



Financial Statements

For the Year Ended September 30, 2021

(With Summarized Financial Information for the Year Ended September 30, 2020)



**and
Report Thereon**



NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
National Defense University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the National Defense University Foundation, Inc. (NDUF), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, 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.

Auditors' 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 auditors' 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 National Defense University Foundation, Inc. as of September 30, 2021, and the changes 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.

Report on Summarized Comparative Information

We have previously audited NDUF's 2020 financial statements, and in our report dated June 4, 2021, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
January 31, 2022

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2021

(With Summarized Financial Information as of September 30, 2020)

	2021	2020
ASSETS		
Cash	\$ 1,286,244	\$ 322,239
Contributions receivable	54,000	145,000
Prepaid expenses	11,354	6,797
Bookstore inventory	23,625	17,190
Towel fund	11,794	11,598
Collections	75,000	75,000
Fixed assets, net of accumulated depreciation of \$86,918 in 2021	3,872	682
TOTAL ASSETS	\$ 1,465,889	\$ 578,506
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 69,268	\$ 4,772
Accrued expenses	27,501	5,052
Note payable – paycheck protection program (PPP)	-	71,958
Towel fund liability	11,794	11,598
TOTAL LIABILITIES	108,563	93,380
Net Assets		
Without donor restrictions	297,939	272,897
With donor restrictions	1,059,387	212,229
TOTAL NET ASSETS	1,357,326	485,126
TOTAL LIABILITIES AND NET ASSETS	\$ 1,465,889	\$ 578,506

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

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

(With Summarized Financial Information for the Year Ended September 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 807,741	\$ 1,003,119	\$ 1,810,860	\$ 774,880
Conference revenue	135,939	-	135,939	-
Bookstore sales	18,987	-	18,987	15,700
Other revenue	175	-	175	2,225
Net asset released from restrictions:				
Satisfaction of purpose restrictions	<u>155,961</u>	<u>(155,961)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>1,118,803</u>	<u>847,158</u>	<u>1,965,961</u>	<u>792,805</u>
EXPENSES				
Program Services:				
Education, Outreach, and Support for National Defense University	<u>926,966</u>	<u>-</u>	<u>926,966</u>	<u>434,626</u>
Total Program Services	<u>926,966</u>	<u>-</u>	<u>926,966</u>	<u>434,626</u>
Supporting Services:				
Management and general	176,365	-	176,365	108,715
Fundraising	<u>62,388</u>	<u>-</u>	<u>62,388</u>	<u>137,378</u>
Total Supporting Services	<u>238,753</u>	<u>-</u>	<u>238,753</u>	<u>246,093</u>
TOTAL EXPENSES	<u>1,165,719</u>	<u>-</u>	<u>1,165,719</u>	<u>680,719</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(46,916)	847,158	800,242	112,086
Forgiveness of note payable – PPP	<u>71,958</u>	<u>-</u>	<u>71,958</u>	<u>-</u>
CHANGE IN NET ASSETS	25,042	847,158	872,200	112,086
NET ASSETS, BEGINNING OF YEAR	<u>272,897</u>	<u>212,229</u>	<u>485,126</u>	<u>373,040</u>
NET ASSETS, END OF YEAR	<u>\$ 297,939</u>	<u>\$ 1,059,387</u>	<u>\$ 1,357,326</u>	<u>\$ 485,126</u>

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

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2021

(With Summarized Financial Information for the Year Ended September 30, 2020)

	Program Services	Supporting Services				
	Education, Outreach, and Support for National Defense University	Management and General	Fundraising	Total Supporting Services	2021 Total	2020 Total
Salaries	\$ 382,158	\$ 30,372	\$ 50,000	\$ 80,372	\$ 462,530	\$ 295,688
Professional fees	206,488	120,049	-	120,049	326,537	247,055
NDU Support	143,257	-	-	-	143,257	2,119
Special events	53,260	-	-	-	53,260	9,835
Meals	34,164	-	120	120	34,284	699
Payroll taxes	23,624	1,877	3,091	4,968	28,592	22,137
Miscellaneous	15,626	7,028	4,057	11,085	26,711	46,837
Retirement plan contributions	14,243	1,132	1,864	2,996	17,239	10,110
Travel	14,443	345	1,479	1,824	16,267	11,384
Bookstore-Cost of Goods Sold	11,680	-	-	-	11,680	10,533
Bad debt expense	-	10,000	-	10,000	10,000	-
Printing and publications	9,652	-	-	-	9,652	3,056
Supplies	7,869	625	1,029	1,654	9,523	5,037
Bank and credit card fees	4,787	2,559	-	2,559	7,346	3,469
Insurance	5,715	454	748	1,202	6,917	10,914
Telephone and internet	-	1,455	-	1,455	1,455	1,699
Postage	-	469	-	469	469	147
TOTAL EXPENSES	\$ 926,966	\$ 176,365	\$ 62,388	\$ 238,753	\$ 1,165,719	\$ 680,719

