



Financial Statements

*For the Year Ended September 30, 2020
(With Summarized Financial Information for the Year Ended September 30, 2019)*



**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, 2020, 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, 2020, 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 2019 financial statements, and in our report dated October 16, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 4, 2021

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2020
(With Summarized Financial Information as of September 30, 2019)

	2020	2019
ASSETS		
Cash	\$ 322,239	\$ 303,830
Contributions receivable	145,000	10,000
Prepaid expenses	6,797	5,932
Bookstore inventory	17,190	13,191
Towel fund	11,598	44,832
Collections	75,000	75,000
Fixed assets, net of accumulated depreciation of \$86,918 in 2020 and 2019	682	-
TOTAL ASSETS	\$ 578,506	\$ 452,785
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 4,772	\$ 32,624
Accrued expenses	5,052	2,289
Note payable – paycheck protection program	71,958	-
Towel fund liability	11,598	44,832
TOTAL LIABILITIES	93,380	79,745
Net Assets		
Without donor restrictions	272,897	278,820
With donor restrictions	212,229	94,220
TOTAL NET ASSETS	485,126	373,040
TOTAL LIABILITIES AND NET ASSETS	\$ 578,506	\$ 452,785

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, 2020

(With Summarized Financial Information for the Year Ended September 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Contributions	\$ 641,865	\$ 133,015	\$ 774,880	\$ 882,297
Special events	-	-	-	70,000
Bookstore sales	15,700	-	15,700	74,523
In-kind contributions	-	-	-	3,740
Other revenue	2,225	-	2,225	34,928
Net asset released from restrictions:				
Satisfaction of purpose restrictions	15,006	(15,006)	-	-
TOTAL REVENUE AND SUPPORT	674,796	118,009	792,805	1,065,488
EXPENSES				
Program Services:				
Education, Outreach, and Support for National Defense University	434,626	-	434,626	764,202
Total Program Services	434,626	-	434,626	764,202
Supporting Services:				
Management and general	108,715	-	108,715	475,417
Fundraising	137,378	-	137,378	82,326
Total Supporting Services	246,093	-	246,093	557,743
TOTAL EXPENSES	680,719	-	680,719	1,321,945
CHANGE IN NET ASSETS	(5,923)	118,009	112,086	(256,457)
NET ASSETS, BEGINNING OF YEAR	278,820	94,220	373,040	629,497
NET ASSETS, END OF YEAR	\$ 272,897	\$ 212,229	\$ 485,126	\$ 373,040

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, 2020

(With Summarized Financial Information as of September 30, 2019)

	Program Services	Supporting Services			2020 Total	2019 Total
	Education, Outreach, and Support for National Defense University	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 195,100	\$ 36,738	\$ 63,850	\$ 100,588	\$ 295,688	\$ 405,053
Professional fees	165,479	28,680	52,896	81,576	247,055	385,158
Payroll taxes	15,101	2,094	4,942	7,036	22,137	28,042
Miscellaneous	9,372	32,780	4,685	37,465	46,837	21,536
Travel	5,458	2,963	2,963	5,926	11,384	70,375
Insurance	7,215	1,229	2,470	3,699	10,914	1,597
Bookstore-Cost of Goods Sold	10,533	-	-	-	10,533	24,887
Retirement plan contributions	6,897	956	2,257	3,213	10,110	15,115
Special events	9,835	-	-	-	9,835	130,913
Supplies	3,436	476	1,125	1,601	5,037	23,559
Printing and publications	1,528	764	764	1,528	3,056	2,049
Bank and credit card fees	1,321	1,488	660	2,148	3,469	11,508
NDU Support	2,119	-	-	-	2,119	26,925
Telephone and internet	1,159	161	379	540	1,699	4,650
Meals	-	349	350	699	699	84,063
Postage	73	37	37	74	147	1,483
Bad debt	-	-	-	-	-	77,500
Depreciation	-	-	-	-	-	7,532
TOTAL EXPENSES	\$ 434,626	\$ 108,715	\$ 137,378	\$ 246,093	\$ 680,719	\$ 1,321,945

