

**FINANCIAL STATEMENTS**

**BUSINESS EXECUTIVES FOR  
NATIONAL SECURITY**

**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

# BUSINESS EXECUTIVES FOR NATIONAL SECURITY

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Business Executives for National Security  
Washington, D.C.

We have audited the accompanying financial statements of Business Executives for National Security (BENS), which comprise the statement of financial position as of December 31, 2018, 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 BENS as of December 31, 2018, 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

### **Report on Summarized Comparative Information**

We have previously audited BENS' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

June 18, 2019

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

<b>ASSETS</b>		
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,945,109	\$ 2,241,917
Investments	6,110,357	6,294,439
Accounts receivable	88,592	278,473
Prepaid expenses	125,291	150,962
Total current assets	9,269,349	8,965,791
<b>FIXED ASSETS</b>		
Equipment	285,955	142,112
Furniture	155,331	103,243
Leasehold improvements	10,593	-
Less: Accumulated depreciation and amortization	(279,458)	(231,982)
Net fixed assets	172,421	13,373
<b>OTHER ASSETS</b>		
Security deposits	49,364	49,364
<b>TOTAL ASSETS</b>	<b>\$ 9,491,134</b>	<b>\$ 9,028,528</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 338,657	\$ 324,668
Accrued vacation	147,801	154,840
Total current liabilities	486,458	479,508
<b>LONG-TERM LIABILITIES</b>		
Deferred rent abatement, net of current portion	134,711	35,236
Total liabilities	621,169	514,744
<b>NET ASSETS</b>		
Without donor restrictions	8,846,042	8,513,784
With donor restrictions	23,923	-
Total net assets	8,869,965	8,513,784
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,491,134</b>	<b>\$ 9,028,528</b>

See accompanying notes to financial statements.

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 5,386,022	\$ 25,000	\$ 5,411,022	\$ 4,734,590
Special event income, net of expenses of \$457,772	1,628,901	-	1,628,901	2,595,180
In-kind contributions	82,128	-	82,128	78,024
Investment (loss) income, net	(248,556)	-	(248,556)	633,213
Other revenue	5,274	-	5,274	-
Net assets released from donor restrictions	<u>1,077</u>	<u>(1,077)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,854,846</u>	<u>23,923</u>	<u>6,878,769</u>	<u>8,041,007</u>
<b>EXPENSES</b>				
Program Services:				
Meetings, Program Development and Implementation	3,048,446	-	3,048,446	2,659,523
Project Development and Implementation	<u>2,216,995</u>	<u>-</u>	<u>2,216,995</u>	<u>2,052,921</u>
Total program services	<u>5,265,441</u>	<u>-</u>	<u>5,265,441</u>	<u>4,712,444</u>
Supporting Services:				
Administration	491,846	-	491,846	421,578
Membership	<u>765,301</u>	<u>-</u>	<u>765,301</u>	<u>1,195,909</u>
Total supporting services	<u>1,257,147</u>	<u>-</u>	<u>1,257,147</u>	<u>1,617,487</u>
Total expenses	<u>6,522,588</u>	<u>-</u>	<u>6,522,588</u>	<u>6,329,931</u>
Change in net assets	332,258	23,923	356,181	1,711,076
Net assets at beginning of year	<u>8,513,784</u>	<u>-</u>	<u>8,513,784</u>	<u>6,802,708</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 8,846,042</b></u>	<u><b>\$ 23,923</b></u>	<u><b>\$ 8,869,965</b></u>	<u><b>\$ 8,513,784</b></u>

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018		
	Program Services		
	Meetings, Program Development and Implementation	Project Development and Implementation	Total Program Services
Salaries	\$ 1,375,946	\$ 1,231,860	\$ 2,607,806
Payroll taxes and employee benefits	335,128	300,034	635,162
 Total salaries and employee expenses	 1,711,074	 1,531,894	 3,242,968
Professional services	141,779	126,932	268,711
Postage	8,283	7,415	15,698
Office supplies and equipment	97,661	87,434	185,095
Advertising	-	-	-
Software licenses	1,546	1,384	2,930
Printing	2,755	2,466	5,221
Rent	338,553	303,101	641,654
Telephone	20,241	18,122	38,363
Repairs and maintenance	8,991	8,049	17,040
Travel and subsistence	41,566	37,213	78,779
Meetings	585,663	12,110	597,773
Depreciation and amortization	19,722	17,656	37,378
Write off of leasehold improvements	-	-	-
Bank fees	39,534	35,394	74,928
Dues and subscriptions	13,245	11,858	25,103
Employee development	1,383	1,238	2,621
Business insurance	12,116	10,847	22,963
Unrelated business income tax	-	-	-
Other	4,334	3,882	8,216
 Subtotal	 3,048,446	 2,216,995	 5,265,441
Less: Special events	-	-	-
 <b>TOTAL</b>	 <b>\$ 3,048,446</b>	 <b>\$ 2,216,995</b>	 <b>\$ 5,265,441</b>

