

**BUSINESS EXECUTIVES FOR NATIONAL SECURITY
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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 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 4, 2024

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Financial Position
December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 4,645,829 | \$ 5,321,749 |
| Investments | 7,086,323 | 6,067,142 |
| Accounts receivable | 204,212 | 413,591 |
| Prepaid expenses | 120,582 | 69,903 |
| Total Current Assets | <u>12,056,946</u> | <u>11,872,385</u> |
| Property | | |
| Equipment | 178,698 | 201,458 |
| Furniture | 501,944 | 165,548 |
| Leasehold improvements | 162,734 | 180,319 |
| Total Cost | <u>843,376</u> | <u>547,325</u> |
| Less: Accumulated depreciation | 397,571 | 338,308 |
| Net Property | <u>445,805</u> | <u>209,017</u> |
| Other Assets | | |
| Operating lease right-of-use assets | 10,287,963 | 8,458,985 |
| Security deposits | 49,364 | 49,364 |
| Total Other Assets | <u>10,337,327</u> | <u>8,508,349</u> |
| Total Assets | <u><u>\$ 22,840,078</u></u> | <u><u>\$ 20,589,751</u></u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 88,132 | \$ 155,921 |
| Payroll liabilities | 196,756 | 430,772 |
| Current maturities of operating lease liabilities | 780,653 | 482,965 |
| Other current liabilities | 54,850 | 74,883 |
| Total Current Liabilities | <u>1,120,391</u> | <u>1,144,541</u> |
| Non-Current Liabilities | | |
| Operating lease liabilities, net of current maturities | <u>10,564,392</u> | <u>8,285,394</u> |
| Total Liabilities | <u>11,684,783</u> | <u>9,429,935</u> |
| Commitments (Note 6) | | |
| Net Assets | | |
| Without donor restrictions | 11,130,295 | 11,159,816 |
| With donor restrictions | 25,000 | -0- |
| Total Net Assets | <u>11,155,295</u> | <u>11,159,816</u> |
| Total Liabilities and Net Assets | <u><u>\$ 22,840,078</u></u> | <u><u>\$ 20,589,751</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, 2023 and 2022

| | 2023 | | |
|--|---------------------------------------|------------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenue | | | |
| Contributions | \$ 5,329,320 | \$ 25,000 | \$ 5,354,320 |
| Special events, net of cost of direct benefits to attendees of \$449,792 (2022 - \$885,518) | 1,793,465 | -0- | 1,793,465 |
| In-kind contributions | 5,932 | -0- | 5,932 |
| Net investment return | 1,196,895 | -0- | 1,196,895 |
| Other revenue | 12,468 | -0- | 12,468 |
| Loss on disposal of property | (5,070) | -0- | (5,070) |
| | <hr/> | | |
| Total Support and Revenue | 8,333,010 | 25,000 | 8,358,010 |
| | <hr/> | | |
| Expenses | | | |
| Program services | | | |
| Meetings, Program Development and Implementation | 3,242,800 | -0- | 3,242,800 |
| Project Development and Implementation | 3,263,223 | -0- | 3,263,223 |
| Membership Engagement | 171,738 | -0- | 171,738 |
| Total Program Services | 6,677,761 | -0- | 6,677,761 |
| Management and general | 826,024 | -0- | 826,024 |
| Fundraising | 858,746 | -0- | 858,746 |
| Total Expenses | 8,362,531 | -0- | 8,362,531 |
| | <hr/> | | |
| Change in Net Assets | (29,521) | 25,000 | (4,521) |
| | <hr/> | | |
| Net Assets at Beginning of Year | 11,159,816 | -0- | 11,159,816 |
| | <hr/> | | |
| Net Assets at End of Year | \$ 11,130,295 | \$ 25,000 | \$ 11,155,295 |
| | <hr/> | | |