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

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2021

(With Summarized Financial Information for the Year Ended September 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 872,200	\$ 112,086
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	10,000	-
Forgiveness of note payable – PPP	(71,958)	-
Changes in assets and liabilities		
Contributions receivable	81,000	(135,000)
Prepaid expenses	(4,557)	(865)
Bookstore inventory	(6,435)	(3,999)
Accounts payable	64,496	(27,852)
Accrued expenses	22,449	2,763
	<u>967,195</u>	<u>(52,867)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(3,190)	(682)
	<u>(3,190)</u>	<u>(682)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable – PPP	-	71,958
	<u>-</u>	<u>71,958</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH	964,005	18,409
CASH, BEGINNING OF YEAR	<u>322,239</u>	<u>303,830</u>
CASH, END OF YEAR	<u>\$ 1,286,244</u>	<u>\$ 322,239</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash financing activities – forgiveness of note payable – PPP	<u>\$ 71,958</u>	<u>\$ -</u>

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

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2021

1. Organization and Summary of Significant Accounting Policies

Organization

The National Defense University Foundation, Inc. (NDUF) is a not-for-profit 501(c)(3) organization that was incorporated in Washington, DC on July 21, 1982. NDUF seeks to further the academic and professional objectives of the National Defense University (NDU) located at Fort Lesley J. McNair, Washington, D.C., to enhance NDU's teaching functions, chairs and fellowships, seminars, conferences and to achieve the academic ambiance commensurate with what is expected of a prestigious university. NDUF's activities are funded primarily through contributions.

NDUF provides program and general support to NDU and these contributions support NDU's outreach and education efforts. During the year ended September 30, 2021, NDUF provided \$143,257 of contributions to the NDU.

Basis of Accounting

The financial statements of NDUF have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Contribution Receivable

NDUF records contributions receivable at their estimated net realizable value. The allowance for doubtful accounts is based on various factors, including management's analysis of the collectibility of the accounts and current economic conditions. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Collections

Collections are capitalized at cost if the items are purchased or at their fair value on the date of donation if contributed. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and NDUF is protecting and preserving the service potential of the collection item. NDUF's collection consists of military memorabilia that has historical value and NDUF is protecting and preserving the service potential of the collection item. As such, there is no depreciation related to the collection items.

Fixed Assets and Accumulated Depreciation

Fixed assets with a useful life of more than one year and an acquisition cost greater than \$1,000 are capitalized at cost. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets, which is three years. The cost of fixed assets retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

NDUF's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of NDUF's operations.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of NDUF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of September 30, 2021, NDUF had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

Contributions are reported as revenue and support in the year in which payments are received and/or unconditional promises are made. Contributions are considered without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the grantor for specific purposes are reported as revenue and support with donor restrictions. When a grantor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets are reclassified from net assets with donor restriction to net assets without donor restriction and reported in the accompanying statement of activities as net assets released from restrictions. Donor-restricted grants and contributions whose restrictions are met in the same reporting period in which they are received are reported as without donor restricted revenue and support. Contributions that have been committed to NDUF but have not been received as of year-end are reflected as contributions receivable in the accompanying statement of financial position. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Conferences revenue and the related costs are recognized at the time the conference takes place. Accordingly, revenue related to these events received in advance, if any, is recorded as deferred revenue in the accompanying statement of financial position.

Bookstore sales are recorded as revenue when the goods are sold.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

1. Organization and Summary of Significant Accounting Policies (continued)

Measure of Operations

NDUF considers the forgiveness of note payable – Paycheck Protection Program to be nonoperating in nature.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to specific functional areas of NDUF are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employees' timesheets. Fringe benefits and payroll taxes and other shared costs are allocated to programs and supporting services based on actual payroll costs charged to each program and supporting service area.