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018 (Continued)			2017	
	Supporting Services			Total Expenses	Total Expenses
	Administration	Membership	Total Supporting Services		
Salaries	\$ 259,025	\$ 445,510	\$ 704,535	\$ 3,312,341	\$ 3,323,983
Payroll taxes and employee benefits	63,089	108,509	171,598	806,760	749,987
Total salaries and employee expenses	322,114	554,019	876,133	4,119,101	4,073,970
Professional services	26,690	45,906	72,596	341,307	163,156
Postage	1,559	2,682	4,241	19,939	30,064
Office supplies and equipment	18,385	31,621	50,006	235,101	190,011
Advertising	-	500	500	500	500
Software licenses	291	500	791	3,721	1,541
Printing	519	892	1,411	6,632	3,517
Rent	63,734	109,618	173,352	815,006	536,603
Telephone	3,810	6,554	10,364	48,727	47,940
Repairs and maintenance	1,693	2,911	4,604	21,644	31,723
Travel and subsistence	7,826	13,458	21,284	100,063	116,129
Meetings	10,656	425,163	435,819	1,033,592	918,131
Depreciation and amortization	3,712	6,386	10,098	47,476	11,371
Write off of leasehold improvements	-	-	-	-	9,004
Bank fees	7,443	12,800	20,243	95,171	119,469
Dues and subscriptions	2,493	4,289	6,782	31,885	40,702
Employee development	260	448	708	3,329	3,265
Business insurance	2,281	3,926	6,207	29,170	28,634
Unrelated business income tax	17,565	-	17,565	17,565	-
Other	815	1,400	2,215	10,431	4,201
Subtotal	491,846	1,223,073	1,714,919	6,980,360	6,329,931
Less: Special events	-	(457,772)	(457,772)	(457,772)	-
<b>TOTAL</b>	<b>\$ 491,846</b>	<b>\$ 765,301</b>	<b>\$ 1,257,147</b>	<b>\$ 6,522,588</b>	<b>\$ 6,329,931</b>



**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 356,181	\$ 1,711,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,476	11,371
Realized gain on sale of investments	(111,849)	(264,698)
Unrealized loss (gain) on investments	641,444	(156,092)
Loss on disposal of leasehold improvements	-	9,004
Decrease (increase) in:		
Accounts receivable	189,881	(151,149)
Prepaid expenses	25,671	(17,827)
(Decrease) increase in:		
Accounts payable and accrued expenses	13,989	83,257
Accrued vacation	(7,039)	(16,996)
Deferred rent abatement	<u>99,475</u>	<u>(201,635)</u>
Net cash provided by operating activities	<u>1,255,229</u>	<u>1,006,311</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases of investments	(345,513)	(1,395,415)
Purchases of fixed assets	<u>(206,524)</u>	<u>-</u>
Net cash used by investing activities	<u>(552,037)</u>	<u>(1,395,415)</u>
Net increase (decrease) in cash and cash equivalents	703,192	(389,104)
Cash and cash equivalents at beginning of year	<u>2,241,917</u>	<u>2,631,021</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,945,109</u></b>	<b><u>\$ 2,241,917</u></b>
<b>SCHEDULE OF NONCASH INVESTING TRANSACTIONS</b>		
Donated Securities	<b><u>\$ 120,349</u></b>	<b><u>\$ 115,934</u></b>

## BUSINESS EXECUTIVES FOR NATIONAL SECURITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Business Executives for National Security (BENS) is a non-profit organization, incorporated in the District of Columbia. The purpose of BENS is to apply best business practices to address the nation's most pressing security challenges.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the BENS' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

##### Cash and cash equivalents -

BENS 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, BENS 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, net of investment management fees, are included in "investment (loss) income" in the accompanying Statement of Activities and Change in Net Assets.

Periodically, BENS receives contributions in the form of securities, which are recorded at their fair value as of the date of donation. BENS typically sells the securities immediately upon receipt, minimizing the amount of potential realized gains or losses from the transaction. During the year ended December 31, 2018, BENS received a total of \$120,349 in donated securities, which were sold immediately in accordance with their policy.

##### Accounts receivable -

Accounts receivable represent credit card payments that were initiated before year end and are received after year end. The receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Accounts receivable are expected to be collected within one year.

##### Fixed assets -

BENS records fixed assets at cost. Fixed assets are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years.

## BUSINESS EXECUTIVES FOR NATIONAL SECURITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

##### Fixed assets (continued) -

BENS has established a capitalization threshold policy of \$2,500. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense for the year ended December 31, 2018 was \$47,476.

##### Income taxes -

BENS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is \$17,565. The organization is not a private foundation.

##### Uncertain tax positions -

For the year ended December 31, 2018, BENS 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.

##### Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

##### Contributions and grants -

Contributions and grants are recorded as revenue in the year payment is received.

