

FINANCIAL STATEMENTS

**BUSINESS EXECUTIVES FOR
NATIONAL SECURITY**

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

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CPAs & ADVISORS

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, 2019, 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, 2019, 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 BENS' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 7, 2020

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,532,657	\$ 2,945,109
Investments		7,880,602	6,110,357
Accounts receivable		179,321	88,592
Prepaid expenses		<u>169,254</u>	<u>125,291</u>
Total current assets		<u>10,761,834</u>	<u>9,269,349</u>
FIXED ASSETS			
Equipment		308,715	285,955
Furniture		155,331	155,331
Leasehold improvements		10,593	10,593
Less: Accumulated depreciation and amortization		<u>(357,240)</u>	<u>(279,458)</u>
Net fixed assets		<u>117,399</u>	<u>172,421</u>
OTHER ASSETS			
Security deposits		<u>49,364</u>	<u>49,364</u>
TOTAL ASSETS		<u>\$ 10,928,597</u>	<u>\$ 9,491,134</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	236,576	\$ 338,657
Accrued vacation		<u>183,607</u>	<u>147,801</u>
Total current liabilities		<u>420,183</u>	<u>486,458</u>
LONG-TERM LIABILITIES			
Deferred rent abatement, net of current portion		<u>217,015</u>	<u>134,711</u>
Total liabilities		<u>637,198</u>	<u>621,169</u>
NET ASSETS			
Without donor restrictions		10,267,476	8,846,042
With donor restrictions		<u>23,923</u>	<u>23,923</u>
Total net assets		<u>10,291,399</u>	<u>8,869,965</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 10,928,597</u>	<u>\$ 9,491,134</u>

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions and grants	\$ 5,403,722	\$ -	\$ 5,403,722	\$ 5,411,022
Special event income, net of expenses of \$443,230	1,512,657	-	1,512,657	1,628,901
In-kind contributions	66,616	-	66,616	82,128
Investment income (loss), net	1,157,182	-	1,157,182	(248,556)
Other revenue	<u>2,610</u>	<u>-</u>	<u>2,610</u>	<u>5,274</u>
Total revenue and support	<u>8,142,787</u>	<u>-</u>	<u>8,142,787</u>	<u>6,878,769</u>
EXPENSES				
Program Services:				
Meetings, Program Development and Implementation	2,535,731	-	2,535,731	3,048,446
Project Development and Implementation	<u>2,667,014</u>	<u>-</u>	<u>2,667,014</u>	<u>2,216,995</u>
Total program services	<u>5,202,745</u>	<u>-</u>	<u>5,202,745</u>	<u>5,265,441</u>
Supporting Services:				
Administration	554,066	-	554,066	491,846
Membership	<u>964,542</u>	<u>-</u>	<u>964,542</u>	<u>765,301</u>
Total supporting services	<u>1,518,608</u>	<u>-</u>	<u>1,518,608</u>	<u>1,257,147</u>
Total expenses	<u>6,721,353</u>	<u>-</u>	<u>6,721,353</u>	<u>6,522,588</u>
Change in net assets	1,421,434	-	1,421,434	356,181
Net assets at beginning of year	<u>8,846,042</u>	<u>23,923</u>	<u>8,869,965</u>	<u>8,513,784</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,267,476</u>	<u>\$ 23,923</u>	<u>\$10,291,399</u>	<u>\$ 8,869,965</u>

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019		
	Program Services		
	Meetings, Program Development and Implementation	Project Development and Implementation	Total Program Services
Salaries	\$ 1,419,613	\$ 1,270,954	\$ 2,690,567
Payroll taxes and employee benefits	372,748	333,715	706,463
Total salaries and employee expenses	1,792,361	1,604,669	3,397,030
Professional services	98,271	87,980	186,251
Postage	6,558	5,871	12,429
Office supplies and equipment	88,101	78,875	166,976
Advertising	-	-	-
Software licenses	36,268	32,470	68,738
Printing	457	409	866
Rent	348,675	312,163	660,838
Telephone	25,615	22,932	48,547
Repairs and maintenance	3,565	3,191	6,756
Travel and subsistence	46,514	41,644	88,158
Meetings	430,666	385,568	816,234
Depreciation and amortization	32,310	28,927	61,237
Bank fees	28,125	25,180	53,305
Dues and subscriptions	19,786	17,714	37,500
Employee development	1,493	1,337	2,830
Business insurance	14,713	13,173	27,886
Unrelated business income tax	-	-	-
Other	5,483	4,911	10,394
Subtotal	2,978,961	2,667,014	5,645,975
Less: Special events	(443,230)	-	(443,230)
TOTAL	\$ 2,535,731	\$ 2,667,014	\$ 5,202,745

