

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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  
March 30, 2023

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,321,749	\$ 2,936,402
Investments	6,067,142	11,214,673
Accounts receivable	413,591	243,816
Prepaid expenses	69,903	91,638
Total Current Assets	<u>11,872,385</u>	<u>14,486,529</u>
<b>Property</b>		
Equipment	201,458	203,734
Furniture	165,548	172,120
Leasehold improvements	180,319	80,476
Total Cost	<u>547,325</u>	<u>456,330</u>
Less: Accumulated depreciation	<u>338,308</u>	<u>352,788</u>
Net Property	<u>209,017</u>	<u>103,542</u>
<b>Other Assets</b>		
Operating lease right of use assets, net of amortization	8,458,985	-0-
Security deposits	49,364	49,364
Total Other Assets	<u>8,508,349</u>	<u>49,364</u>
<b>Total Assets</b>	<u>\$ 20,589,751</u>	<u>\$ 14,639,435</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 155,921	\$ 66,506
Payroll liabilities	430,772	489,854
Current portion of operating lease liabilities	482,965	-0-
Other current liabilities	74,883	57,133
Total Current Liabilities	<u>1,144,541</u>	<u>613,493</u>
<b>Non-Current Liabilities</b>		
Operating lease liabilities, net current portion	8,285,394	-0-
Deferred rent	-0-	325,795
Total Non-Current Liabilities	<u>8,285,394</u>	<u>325,795</u>
<b>Total Liabilities</b>	<u>9,429,935</u>	<u>939,288</u>
<b>Commitments (Notes 7 and 9)</b>		
<b>Net Assets</b>		
Without donor restrictions	<u>11,159,816</u>	<u>13,700,147</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 20,589,751</u>	<u>\$ 14,639,435</u>

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

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**Statements of Activities**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Net Assets Without Donor Restrictions</b>			
<b>Support and Revenue</b>			
Contributions	\$ 5,218,360	\$ 6,785,495	\$ (1,567,135)
Special events, net of cost of direct benefits to attendees of \$885,518 (2021 - \$248,682)	1,509,114	1,109,515	399,599
In-kind contributions	14,412	9,192	5,220
Net investment return	(1,352,614)	631,576	(1,984,190)
Forgiveness of Paycheck Protection Program loan	-0-	665,012	(665,012)
Other revenue	63,019	22,287	40,732
	<hr/>		
Total Support and Revenue	<u>5,452,291</u>	<u>9,223,077</u>	<u>(3,770,786)</u>
<b>Expenses</b>			
Program services			
Meetings, Program Development and Implementation	2,932,084	2,866,400	65,684
Project Development and Implementation	3,373,692	2,752,866	620,826
Membership Engagement	177,563	144,887	32,676
Total Program Services	<u>6,483,339</u>	<u>5,764,153</u>	<u>719,186</u>
Management and general	621,470	507,106	114,364
Fundraising	887,813	724,437	163,376
Total Expenses	<u>7,992,622</u>	<u>6,995,696</u>	<u>996,926</u>
	<hr/>		
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(2,540,331)</b>	2,227,381	<u>\$ (4,767,712)</u>
<b>Net Assets Without Donor Restrictions at Beginning of Year</b>	<u>13,700,147</u>	11,472,766	
<b>Net Assets Without Donor Restrictions at End of Year</b>	<u>\$ 11,159,816</u>	<u>\$ 13,700,147</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, 2022 and 2021**