| 2022 | | | |
|---------------------------------------|------------------------------------|----------------------|--------------------------------|
| Without Donor Restrictions | With Donor Restrictions | Total | Increase (Decrease) |
| \$ 5,218,360 | \$ -0- | \$ 5,218,360 | \$ 135,960 |
| 1,509,114 | -0- | 1,509,114 | 284,351 |
| 14,412 | -0- | 14,412 | (8,480) |
| (1,352,614) | -0- | (1,352,614) | 2,549,509 |
| 63,019 | -0- | 63,019 | (50,551) |
| -0- | -0- | -0- | (5,070) |
| <u>5,452,291</u> | <u>-0-</u> | <u>5,452,291</u> | <u>2,905,719</u> |
| 2,932,084 | -0- | 2,932,084 | 310,716 |
| 3,373,692 | -0- | 3,373,692 | (110,469) |
| 177,563 | -0- | 177,563 | (5,825) |
| <u>6,483,339</u> | <u>-0-</u> | <u>6,483,339</u> | <u>194,422</u> |
| 621,470 | -0- | 621,470 | 204,554 |
| 887,813 | -0- | 887,813 | (29,067) |
| <u>7,992,622</u> | <u>-0-</u> | <u>7,992,622</u> | <u>369,909</u> |
| (2,540,331) | -0- | (2,540,331) | <u>\$ 2,535,810</u> |
| <u>13,700,147</u> | <u>-0-</u> | <u>13,700,147</u> | |
| <u>\$ 11,159,816</u> | <u>\$ -0-</u> | <u>\$ 11,159,816</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, 2023 and 2022

| | 2023 | | | | | | |
|--|--|---|--------------------------|--------------|---------------------------|-------------|-------------------|
| | Program Services | | | | | | |
| | Meetings, Program Development and Implementation | Project Development and Implementation | Membership Engagement | Total | Management and General | Fundraising | Total Expenses |
| Personnel Costs: | | | | | | | |
| Salaries | \$ 1,773,600 | \$ 1,567,368 | \$ 82,493 | \$ 3,423,461 | \$ 288,726 | \$ 412,467 | \$ 4,124,654 |
| Payroll taxes and employee benefits | 463,426 | 409,540 | 21,555 | 894,521 | 75,441 | 107,774 | 1,077,736 |
| Total personnel costs | 2,237,026 | 1,976,908 | 104,048 | 4,317,982 | 364,167 | 520,241 | 5,202,390 |
| Meetings | 514,799 | 454,938 | 23,944 | 993,681 | 83,804 | 119,721 | 1,197,206 |
| Occupancy | 429,205 | 379,297 | 19,963 | 828,465 | 69,870 | 99,815 | 998,150 |
| Professional services | 207,122 | 183,039 | 9,634 | 399,795 | 33,718 | 48,168 | 481,681 |
| Contractual termination | -0- | -0- | -0- | -0- | 224,897 | -0- | 224,897 |
| Office supplies and equipment | 74,011 | 65,405 | 3,442 | 142,858 | 12,048 | 17,212 | 172,118 |
| Travel and subsistence | 48,788 | 43,115 | 2,269 | 94,172 | 7,942 | 11,346 | 113,460 |
| Software licenses | 48,051 | 42,464 | 2,235 | 92,750 | 7,822 | 11,175 | 111,747 |
| Depreciation | 37,645 | 33,268 | 1,751 | 72,664 | 6,128 | 8,754 | 87,546 |
| Bank fees | 29,065 | 25,685 | 1,352 | 56,102 | 4,732 | 6,759 | 67,593 |
| Telephone | 19,595 | 17,316 | 911 | 37,822 | 3,190 | 4,557 | 45,569 |
| Dues and subscriptions | 17,030 | 15,050 | 792 | 32,872 | 2,772 | 3,961 | 39,605 |
| Business insurance | 13,745 | 12,147 | 639 | 26,531 | 2,238 | 3,197 | 31,966 |
| Employee development | 4,447 | 3,930 | 198 | 8,575 | 724 | 1,034 | 10,333 |
| Other | 4,260 | 3,765 | 198 | 8,223 | 702 | 992 | 9,917 |
| Repairs and maintenance | 3,958 | 3,498 | 184 | 7,640 | 644 | 920 | 9,204 |
| Postage | 3,707 | 3,276 | 172 | 7,155 | 603 | 862 | 8,620 |
| Printing | 138 | 122 | 6 | 266 | 23 | 32 | 321 |
| Advertising | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Total expenses by function | 3,692,592 | 3,263,223 | 171,738 | 7,127,553 | 826,024 | 858,746 | 8,812,323 |
| Less: Items included within support and revenue: | | | | | | | |
| Cost of direct benefits to attendees | (449,792) | -0- | -0- | (449,792) | -0- | -0- | (449,792) |
| Total expenses reported in the Statement of Activities | \$ 3,242,800 | \$ 3,263,223 | \$ 171,738 | \$ 6,677,761 | \$ 826,024 | \$ 858,746 | \$ 8,362,531 |