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019 (Continued)			2018	
	Supporting Services			Total Expenses	Total Expenses
	Administration	Membership	Total Supporting Services		
Salaries	\$ 267,245	\$ 459,648	\$ 726,893	\$ 3,417,460	\$ 3,312,341
Payroll taxes and employee benefits	70,171	120,690	190,861	897,324	806,760
Total salaries and employee expenses	337,416	580,338	917,754	4,314,784	4,119,101
Professional services	11,768	31,818	43,586	229,837	341,307
Postage	1,235	2,123	3,358	15,787	19,939
Office supplies and equipment	16,585	28,526	45,111	212,087	235,101
Advertising	-	-	-	-	500
Software licenses	6,827	11,743	18,570	87,308	3,721
Printing	86	148	234	1,100	6,632
Rent	65,638	112,896	178,534	839,372	815,006
Telephone	4,823	8,294	13,117	61,664	48,727
Repairs and maintenance	671	1,154	1,825	8,581	21,644
Travel and subsistence	8,756	15,061	23,817	111,975	100,063
Meetings	81,074	139,443	220,517	1,036,751	1,033,592
Depreciation and amortization	6,083	10,462	16,545	77,782	47,476
Bank fees	5,295	9,107	14,402	67,707	95,171
Dues and subscriptions	3,725	6,406	10,131	47,631	31,885
Employee development	281	483	764	3,594	3,329
Business insurance	2,770	4,764	7,534	35,420	29,170
Unrelated business income tax	-	-	-	-	17,565
Other	1,033	1,776	2,809	13,203	10,431
Subtotal	554,066	964,542	1,518,608	7,164,583	6,980,360
Less: Special events	-	-	-	(443,230)	(457,772)
TOTAL	\$ 554,066	\$ 964,542	\$ 1,518,608	\$ 6,721,353	\$ 6,522,588

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,421,434	\$ 356,181
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	77,782	47,476
Realized gain on sale of investments	(385,370)	(111,849)
Unrealized (gain) loss on investments	(545,910)	641,444
(Increase) decrease in:		
Accounts receivable	(90,729)	189,881
Prepaid expenses	(43,963)	25,671
(Decrease) increase in:		
Accounts payable and accrued expenses	(102,081)	13,989
Accrued vacation	35,806	(7,039)
Deferred rent abatement	<u>82,304</u>	<u>99,475</u>
Net cash provided by operating activities	<u>449,273</u>	<u>1,255,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(838,965)	(345,513)
Purchases of fixed assets	<u>(22,760)</u>	<u>(206,524)</u>
Net cash used by investing activities	<u>(861,725)</u>	<u>(552,037)</u>
Net (decrease) increase in cash and cash equivalents	(412,452)	703,192
Cash and cash equivalents at beginning of year	<u>2,945,109</u>	<u>2,241,917</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,532,657</u>	<u>\$ 2,945,109</u>

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are 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.

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 BENS' financial statements for the year ended December 31, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, the BENS adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way BENS recognized revenue; however, the presentation and disclosures of revenue have been enhanced. BENS has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

New accounting pronouncements adopted (continued) -

Also during 2019, BENS adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. BENS adopted the ASU using a modified prospective basis.

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 income (loss)" in the accompanying Statement of Activities and Change in Net Assets.

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.

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 are incurred. Depreciation and amortization expense for the year ended December 31, 2019 was \$77,782.

Contributions and grants -

Gifts, including unconditional pledges, grants and contracts are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Accounts receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the condition on which they depend are substantially met.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Contributions and grants (continued) -

Contributions and grants qualifying as contributions are recorded by BENS upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Special events -

Revenue received for special events is recorded as revenue when the related event has occurred. Revenue received in advance is recorded as deferred revenue within the Statement of Financial Position.

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, 2019 was \$66,616 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 Statement 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.

Risks and uncertainties -

BENS invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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 -

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. 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) -

FASB issued ASU 2019-01, *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. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. BENS has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2020.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

New accounting pronouncements (not yet adopted) (continued) -

BENS plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

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, 2019 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual funds - equities	\$ 4,026,899	\$ -	\$ -	\$ 4,026,899
Mutual funds- fixed income	<u>3,853,703</u>	<u>-</u>	<u>-</u>	<u>3,853,703</u>
TOTAL	<u>\$ 7,880,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,880,602</u>

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, 2019. 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.

Included in investment income are the following:

Interest and dividends	\$ 253,986
Unrealized gain	545,910
Realized gain	385,370
Investment fees	<u>(28,084)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 1,157,182</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2019:

Electromagnetic Pulse Threat	<u>\$ 23,923</u>
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BUSINESS EXECUTIVES FOR NATIONAL SECURITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. 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, 2019 was \$5,804,943.

5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 2,532,657
Investments	7,880,602
Accounts receivable	179,321
Less: Donor restricted funds	(23,923)
Less: Board designated funds	<u>(5,804,943)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 4,763,714**

BENS has financial assets of \$8,064,514 as of December 31, 2019, 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. In the event of a significant negative event, BENS will have the permission to use their Board designated funds.

6. 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 2019 totaled \$839,372. BENS also has signed leases for various types of office equipment with lease terms of two to five years.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. COMMITMENTS (Continued)

Operating lease (continued) -

Future minimum payments are as follows:

Year Ending December 31,

2020	\$ 748,017
2021	766,726
2022	785,913
2023	805,579
2024	825,723
Thereafter	<u>4,132,085</u>
	<u>\$ 8,064,043</u>

7. OTHER COMMITMENTS

BENS is committed under agreements for conference space through the year 2020. 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.

8. 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, 2019 totaled \$103,283.

9. SUBSEQUENT EVENTS

In preparing these financial statements, BENS has evaluated events and transactions for potential recognition or disclosure through April 7, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The global financial markets have declined, and the fair value of the investment portfolio of BENS has experienced a net decrease of \$775,369 (a 9% fair value decline) as of the date of the audit report. Other potential financial or operational impacts from COVID-19 are unknown at this time.