

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
Business Executives for National Security

Opinion

We have audited the accompanying financial statements of Business Executives for National Security (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Business Executives for National Security as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Business Executives for National Security and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Business Executives for National Security's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Business Executives for National Security's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Business Executives for National Security's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
April 14, 2022

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,936,402	\$ 2,847,243
Investments	11,214,673	9,511,846
Accounts receivable	243,816	441,973
Prepaid expenses	91,638	97,083
Total Current Assets	<u>14,486,529</u>	<u>12,898,145</u>
Property		
Equipment	203,734	308,715
Furniture	172,120	165,548
Leasehold improvements	80,476	10,593
Total Cost	<u>456,330</u>	<u>484,856</u>
Less: Accumulated depreciation	<u>352,788</u>	<u>432,074</u>
Net Property	<u>103,542</u>	<u>52,782</u>
Other Assets		
Security deposits	<u>49,364</u>	<u>49,364</u>
Total Assets	<u><u>\$ 14,639,435</u></u>	<u><u>\$ 13,000,291</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 66,506	\$ 53,489
Payroll liabilities	489,854	528,265
Other current liabilities	57,133	-0-
Paycheck Protection Program note payable (Note 5)	-0-	665,012
Total Current Liabilities	<u>613,493</u>	<u>1,246,766</u>
Non-Current Liabilities		
Deferred rent	<u>325,795</u>	<u>280,759</u>
Total Liabilities	<u>939,288</u>	<u>1,527,525</u>
Commitments (Notes 7, 8 and 9)		
Net Assets		
Without donor restrictions	<u>13,700,147</u>	<u>11,472,766</u>
Total Liabilities and Net Assets	<u><u>\$ 14,639,435</u></u>	<u><u>\$ 13,000,291</u></u>

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Activities
Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 6,785,495	\$ -0-	\$ 6,785,495
Special events, net of cost of direct benefits to attendees of \$248,682 (2020 - \$102,014)	1,109,515	-0-	1,109,515
In-kind contributions	9,192	-0-	9,192
Net investment return	631,576	-0-	631,576
Grant revenue	665,012	-0-	665,012
Other revenue	22,287	-0-	22,287
	<u>9,223,077</u>	<u>-0-</u>	<u>9,223,077</u>
Net assets released from restriction	-0-	-0-	-0-
Total Support and Revenue	<u>9,223,077</u>	<u>-0-</u>	<u>9,223,077</u>
Expenses			
Program services			
Meetings, Program Development and Implementation	2,866,400	-0-	2,866,400
Project Development and Implementation	2,752,866	-0-	2,752,866
Membership Engagement	144,887	-0-	144,887
Total Program Services	<u>5,764,153</u>	<u>-0-</u>	<u>5,764,153</u>
Management and general	507,106	-0-	507,106
Fundraising	724,437	-0-	724,437
Total Expenses	<u>6,995,696</u>	<u>-0-</u>	<u>6,995,696</u>
Change in Net Assets	2,227,381	-0-	2,227,381
Net Assets at Beginning of Year	<u>11,472,766</u>	<u>-0-</u>	<u>11,472,766</u>
Net Assets at End of Year	<u>\$ 13,700,147</u>	<u>\$ -0-</u>	<u>\$ 13,700,147</u>

2020

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 5,556,382	\$ -0-	\$ 5,556,382	\$ 1,229,113
1,258,036	-0-	1,258,036	(148,521)
15,868	-0-	15,868	(6,676)
998,975	-0-	998,975	(367,399)
-0-	-0-	-0-	665,012
34,948	-0-	34,948	(12,661)
7,864,209	-0-	7,864,209	1,358,868
23,923	(23,923)	-0-	-0-
7,888,132	(23,923)	7,864,209	1,358,868
2,476,229	-0-	2,476,229	390,171
2,849,639	-0-	2,849,639	(96,773)
135,697	-0-	135,697	9,190
5,461,565	-0-	5,461,565	302,588
542,791	-0-	542,791	(35,685)
678,486	-0-	678,486	45,951
6,682,842	-0-	6,682,842	312,854
1,205,290	(23,923)	1,181,367	<u>\$ 1,046,014</u>
10,267,476	23,923	10,291,399	
<u>\$ 11,472,766</u>	<u>\$ -0-</u>	<u>\$ 11,472,766</u>	