	2022						
	Program Services						
	Meetings, Program Development and Implementation	Project Development and Implementation	Membership Engagement	Total	Management and General	Fundraising	Total Expenses
Personnel Costs:							
Salaries	\$ 1,908,408	\$ 1,686,500	\$ 88,763	\$ 3,683,671	\$ 310,671	\$ 443,816	\$ 4,438,158
Payroll taxes and employee benefits	461,040	407,430	21,444	889,914	75,053	107,219	1,072,186
Total personnel costs	<u>2,369,448</u>	<u>2,093,930</u>	<u>110,207</u>	<u>4,573,585</u>	<u>385,724</u>	<u>551,035</u>	<u>5,510,344</u>
Rent	339,327	299,870	15,783	654,980	55,239	78,913	789,132
Professional services	230,018	203,272	10,699	443,989	37,445	53,493	534,927
Meetings	545,625	482,179	25,378	1,053,182	88,822	126,889	1,268,893
Office supplies and equipment	79,756	70,482	3,710	153,948	12,983	18,548	185,479
Software licenses	51,801	45,777	2,409	99,987	8,433	12,047	120,467
Travel and subsistence	76,414	67,529	3,554	147,497	12,440	17,771	177,708
Bank fees	37,301	32,964	1,735	72,000	6,072	8,675	86,747
Telephone	23,240	20,537	1,081	44,858	3,783	5,405	54,046
Depreciation	12,838	11,346	597	24,781	2,090	2,986	29,857
Dues and subscriptions	18,120	16,013	843	34,976	2,950	4,214	42,140
Business insurance	15,375	13,587	715	29,677	2,503	3,576	35,756
Employee development	5,755	5,086	268	11,109	937	1,338	13,384
Postage	3,900	3,447	181	7,528	635	907	9,070
Repairs and maintenance	7,330	6,478	341	14,149	1,193	1,705	17,047
Advertising	480	424	22	926	78	112	1,116
Other	874	771	40	1,685	143	199	2,027
Total expenses by function	<u>3,817,602</u>	<u>3,373,692</u>	<u>177,563</u>	<u>7,368,857</u>	<u>621,470</u>	<u>887,813</u>	<u>8,878,140</u>
Less: Items included within support and revenue:							
Cost of direct benefits to attendees	<u>(885,518)</u>	<u>-0-</u>	<u>-0-</u>	<u>(885,518)</u>	<u>-0-</u>	<u>-0-</u>	<u>(885,518)</u>
<b>Total expenses reported in the Statement of Activities</b>	<u>\$ 2,932,084</u>	<u>\$ 3,373,692</u>	<u>\$ 177,563</u>	<u>\$ 6,483,339</u>	<u>\$ 621,470</u>	<u>\$ 887,813</u>	<u>\$ 7,992,622</u>

**2021**

<b>Program Services</b>							
<b>Meetings, Program Development and Implementation</b>	<b>Project Development and Implementation</b>	<b>Membership Engagement</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>	<b>Increase (Decrease)</b>
\$ 1,764,714	\$ 1,559,515	\$ 82,080	\$ 3,406,309	\$ 287,279	\$ 410,398	\$ 4,103,986	\$ 334,172
410,567	362,827	19,096	792,490	66,837	95,481	954,808	117,378
2,175,281	1,922,342	101,176	4,198,799	354,116	505,879	5,058,794	451,550
349,604	308,952	16,259	674,815	56,912	81,303	813,030	(23,898)
163,049	144,090	7,584	314,723	26,543	37,918	379,184	155,743
157,640	139,310	7,332	304,282	25,662	36,660	366,604	902,289
69,104	61,069	3,214	133,387	11,249	16,071	160,707	24,772
54,522	48,182	2,536	105,240	8,876	12,680	126,796	(6,329)
34,098	30,134	1,586	65,818	5,551	7,930	79,299	98,409
29,603	26,161	1,377	57,141	4,819	6,884	68,844	17,903
18,568	16,410	864	35,842	3,023	4,318	43,183	10,863
16,464	14,550	766	31,780	2,680	3,829	38,289	(8,432)
14,322	12,656	666	27,644	2,331	3,331	33,306	8,834
13,642	12,055	635	26,332	2,221	3,172	31,725	4,031
10,378	9,171	483	20,032	1,689	2,414	24,135	(10,751)
5,458	4,824	254	10,536	889	1,269	12,694	(3,624)
2,774	2,452	129	5,355	452	645	6,452	10,595
-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,116
575	508	26	1,109	93	134	1,336	691
3,115,082	2,752,866	144,887	6,012,835	507,106	724,437	7,244,378	1,633,762
(248,682)	-0-	-0-	(248,682)	-0-	-0-	(248,682)	(636,836)
<u>\$ 2,866,400</u>	<u>\$ 2,752,866</u>	<u>\$ 144,887</u>	<u>\$ 5,764,153</u>	<u>\$ 507,106</u>	<u>\$ 724,437</u>	<u>\$ 6,995,696</u>	<u>\$ 996,926</u>

