257,661</u>	<u>4,273,604</u>
Supporting Services:					
(9) General and Administrative	901,380	-	-	901,380	806,650
(10) Fundraising	<u>925,292</u>	<u>-</u>	<u>-</u>	<u>925,292</u>	<u>753,534</u>
Total supporting services	<u>1,826,672</u>	<u>-</u>	<u>-</u>	<u>1,826,672</u>	<u>1,560,184</u>
Total expenses	<u>5,084,333</u>	<u>-</u>	<u>-</u>	<u>5,084,333</u>	<u>5,833,788</u>
Change in net assets	665,144	502,837	2,900,000	4,067,981	1,475,909
Net assets at beginning of year	<u>1,905,628</u>	<u>2,478,447</u>	<u>-</u>	<u>4,384,075</u>	<u>2,908,166</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,570,772</u>	<u>\$ 2,981,284</u>	<u>\$ 2,900,000</u>	<u>\$ 8,452,056</u>	<u>\$ 4,384,075</u>

NATIONAL ARCHIVES FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 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	\$ 46	\$ 251,293	\$ 38,023	\$ 5,561	\$ 107,608
Printing	23,596	32,645	1,932	295	9,274
Professional fees	28,594	221,855	59,603	323,394	410,208
Occupancy	-	55,641	7,151	6,671	18,798
Insurance	-	-	-	-	-
Travel and entertainment	-	7,841	11,708	1,253	38,974
Postage and delivery	4	748	14	52	2,524
Supplies	-	24,658	4,089	2,799	394
Dues and subscriptions	-	2,575	-	-	-
Shop operating expenses	1,153	-	-	-	-
Depreciation	-	557	-	-	-
Advertising and promotion	1,350	74,837	26,313	(389)	180,418
Miscellaneous	450	3,494	10,256	316	900
Interest expense	-	-	-	-	-
Equipment	-	-	-	-	1,525
Awards	-	-	-	11,725	-
Legal	-	-	-	-	-
Accounting/Audit	-	-	-	68	-
Telephone	-	-	-	-	-
Meetings and conventions	-	52,545	3,927	3,223	1,918
TOTAL	\$ 55,193	\$ 728,689	\$ 163,016	\$ 354,968	\$ 772,541

Supporting Services							
(6) Archives Shop	(7) Ronald Reagan Library	(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))	2016 Total Expenses
\$ 645,366	\$ -	\$ 1,047,897	\$ 610,067	\$ 500,425	\$ 1,110,492	\$ 2,158,389	\$ 2,117,464
4,865	-	72,607	14,551	37,740	52,291	124,898	131,500
115,693	57,480	1,216,827	69,136	80,792	149,928	1,366,755	2,197,251
121,238	-	209,499	71,965	66,099	138,064	347,563	337,440
-	-	-	11,777	-	11,777	11,777	10,931
5,195	3,183	68,154	5,051	11,684	16,735	84,889	125,367
53,469	-	56,811	3,059	9,841	12,900	69,711	65,745
68,362	-	100,302	21,533	2,307	23,840	124,142	98,244
4,500	-	7,075	2,631	4,720	7,351	14,426	6,472
-	-	1,153	-	-	-	1,153	5,683
4,404	-	4,961	149	-	149	5,110	13,030
18,530	-	301,059	-	90	90	301,149	337,300
2,934	127	18,477	20,394	70,833	91,227	109,704	44,611
-	-	-	668	-	668	668	31
110	-	1,635	114	-	114	1,749	1,158
-	750	12,475	-	-	-	12,475	16,040
-	-	-	-	-	-	-	88,502
61,745	6,665	68,478	60,481	3,622	64,103	132,581	118,657
-	-	-	595	-	595	595	995
8,533	105	70,251	9,209	137,139	146,348	216,599	117,367
\$ 1,114,944	\$ 68,310	\$ 3,257,661	\$ 901,380	\$ 925,292	\$ 1,826,672	\$ 5,084,333	\$ 5,833,788