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021						
	Program Services						
	Meetings, Program Development and Implementation	Project Development and Implementation	Membership Engagement	Total	Management and General	Fundraising	Total Expenses
Personnel Costs:							
Salaries	\$ 1,764,714	\$ 1,559,515	\$ 82,080	\$ 3,406,309	\$ 287,279	\$ 410,398	\$ 4,103,986
Payroll taxes and employee benefits	410,567	362,827	19,096	792,490	66,837	95,481	954,808
Total personnel costs	2,175,281	1,922,342	101,176	4,198,799	354,116	505,879	5,058,794
Rent	349,604	308,952	16,259	674,815	56,912	81,303	813,030
Professional services	163,049	144,090	7,584	314,723	26,543	37,918	379,184
Meetings	157,640	139,310	7,332	304,282	25,662	36,660	366,604
Office supplies and equipment	69,104	61,069	3,214	133,387	11,249	16,071	160,707
Software licenses	54,522	48,182	2,536	105,240	8,876	12,680	126,796
Travel and subsistence	34,098	30,134	1,586	65,818	5,551	7,930	79,299
Bank fees	29,603	26,161	1,377	57,141	4,819	6,884	68,844
Telephone	18,568	16,410	864	35,842	3,023	4,318	43,183
Depreciation	16,464	14,550	766	31,780	2,680	3,829	38,289
Dues and subscriptions	14,322	12,656	666	27,644	2,331	3,331	33,306
Business insurance	13,642	12,055	635	26,332	2,221	3,172	31,725
Employee development	10,378	9,171	483	20,032	1,689	2,414	24,135
Postage	5,458	4,824	254	10,536	889	1,269	12,694
Repairs and maintenance	2,774	2,452	129	5,355	452	645	6,452
Advertising	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	575	508	26	1,109	93	134	1,336
Total expenses by function	3,115,082	2,752,866	144,887	6,012,835	507,106	724,437	7,244,378
Less: Items included within support and revenue:							
Cost of direct benefits to attendees	(248,682)	-0-	-0-	(248,682)	-0-	-0-	(248,682)
Total expenses reported in the Statement of Activities	\$ 2,866,400	\$ 2,752,866	\$ 144,887	\$ 5,764,153	\$ 507,106	\$ 724,437	\$ 6,995,696

2020

Program Services

Meetings, Program Development and Implementation	Project Development and Implementation	Membership Engagement	Total	Management and General	Fundraising	Total Expenses	Increase (Decrease)
\$ 1,528,809	\$ 1,689,737	\$ 80,464	\$ 3,299,010	\$ 321,855	\$ 402,318	\$ 4,023,183	\$ 80,803
349,717	386,529	18,406	754,652	73,625	92,031	920,308	34,500
1,878,526	2,076,266	98,870	4,053,662	395,480	494,349	4,943,491	115,303
320,221	353,928	16,854	691,003	67,415	84,269	842,687	(29,657)
63,256	69,914	3,329	136,499	13,318	16,646	166,463	212,721
54,599	60,346	2,874	117,819	11,495	14,368	143,682	222,922
79,663	88,049	4,193	171,905	16,771	20,964	209,640	(48,933)
52,116	57,602	2,743	112,461	10,972	13,715	137,148	(10,352)
7,775	8,593	409	16,777	1,637	2,046	20,460	58,839
25,709	28,416	1,353	55,478	5,413	6,766	67,657	1,187
18,892	20,881	994	40,767	3,977	4,972	49,716	(6,533)
28,437	31,431	1,497	61,365	5,987	7,483	74,835	(36,546)
11,040	12,202	581	23,823	2,324	2,905	29,052	4,254
10,856	11,999	571	23,426	2,286	2,857	28,569	3,156
9,396	10,385	494	20,275	1,978	2,473	24,726	(591)
6,561	7,252	345	14,158	1,381	1,727	17,266	(4,572)
7,673	8,481	404	16,558	1,615	2,019	20,192	(13,740)
3,456	3,820	182	7,458	728	909	9,095	(9,095)
67	74	4	145	14	18	177	1,159
2,578,243	2,849,639	135,697	5,563,579	542,791	678,486	6,784,856	459,522
(102,014)	-0-	-0-	(102,014)	-0-	-0-	(102,014)	(146,668)
\$ 2,476,229	\$ 2,849,639	\$ 135,697	\$ 5,461,565	\$ 542,791	\$ 678,486	\$ 6,682,842	\$ 312,854