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



**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (2,540,331)	\$ 2,227,381
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,857	38,289
Realized losses (gains) on investments	130,328	(52,532)
Unrealized losses (gains) on investments	1,401,630	(377,139)
Forgiveness of Paycheck Protection Program loan	-0-	(665,012)
Changes in operating assets and liabilities:		
Accounts receivable	(169,775)	198,157
Prepaid expenses	21,735	5,445
Accounts payable	89,415	13,017
Payroll liabilities	(59,082)	(38,411)
Deferred rent	(325,795)	45,036
Operating lease right of use assets	(8,458,985)	-0-
Other current liabilities	17,750	57,133
Operating lease liabilities	8,768,359	-0-
Net Cash Provided by (Used in) Operating Activities	<u>(1,094,894)</u>	<u>1,451,364</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,019,384)	(2,457,872)
Proceeds from sale of investments	4,634,957	1,184,716
Purchase of property	(135,332)	(89,049)
Net Cash Provided by (Used in) Investing Activities	<u>3,480,241</u>	<u>(1,362,205)</u>
<b>Net Increase in Cash</b>	<b>2,385,347</b>	<b>89,159</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u><b>2,936,402</b></u>	<u><b>2,847,243</b></u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u><b>\$ 5,321,749</b></u></u>	<u><u><b>\$ 2,936,402</b></u></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for operating leases	<u><u><b>\$ 867,716</b></u></u>	<u><u><b>\$ -0-</b></u></u>
Non-Cash Operating Activities:		
Right of use assets and lease liabilities acquired under operating leases	<u><u><b>\$ 9,163,271</b></u></u>	<u><u><b>\$ -0-</b></u></u>

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

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**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, 2022 and 2021**

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

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, 2022, 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 \$6,067,142 and \$7,252,507 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, 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 \$14,412 and \$9,192 for the years ended December 31, 2022 and 2021, respectively. The corresponding meeting expenses utilized for various trips and events 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, 2022 or 2021. 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, 2022 and 2021**

**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: In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets which is effective for fiscal years beginning after June 15, 2021. This ASU requires that contributed nonfinancial assets be reported as a separate line item in the statements of activities, as well as disclose the disaggregation of the contributed nonfinancial assets recognized by type, whether they are monetized or utilized during the reporting period, and if utilized, the programs or other activities in which these contributed nonfinancial assets were used. Management has adopted and approved this standard.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases which was 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 for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the balance sheet as a depreciable right-of-use asset (ROU) 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 any payments to be made in lease option 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 ROU assets will be amortized over the term of the lease and the lease liability will be reduced by lease payments.

BENS evaluates each contract and determines if an arrangement contains a lease at the inception of a contract. As permitted under the ASU, BENS has elected not to record short-term leases with initial contract terms of 12 months or less on the statements of financial position. Short term lease costs for the year ended December 31, 2022 was \$25,633. BENS accounts for lease components and non-lease components as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage are not included in the ROU or lease liabilities. These are expensed as incurred. BENS has elected to use the risk-free rate to discount the lease payments for all classes of ROU. BENS had adopted the new lease standard effective as of January 1, 2022.

Prior to the adoption of ASU 2016-02, BENS entered into a lease agreement for office space which contains annual rent escalations and lease incentives. Prior to January 1, 2022, BENS was recognizing rent expense on a straight-line basis over the term of the lease. Deferred rent represented the difference between rent expense recognized to date and the actual payments made to date. Upon the adoption of ASU 2016-02, deferred rent is included in the calculation of the operating lease right-of-use assets and the operating lease liabilities.

Subsequent Events: In preparing these financial statements, BENS has evaluated events and transactions for potential recognition or disclosure through March 30, 2023, the date the financial statements were available to be issued. During the period from January 1, 2023 through March 30, 2023, BENS did not have any material recognizable subsequent events.

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**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:

	2022	2021
Cash and cash equivalents	\$ 5,321,749	\$ 2,936,402
Investments	6,067,142	11,214,673
Accounts receivable	413,591	243,816
	<u>11,802,482</u>	<u>14,394,891</u>
Less: Board designated funds	<u>6,067,152</u>	<u>7,252,507</u>
Financial Assets Available for General Expenditure	<u>\$ 5,735,330</u>	<u>\$ 7,142,384</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.