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, 2020

(With Summarized Financial Information as of September 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 112,086	\$ (256,457)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	-	7,532
Changes in assets and liabilities		
Contributions receivable	(135,000)	343,000
Prepaid expenses	(865)	36,818
Bookstore inventory	(3,999)	3,008
Accounts payable	(27,852)	(95,081)
Accrued expenses	2,763	(2,763)
	<u>(52,867)</u>	<u>36,057</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(682)	(6,891)
	<u>(682)</u>	<u>(6,891)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable – paycheck protection program	71,958	-
	<u>71,958</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH	18,409	29,166
CASH, BEGINNING OF YEAR	<u>303,830</u>	<u>274,664</u>
CASH, END OF YEAR	<u>\$ 322,239</u>	<u>\$ 303,830</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, 2020

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, 2020, NDUF did not provide contributions to 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, 2020**

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, 2020, 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.

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.

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'

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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

Functional Expense Allocation (continued)

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.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. NDUF adopted ASU 2014-09 and related amendments on October 1, 2019, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. NDUF adopted ASU 2018-08 as of October 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for NDUF's contributions.

2. Contributions Receivable

Contributions receivable of \$145,000 represent promises to give from various organizations and are due within one year as of September 30, 2020. The receivables are deemed fully collectible. Accordingly, no allowance for uncollectible contributions receivable has been provided.

3. Note Payable – Paycheck Protection Program

On May 7, 2020, NDUF's Small Business Administration (SBA) loan application under the Paycheck Protection Program (PPP) in the amount of \$71,958 was approved by a financial institution. The loan will 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. NDUF believes it meets these requirements for forgiveness and subsequent to year-end has applied for loan forgiveness. If the loan is forgiven, it shall be recognized in the financial statements as forgiveness of PPP loan at that time.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

3. Note Payable – Paycheck Protection Program (continued)

In the event the loan is not forgiven, consecutive principal payments of \$3,998 plus interest of 1% will commence one month after the earlier of the following dates: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. Effective April 16, 2021, the SBA forgave the entire principal and associated accrued interest of NDUF's PPP note payable.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of September 30, 2020:

Subject to expenditure for specified purpose:

iCollege 20 th Anniversary program	\$ 39,149
Collin Powell Chair	20,000
Institute for National Strategic Studies	16,528
ACSS Chagoury gift	13,130
CCO Inclusive Security project	5,186
Other programs	<u>8,236</u>
Total Net Assets With Donor Restrictions	<u>\$ 102,229</u>

Subject to passage of time:

Subject to Passage of Time	<u>\$ 110,000</u>
Total Subject to Passage of Time	<u>\$ 110,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 212,229</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, 2020, were as follows:

Cash	\$ 322,239
Contributions receivable	<u>145,000</u>
Total Financial Assets Available Within One Year	467,239
Less:	
Amounts unavailable for general expenditures within one year due to donor's with purpose restrictions	<u>(102,229)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 365,010</u>

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

5. Liquidity and Availability (continued)

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.

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, 2020, the NDUF's cash balances exceeded the maximum limit insured by the FDIC by approximately \$72,000. 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, 2020, NDUF recognized revenue of \$470,000 from a Board member, which is approximately 57% 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, 2020, was \$10,110.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

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, 2020, as NDUF has no variance power to redirect these funds for other uses.

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, 2020, as NDUF had no significant net unrelated business income.

NDUF performed an evaluation of uncertain tax positions for the year ended September 30, 2020, 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, 2020, 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 for any tax periods in progress. 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, 2020, 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, 2019, 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 June 4, 2021, the date the financial statements were available to be issued. Except for the subsequent event disclosed in Note 3, Note Payable – Paycheck Protection Program, there were no subsequent events that were required to be disclosed.