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,227,381	\$ 1,181,367
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,289	74,835
Realized gains on investments	(52,532)	(37,405)
Unrealized gains on investments	(377,139)	(818,662)
Forgiveness of Paycheck Protection Program note payable	(665,012)	-0-
Changes in operating assets and liabilities:		
Accounts receivable	198,157	(262,652)
Prepaid expenses	5,445	72,171
Accounts payable	13,017	(32,688)
Payroll liabilities	(38,411)	194,259
Deferred rent	45,036	63,744
Other current liabilities	57,133	-0-
Net Cash Provided by Operating Activities	<u>1,451,364</u>	<u>434,969</u>
Cash Flows from Investing Activities		
Purchase of investments	(2,457,872)	(775,177)
Proceeds from sale of investments	1,184,716	-0-
Purchase of property	(89,049)	(10,218)
Net Cash Used in Investing Activities	<u>(1,362,205)</u>	<u>(785,395)</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program note payable	<u>-0-</u>	<u>665,012</u>
Net Increase in Cash	89,159	314,586
Cash and Cash Equivalents at Beginning of Year	<u>2,847,243</u>	<u>2,532,657</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,936,402</u>	<u>\$ 2,847,243</u>

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies

The Business Executives for National Security (“BENS”) is a 501(c)(3) organization incorporated under the laws of the District of Columbia. Since 1982, BENS is a unique nonpartisan nonprofit comprised of senior business and industry executives who work with government partners to identify opportunities to apply best business practices to address America’s most pressing security challenges.

The accounting and reporting policies of BENS conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Basis of Accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: BENS classifies all investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents.

Investments: Investments with readily determinable fair value are reported at fair value in the statements of financial position. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in net investment return on the statements of activities. Realized gains and losses on sales of investments are computed on a specific identification basis.

Accounts Receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. BENS provides for doubtful accounts based on anticipated collections losses. Estimated losses are determined from a review of outstanding accounts receivable, historical collection experience, and existing economic conditions. Receivables are written off by management when, in their determination, all collection efforts have been exhausted. BENS has not recorded an allowance for doubtful accounts, since in the opinion of management, all outstanding receivables are collectible.

Property and Depreciation: Property is stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. BENS’s threshold for capitalization is any acquisition that meets the above criteria and is greater than or equal to \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Lives</u>
Leasehold improvements	10 years
Furniture and equipment	3 - 7 years

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Deferred Rent: BENS entered into a lease agreement for office space which contains annual rent escalations and lease incentives. As a result, BENS is recognizing rent expense on a straight-line basis over the term of the lease. Deferred rent represents the difference between rent expense recognized to date and the actual payments made to date.

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-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 restrictions. As of December 31, 2021, BENS's net assets were all without donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve fund. The balance of the board designated net assets was \$7,252,507 and \$6,564,307 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, BENS's net assets were all without donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions: Contributions received are recorded as without donor restrictions or with donor restriction, depending on the existence and/or nature of any donor restrictions. Contributions which are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same year in which the contributions are recognized. All other donor-imposed restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without 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 statements 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 materials donated to BENS was \$9,192 and \$15,868 for the years ended December 31, 2021 and 2020, respectively. The corresponding expenses are recorded in the appropriate expense categories in the statements of functional expenses. BENS receives stock donations throughout the year, which are sold as soon as possible, and the proceeds are invested in a money market fund.

Income Taxes: BENS is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. BENS had no unrelated business income for either of the years ended December 31, 2021 or 2020. Accordingly, no provision for income taxes is reflected in these financial statements. BENS's federal exempt tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns are filed.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated, generally based on estimates of the portion of time expended by the staff on the various functions.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*, which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance on leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statements of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt the standard and will assess the future impact of leases on the financial statements.

Subsequent Events: In preparing these financial statements, BENS has evaluated events and transactions for potential recognition or disclosure through April 14, 2022, the date the financial statements were available to be issued. During the period from January 1, 2022 through April 14, 2022 BENS did not have any material recognizable subsequent events.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of the financial position date comprise the following:

	2021	2020
Cash and cash equivalents	\$ 2,936,402	\$ 2,847,243
Investments	11,214,673	9,511,846
Accounts receivable	243,816	441,973
	<u>14,394,891</u>	<u>12,801,062</u>
Less: Board designated funds	<u>7,252,507</u>	<u>6,564,307</u>
Financial Assets Available for General Expenditure	<u>\$ 7,142,384</u>	<u>\$ 6,236,755</u>

The Board of Directors (the Board) has designated funds for future reserves (see Note 6). Even though there is no intent of the Board to remove the designation, the Board can make these funds available, as necessary.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2021 and 2020

Note 3: Investments

Investments consisted of the following at December 31, 2021 and 2020:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Equity mutual funds	\$ 5,399,034	\$ 3,696,814	\$ 4,835,767	\$ 3,787,235
Fixed income mutual funds	5,790,559	5,824,550	4,676,079	4,433,522
Common stocks	25,080	-0-	-0-	-0-
	<u>\$ 11,214,673</u>	<u>\$ 9,521,364</u>	<u>\$ 9,511,846</u>	<u>\$ 8,220,757</u>

Net investment return consisted of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 230,110	\$ 172,050
Realized gains	52,532	37,405
Unrealized gains	377,139	818,662
Investment fees	(28,205)	(29,142)
Net investment return	<u>\$ 631,576</u>	<u>\$ 998,975</u>

Note 4: Fair Value Measurement

Generally accepted accounting principles provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2021 and 2020

Note 4: Fair Value Measurement (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by BENS include the following:

Mutual Funds: Valued at the last sales price reported in the active market in which the individual fund is traded.