NATIONAL ARCHIVES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,067,981	\$ 1,475,909
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,110	13,030
Realized loss (gain) from sale of investments	35,030	(46,681)
Unrealized gain on investments	(106,595)	(14,973)
Change in discount on long term receivables	(46,376)	-
Decrease (increase) in:		
Accounts receivable	3,564	1,081
Pledges receivable	535,100	(1,252,427)
Inventory	(127,615)	(179,323)
Prepaid expenses	7,188	36,645
(Decrease) increase in:		
Accounts payable	(6,168)	(119,127)
Accrued salaries and benefits	(41,023)	23,013
Deferred revenue	<u>117,875</u>	<u>8,585</u>
Net cash provided (used) by operating activities	<u>4,444,071</u>	<u>(54,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,905)	-
Net (purchases) proceeds from investments	<u>(3,003,392)</u>	<u>74,718</u>
Net cash (used) provided by investing activities	<u>(3,011,297)</u>	<u>74,718</u>
Net increase in cash and cash equivalents	1,432,774	20,450
Cash and cash equivalents at beginning of year	<u>812,173</u>	<u>791,723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,244,947</u>	<u>\$ 812,173</u>
SUPPLEMENTAL INFORMATION:		
Donated Securities	<u>\$ 2,571,699</u>	<u>\$ 80,092</u>

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

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 maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$2,895,076 for the year ended September 30, 2017.

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, 2017

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, 2017, the balance in the 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, 2017, 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, 2017.

Net asset classification -

The net assets are reported in three 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, 2017**

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

Net asset classification (continued) -

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by the Foundation. There are restrictions placed on the use of investment earnings from these endowment funds.

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.

NATIONAL ARCHIVES FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

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

Risks and uncertainties (continued) -

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.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Foundation's financial statements, it is not expected to alter the Foundation's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASUs at the required implementation date.

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

2. INVESTMENTS

Investments consisted of the following at September 30, 2017:

	Fair Value
Stocks, options and ETFs	\$ 692,592
Cash and sweeps	2,895,076
Mutual funds	225,366
TOTAL INVESTMENTS	\$ <u>3,813,034</u>

Included in investment income are the following:

Interest and dividends	\$ 14,058
Unrealized gain	106,595
Realized loss	(35,030)
TOTAL INVESTMENT INCOME	\$ <u>85,623</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, 2017.

Following is a summary, by years, of pledges receivable, net of an allowance for doubtful accounts, as of September 30, 2017:

<u>Year Ending December 31,</u>	<u>Discounted</u> <u>Balance</u>	<u>Allowance</u>	<u>Net</u>
2018	\$ 799,650	\$ 15,164	\$ 784,486
2019	37,820	-	37,820
2020	573,610	-	573,610
2021	292,086	-	292,086
	\$ <u>1,703,166</u>	\$ <u>15,164</u>	\$ <u>1,688,002</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2017:

Digitization Grant	\$ 1,323,000
McGowan Theater Program	123,001
Vietnam War	160,180
Ronald Reagan Library	1,138,681
Restricted for Time	236,422
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>2,981,284</u>

NATIONAL ARCHIVES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2017, 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	\$ 494,966
Digitization Grant	389,000
McGowan Theater Program	153,457
Ronald Reagan Library	68,046
Vietnam War	383,891
Women's Exhibition	2,000
Passage of Time	<u>115,409</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,606,769</u>

6. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized in-kind contribution revenue of \$476,955 in 2017. 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, 2017:

Occupancy	\$ 347,563
Advertising	123,652
Other goods and services	<u>5,740</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	<u>\$ 476,955</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, 2017, the Foundation contributed \$52,578 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 2017, the Foundation spent \$301,149 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 \$123,652. This amount is reflected in advertising expense in the Statement of Functional Expenses.

NATIONAL ARCHIVES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

9. ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditures or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, the Foundation has not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classification. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ <u> -</u>	\$ <u> -</u>	\$ <u>2,900,000</u>	\$ <u>2,900,000</u>

Changes in endowment net assets for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions	\$ <u> -</u>	\$ <u> -</u>	\$ <u>2,900,000</u>	\$ <u>2,900,000</u>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowment only):

	<u>2017</u>	<u>2016</u>
Permanently Restricted Net Assets:		
(1) The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	\$ <u>2,900,000</u>	\$ <u> -</u>

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9. ENDOWMENT (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. As of September 30, 2017, the endowment funds did not experience any deficiencies to be reported.

Return Objectives and Risk Parameters -

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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10. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Money market funds* - The fair value is equal to the reported net asset value of the fund.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of September 30, 2017:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Stocks, options and ETFs	\$ 692,592	\$ -	\$ -	\$ 692,592
Cash and sweeps	2,895,076	-	-	2,895,076
Mutual funds	225,366	-	-	225,366
TOTAL	\$ 3,813,034	\$ -	\$ -	\$ 3,813,034

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 6, 2018, the date the financial statements were issued.