**Note 3: Investments**

Investments consisted of the following at December 31, 2022 and 2021:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Equity mutual funds	\$ 4,015,600	\$ 3,465,101	\$ 5,399,034	\$ 3,696,814
Fixed income mutual funds	2,051,542	2,335,618	5,790,559	5,824,550
Common stocks	-0-	-0-	25,080	-0-
	<u>\$ 6,067,142</u>	<u>\$ 5,800,719</u>	<u>\$ 11,214,673</u>	<u>\$ 9,521,364</u>

Net investment return consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 209,063	\$ 230,110
Realized gains (losses)	(130,328)	52,532
Unrealized gains (losses)	(1,401,630)	377,139
Investment fees	<u>(29,719)</u>	<u>(28,205)</u>
Net investment return	<u>\$ (1,352,614)</u>	<u>\$ 631,576</u>

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**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.

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, 2022, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equity mutual funds	\$ 4,015,600	\$ 4,015,600	\$ -0-	\$ -0-
Fixed income mutual funds	2,051,542	2,051,542	-0-	-0-
	<u>\$ 6,067,142</u>	<u>\$ 6,067,142</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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**Note 4: Fair Value Measurement (Continued)**

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-
	<u>\$ 11,214,673</u>	<u>\$ 11,214,673</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**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 forgiveness on the statements of activities as of December 31, 2021.

**Note 6: Net Assets Without Donor Restrictions**

Net assets without donor restrictions for the years ended December 31, 2022 and 2021 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, 2022 and 2021:

	2022	2021
Undesignated	\$ 5,092,664	\$ 6,447,640
Board designated:		
Leadership fund	6,067,152	7,252,507
Total net assets without donor restrictions	<u>\$ 11,159,816</u>	<u>\$ 13,700,147</u>

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**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 \$136,689 and \$121,599 for the years ended December 31, 2022 and 2021, respectively.

**Note 8: Operating Leases**

The Company has non-cancellable operating lease agreements for two equipment rentals and one office space that expire in September 2026, May 2027, and August 2034. All leases require monthly payments. The office lease payments escalate over the term of the lease and the lease provided for a rent abatement period. The Company has recorded a right-of-use asset for \$9,163,271, which is being amortized over the lives of the leases and an off-setting lease liability of \$9,163,271, which was reduced by the balance of the prior year deferred rent liability.

The Company's total lease expense for the year ended December 31, 2022 was \$851,296. Rent expense for 2021 prior to the adoption of ASC 842 leases was \$904,137.

As of December 31, 2022, right-of-use assets and operating lease liabilities related to operating leases were as follows:

Operating lease right-of-use assets, net	<u>\$ 8,458,985</u>
Operating lease liabilities:	
Current portion of operating lease liabilities	\$ 482,965
Operating lease liabilities, net of current portion	<u>8,285,394</u>
	<u>\$ 8,768,359</u>

Other lease details are as follows:

Weighted average remaining lease term in years	11.39
Weighted average discount rate	1.62%

As of December 31, 2022, future minimum lease payments under operating leases, summarized by fiscal year, are as follows:

2023	\$ 620,158
2024	909,924
2025	930,566
2026	932,120
2027	891,602
Thereafter	<u>5,322,078</u>
Total	9,606,448
Less: Amount representing interest	<u>838,089</u>
Present value of future minimum lease payments	<u>\$ 8,768,359</u>



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**Note 9: Commitments**

Expansion Space: In June 2022, BENS entered into a second amendment to the office lease agreement whereby BENS would lease an additional estimated 6,265 square feet of office space and the lease term would be extended by five years through August 2034. The lease term for the expansion space is estimated to commence on July 1, 2023 or whenever the construction work on the space is substantially complete. Included in the lease amendment is rent abatement periods of four months for the original space and 15 months for the expansion space. Future lease payments of approximately \$2,959,000 will be paid through August 2034 upon commencement of the expansion space lease and after the rent abatement period. In November 2022, BENS entered into a construction contract for the build-out of the additional office space in their current location. Total costs including construction, audio visual and furniture are estimated to be approximately \$1,265,000. The lease amendment provides for a tenant improvement allowance of \$1,287,500 which is expected to be used for these costs.

Space Commitments: BENS is committed under agreements for conference space through the year 2023. 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 \$50,000 and additional advance payments are due during 2023 of approximately \$50,000.

**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.