Common Stocks: Valued at the closing price reported on the active market in which the individual securities are traded.

In determining the appropriate levels, BENS performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The table below presents the balances of investments as of December 31, 2021, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equity mutual funds	\$ 5,399,034	\$ 5,399,034	\$ -0-	\$ -0-
Fixed income mutual funds	5,790,559	5,790,559	-0-	-0-
Common stocks	25,080	25,080	-0-	-0-
	\$ 11,214,673	\$ 11,214,673	\$ -0-	\$ -0-

The table below presents the balances of investments as of December 31, 2020, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equity mutual funds	\$ 4,835,767	\$ 4,835,767	\$ -0-	\$ -0-
Fixed income mutual funds	4,676,079	4,676,079	-0-	-0-
	\$ 9,511,846	\$ 9,511,846	\$ -0-	\$ -0-

Note 5: Paycheck Protection Program Note Payable

BENS applied for and received funds in the amount of \$665,012 under the Paycheck Protection Program (PPP) which was created by the U.S. federal government as a result of the coronavirus pandemic. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during either the eight-week or 24-week period, commencing on the date of the loan agreement (May 1, 2020). Any portion of the funding that does not qualify for forgiveness is considered a loan and is subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period commencing on December 1, 2020 with a maturity date of May 1, 2022. However, the loan repayment of principal period has been extended until 10 months after the end of the eight-week or 24-week period. The loan was reflected as a note payable at December 31, 2020. Management applied for and received forgiveness on February 13, 2021 and has recognized this as grant revenue on the statements of activities as of December 31, 2021.

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Note 6: Net Assets Without Donor Restrictions

Net assets without donor restrictions for the years ended December 31, 2021 and 2020 are segregated into two components as follows:

Undesignated - represents expendable funds that are available for the operations of BENS.

Board Designated - represents a reserve fund established by the Board.

Net assets without donor restrictions are as follows as of December 31, 2021 and 2020:

	2021	2020
Undesignated	\$ 6,447,640	\$ 4,908,459
Board designated: Leadership fund	<u>7,252,507</u>	<u>6,564,307</u>
Total net assets without donor restrictions	<u>\$ 13,700,147</u>	<u>\$ 11,472,766</u>

Note 7: Retirement Plan

BENS maintains a contributory retirement plan which qualifies under Section 401(k) of the Internal Revenue Code. All employees who meet BENS's eligibility requirements are covered under the plan. BENS matches participant contributions 100% up to 3% of compensation and an additional 50% on the next 2% of compensation. Total plan contribution expense was \$121,599 and \$111,110 for the years ended December 31, 2021 and 2020, respectively.

Note 8: Operating Leases

BENS leases its office space under an operating lease agreement that expires in August 2029. The lease requires monthly payments of \$58,838, increasing at a rate of 2.5% annually, with a term of 12 years. Rent expense was \$813,030 and \$842,687 for the years ended December 31, 2021 and 2020, respectively. BENS also leases various office equipment under operating leases with terms of 60 to 63 months expiring in September 2026 and April 2027. In addition, BENS entered into an operating lease for an apartment in February 2022 with a term of 12 months. Rental expense under these leases was \$91,107 and \$102,201 for the years ended December 31, 2021 and 2020, respectively.

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Note 8: Operating Leases (Continued)

Future annual minimum lease payments due under the leases for each of the years subsequent to December 31, 2021 are as follows:

Year ending December 31,	
2022	\$ 894,356
2023	893,289
2024	909,955
2025	930,578
2026	932,115
Thereafter	<u>2,420,189</u>
	<u>\$ 6,980,482</u>

Note 9: Space Commitment

BENS is committed under agreements for conference space through the year 2022. 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. Subsequent to year end, BENS paid initial deposits of approximately \$70,000 and additional advance payments are due during 2022 of \$45,000.

Note 10: Other Matters

Uninsured Balances: BENS maintains its cash balances at one financial institution. Periodically during the year, BENS's cash balances may exceed federally insured limits. BENS has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investment Risk: BENS's investment portfolio is a professionally managed portfolio that contains equities and fixed income funds. Such investments are exposed to various investment risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic, and financial impacts on the United States going forward. The pandemic continues and at this time, the impact on the operations and financial status of BENS cannot be determined.