2. Contributions Receivable

Contributions receivable include unconditional promises to give from various organizations, which are due within one year as of September 30, 2021.

Contributions Receivable	\$ 64,000
Less: Allowance for Doubtful Accounts	<u>(10,000)</u>
Contributions Receivable, Net	<u>\$ 54,000</u>

3. Note Payable – Paycheck Protection Program

On May 7, 2020, NDUF's received \$71,958 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The loan was scheduled to mature on May 6, 2022, with a fixed interest rate of 1% per annum. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder could be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. On April 16, 2021, NDUF received the approval for the forgiveness of the total PPP loan plus interest. NDUF elected to account for this transaction as loan forgiveness and included the amount forgiven as Forgiveness of note payable – PPP in the accompanying statement of activities.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of September 30, 2021:

Subject to expenditure for specified purpose:	
Tang Fund for Excellence	\$ 956,373
iCollege 20 th Anniversary program	33,337
Collin Powell Chair	20,000
Institute for National Strategic Studies	13,748
ACSS Chagoury gift	13,130
CCO Inclusive Security project	4,942
Other programs	<u>7,857</u>
Total Net Assets With Donor Restrictions	<u>1,049,387</u>
Subject to Passage of Time	<u>10,000</u>
Total Subject to Passage of Time	<u>10,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,059,387</u>

5. Liquidity and Availability

NDUF regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. NDUF's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2021, were as follows:

Cash	\$ 1,286,244
Contributions receivable	<u>54,000</u>
Total Financial Assets Available Within One Year	1,390,244
Less:	
Amounts unavailable for general expenditures within one year due to donor's with purpose restrictions	<u>(1,049,387)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 290,857</u>

NDUF has various sources of liquidity at its disposal, including cash and contributions receivable, which are available for general expenditures, liabilities and other obligations as they come due. NDUF's working capital and cash flows come from contributions that are received at various time throughout the year. Management is focused on sustaining the financial liquidity of NDUF throughout the year. This is done through monitoring and reviewing NDUF's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of NDUF's cash flows related to NDUF's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

6. Risks and Uncertainties

Concentration of Credit Risk

NDUF maintains its cash with certain commercial financial institutions, which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of September 30, 2021, the NDUF's cash balances exceeded the maximum limit insured by the FDIC by approximately \$1,036,000. NDUF monitors the creditworthiness of the institution and has not experienced any credit losses on its cash.

COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. NDUF has been able to continue most of its operations in a disrupted environment and is making plans to adjust activities that cannot; however, at this point, the extent to which COVID-19 may impact NDUF's financial condition or results of operations is evolving and uncertain.

7. Major Grantor and Related Party Transaction

For the year ended September 30, 2021, NDUF recognized revenue of \$1,004,441 from a Board member, which is approximately 49% of NDUF's total revenue and support.

8. Pension Plan

NDUF sponsors a 403(b) defined contribution plan (the Plan) for retirement benefits for all its full-time employees. Employees who are at least 21 years of age with at least six months of service are eligible to participate. Eligible employees may elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum permitted by law. NDUF currently matches elective employee contributions to the Plan each year up to 5% of the participant's compensation. Total contributions to the Plan for the year ended September 30, 2021, was \$17,239.

9. Towel Fund

NDUF collects towel fund fees on behalf of NDU, which are to be used exclusively for purchase and maintenance of towels in the athletic department of NDU. In accordance with the provisions of Statement of Financial Accounting Standards No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, the amounts received and disbursed by NDUF for NDU's athletic department are not considered revenue and expenses of NDUF for the year ended September 30, 2021, as NDUF has no variance power to redirect these funds for other uses.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

10. Income Taxes

NDUF qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended September 30, 2021, as NDUF had no significant net unrelated business income.

NDUF performed an evaluation of uncertain tax positions for the year ended September 30, 2021, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2021, the statute of limitations remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which NDUF files tax returns; however, there are currently no audits pending or in progress for any tax periods. It is NDUF's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax or interest expense. As of September 30, 2021, NDUF had no accruals for interest and/or penalties.

11. Summarized Financial Information

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

12. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions, for potential recognition or disclosure, through January 31, 2022, the date the financial statements were available to be issued. There were no subsequent events that were required to be disclosed.