## BUSINESS EXECUTIVES FOR NATIONAL SECURITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

##### In-kind contributions -

In-kind contributions are valued at fair market value as of the date of the gift. The value of services and materials donated to BENS for the year ended December 31, 2018 was \$82,128 and is reflected as in-kind contributions in the Statement of Activities and Change in Net Assets. The corresponding expenses are recorded in the appropriate expense categories in the Schedule of Functional Expenses.

##### 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. Expenses directly attributed to a specific functional area of BENS are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Occupancy cost, depreciation, and office costs are allocated based on square footage

##### Risks and uncertainties -

BENS 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 -

BENS 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.

BENS accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

In accordance with FASB ASC 820, *Fair Value Measurement*, BENS 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.

## BUSINESS EXECUTIVES FOR NATIONAL SECURITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

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 BENS 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.

For disclosure of inputs and valuation techniques, see Note 2.

New accounting pronouncements (not yet adopted) -

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*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. BENS has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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.

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 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.

BENS plans to adopt the new ASUs at the respective required implementation dates.

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. INVESTMENTS**

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy. BENS' investments as of December 31, 2018 were as follows:

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2018</u>
Corporate bonds	\$ 912,425	\$ -	\$ -	\$ 912,425
Equities	1,121,312	-	-	1,121,312
Mutual funds	3,928,447	-	-	3,928,447
Insurance contract	<u>-</u>	<u>-</u>	<u>148,173</u>	<u>148,173</u>
<b>TOTAL</b>	<b><u>\$ 5,962,184</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 148,173</u></b>	<b><u>\$ 6,110,357</u></b>

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by BENS are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by BENS are deemed to be actively traded.
- *Insurance contract* - Generally valued at contract value which approximates fair value.

**Level 3 Financial Assets**

The following table provides a summary of changes in fair value of BENS' financial assets for the year ended December 31, 2018:

	<u>Investments</u>
Beginning balance as of January 1, 2018	\$ 155,186
Unrealized loss	<u>(7,013)</u>
<b>BALANCE AS OF DECEMBER 31, 2018</b>	<b><u>\$ 148,173</u></b>
Included in investment loss are the following:	
Interest and dividends	\$ 309,647
Unrealized loss	(641,444)
Realized gain	111,849
Investment fees	<u>(28,608)</u>
<b>TOTAL INVESTMENT LOSS</b>	<b><u>\$ (248,556)</u></b>

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**3. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of December 31, 2018:

<b>Electromagnetic Pulse Threat</b>	<b>\$ <u>23,923</u></b>
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**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following is a summary of net assets which were released from donor restrictions by incurring expenses (or through the approval of donors), which satisfied the restricted purposes specified by the donors:

<b>Electromagnetic Pulse Threat</b>	<b>\$ <u>1,077</u></b>
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**5. BOARD DESIGNATED NET ASSETS**

A reserve fund, the Leadership Fund, has been established by the Board of Directors and contributions to this fund are Board restricted.

In an emergency situation in which revenues are insufficient to meet financial commitments, the Chief Executive Officer (CEO) may request a draw from these reserves. Any disbursement of funds would require the approval of the Chairman of the Board and the Chairs of both the Executive and Audit Committees. All advances from the Leadership Fund must be restored as soon as funds, surplus to the budgetary needs of BENS, become available.

The balance of the Leadership Fund as of December 31, 2018 was \$2,504,143.

**6. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position, comprise the following:

Cash and cash equivalents	\$ 2,945,109
Investments	6,110,357
Accounts receivable	88,592
Less:	
Donor restricted funds	(23,923)
Board-designated funds	<u>(2,504,143)</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ <u>6,615,992</u></b>
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BENS has financial assets of \$6,615,992 as of December 31, 2018, to conduct general operations during the next calendar year.

These assets include cash, investments, and receivables. BENS' goal is to maintain financial assets to meet six months of normal operating expenses.

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. COMMITMENTS**

Operating lease -

On March 26, 2009, BENS entered into a lease agreement for office space in Washington, D.C. BENS signed a lease extension in December 2016 for a period of 12 years, expiring August 2029. Under the terms of the lease extension, base rent is \$706,053 per year, increasing by a factor of 2.5% per year, plus a proportionate share of expenses.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statement of Financial Position.

Rent expense for 2018 totaled \$815,006. BENS also has signed leases for various types of office equipment with lease terms of two to five years.

Future minimum payments are as follows:

**Year Ending December 31,**

2019	\$ 813,632
2020	831,861
2021	850,570
2022	869,757
2023	861,475
Thereafter	<u>4,957,808</u>
	<b><u>\$ 9,185,103</u></b>

**8. OTHER COMMITMENTS**

BENS is committed under agreements for conference space through the year 2019. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increases through the date of the event.

**9. RETIREMENT PLAN**

BENS has a 401(k) plan for all employees. BENS contributes a four percent matching contribution for all participating employees. The employer's contribution for the year ended December 31, 2018 totaled \$99,937.

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, BENS has evaluated events and transactions for potential recognition or disclosure through June 18, 2019, the date the financial statements were issued.