2022

| Program Services | | | | | | | |
|---|---|----------------------------------|--------------|-----------------------------------|--------------------|---------------------------|--------------------------------|
| Meetings, Program Development and Implementation | Project Development and Implementation | Membership Engagement | Total | Management and General | Fundraising | Total Expenses | Increase (Decrease) |
| \$ 1,908,408 | \$ 1,686,500 | \$ 88,763 | \$ 3,683,671 | \$ 310,671 | \$ 443,816 | \$ 4,438,158 | \$ (313,504) |
| 461,040 | 407,430 | 21,444 | 889,914 | 75,053 | 107,219 | 1,072,186 | 5,550 |
| 2,369,448 | 2,093,930 | 110,207 | 4,573,585 | 385,724 | 551,035 | 5,510,344 | (307,954) |
| 545,625 | 482,179 | 25,378 | 1,053,182 | 88,822 | 126,889 | 1,268,893 | (71,687) |
| 339,327 | 299,870 | 15,783 | 654,980 | 55,239 | 78,913 | 789,132 | 209,018 |
| 230,018 | 203,272 | 10,699 | 443,989 | 37,445 | 53,493 | 534,927 | (53,246) |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 224,897 |
| 79,756 | 70,482 | 3,710 | 153,948 | 12,983 | 18,548 | 185,479 | (13,361) |
| 76,414 | 67,529 | 3,554 | 147,497 | 12,440 | 17,771 | 177,708 | (64,248) |
| 51,801 | 45,777 | 2,409 | 99,987 | 8,433 | 12,047 | 120,467 | (8,720) |
| 12,838 | 11,346 | 597 | 24,781 | 2,090 | 2,986 | 29,857 | 57,689 |
| 37,301 | 32,964 | 1,735 | 72,000 | 6,072 | 8,675 | 86,747 | (19,154) |
| 23,240 | 20,537 | 1,081 | 44,858 | 3,783 | 5,405 | 54,046 | (8,477) |
| 18,120 | 16,013 | 843 | 34,976 | 2,950 | 4,214 | 42,140 | (2,535) |
| 15,375 | 13,587 | 715 | 29,677 | 2,503 | 3,576 | 35,756 | (3,790) |
| 5,755 | 5,086 | 268 | 11,109 | 937 | 1,338 | 13,384 | (3,051) |
| 874 | 771 | 40 | 1,685 | 143 | 199 | 2,027 | 7,890 |
| 7,330 | 6,478 | 341 | 14,149 | 1,193 | 1,705 | 17,047 | (7,843) |
| 3,900 | 3,447 | 181 | 7,528 | 635 | 907 | 9,070 | (450) |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 321 |
| 480 | 424 | 22 | 926 | 78 | 112 | 1,116 | (1,116) |
| 3,817,602 | 3,373,692 | 177,563 | 7,368,857 | 621,470 | 887,813 | 8,878,140 | (65,817) |
| (885,518) | -0- | -0- | (885,518) | -0- | -0- | (885,518) | 435,726 |
| \$ 2,932,084 | \$ 3,373,692 | \$ 177,563 | \$ 6,483,339 | \$ 621,470 | \$ 887,813 | \$ 7,992,622 | \$ 369,909 |

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------------|-----------------------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (4,521) | \$ (2,540,331) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 87,546 | 29,857 |
| Loss on disposal of property | 5,070 | -0- |
| Realized losses (gains) on investments | (263) | 130,328 |
| Unrealized losses (gains) on investments | (869,608) | 1,401,630 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 209,379 | (169,775) |
| Prepaid expenses | (50,679) | 21,735 |
| Accounts payable | (67,789) | 89,415 |
| Payroll liabilities | (234,016) | (59,082) |
| Operating lease right-of-use assets | 829,812 | 704,286 |
| Other current liabilities | (20,033) | 17,750 |
| Operating lease liabilities | (82,104) | (720,707) |
| Net Cash Used in Operating Activities | <u>(197,206)</u> | <u>(1,094,894)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (149,453) | (1,019,384) |
| Proceeds from sale of investments | 143 | 4,634,957 |
| Purchase of property | (329,404) | (135,332) |
| Net Cash Provided by (Used in) Investing Activities | <u>(478,714)</u> | <u>3,480,241</u> |
| Net Increase (Decrease) in Cash | (675,920) | 2,385,347 |
| Cash and Cash Equivalents at Beginning of Year | <u>5,321,749</u> | <u>2,936,402</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 4,645,829</u></u> | <u><u>\$ 5,321,749</u></u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for operating leases | <u><u>\$ 620,158</u></u> | <u><u>\$ 867,716</u></u> |
| Non-Cash Operating Activities: | | |
| Right-of-use assets and lease liabilities acquired under operating leases | <u><u>\$ 2,658,790</u></u> | <u><u>\$ 9,163,271</u></u> |

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2023 and 2022

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 credit losses. BENS provides for credit losses based on anticipated collections losses. Estimated losses are determined from a review of outstanding accounts receivable, historical collection experience, and existing economic conditions and reasonable reportable forecasts of future events. Receivables are written off by management when, in their determination, all collection efforts have been exhausted. BENS has not recorded an allowance for credit losses, based on management’s assessment of estimated credit losses. There were no write-offs of accounts receivables during the years ended December 31, 2023 and 2022.

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, 2023 and 2022

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

Leases: BENS determines if an arrangement is a lease at the inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Leases with a term of 12 months or less are considered short-term leases and lease assets and liabilities are not recognized. Lease terms include the noncancellable portion of the leases and reasonably certain renewal periods, termination options and purchase options. BENS accounts for lease components and non-lease components as a single lease. BENS uses the risk-free discount rate when the rate implicit in the lease is not available.

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. 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 \$7,086,323 and \$6,067,142 as of December 31, 2023 and 2022, respectively.

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 are recorded in the year received 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 donated trips and events to BENS was \$5,932 and \$14,412 for the years ended December 31, 2023 and 2022, 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.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2023 and 2022

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

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, 2023 or 2022. 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.

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, based on estimates of the time expended by the staff on the various functions. The special events cost of direct benefits to attendees for the years ended December 31, 2023 and 2022 is comprised of food and beverage expenses of \$339,822 and \$340,289, respectively, and other direct costs of \$109,970 and \$545,229, respectively.

Recently Adopted Accounting Standards: 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 expensed over the term of the lease and the lease liability will be reduced by lease payments. BENS adopted the new lease standard effective as of January 1, 2022.

The FASB issued ASU ASC 326, *Financial Instruments - Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets. The most significant change is a shift from the incurred loss model to the expected loss model for estimating the allowance for credit losses. Under this standard, disclosures are required to provide the financial statement users with information for analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by BENS that are subject to the guidance in ASC 326 are accounts receivable.

BENS adopted ASC 326 effective January 1, 2023. The impact of the adoption was not material to the financial statements and primarily resulted in new disclosures only.

Subsequent Events: In preparing these financial statements, BENS has evaluated events and transactions for potential recognition or disclosure through April 4, 2024, the date the financial statements were available to be issued. During the period from January 1, 2024 through April 4, 2024, BENS did not have any material recognizable subsequent events.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2023 and 2022

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:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 4,645,829 | \$ 5,321,749 |
| Investments | 7,086,323 | 6,067,142 |
| Accounts receivable | 204,212 | 413,591 |
| | <u>11,936,364</u> | <u>11,802,482</u> |
| Less: Board designated funds | 7,086,323 | 6,067,142 |
| Less: Net assets with donor restrictions | 25,000 | -0- |
| Financial Assets Available for General Expenditure | <u>\$ 4,825,041</u> | <u>\$ 5,735,340</u> |

The Board of Directors (the Board) has designated funds for future reserves (see Note 5). 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, 2023 and 2022:

| | <u>2023</u> | | <u>2022</u> | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Equity mutual funds | \$ 4,891,635 | \$ 3,566,218 | \$ 4,015,600 | \$ 3,465,101 |
| Fixed income mutual funds | 2,194,688 | 2,379,388 | 2,051,542 | 2,335,618 |
| | <u>\$ 7,086,323</u> | <u>\$ 5,945,606</u> | <u>\$ 6,067,142</u> | <u>\$ 5,800,719</u> |

Net investment return consisted of the following for the years ended December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|---------------------|-----------------------|
| Interest and dividends | \$ 357,025 | \$ 209,063 |
| Realized gains (losses) | 263 | (130,328) |
| Unrealized gains (losses) | 869,608 | (1,401,630) |
| Investment fees | (30,001) | (29,719) |
| Net investment return | <u>\$ 1,196,895</u> | <u>\$ (1,352,614)</u> |

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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.

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, 2023, measured at fair value on a recurring basis by level within the hierarchy:

| | Total | Level 1 | Level 2 | Level 3 |
|---------------------------|---------------------|---------------------|---------------|---------------|
| Equity mutual funds | \$ 4,891,635 | \$ 4,891,635 | \$ -0- | \$ -0- |
| Fixed income mutual funds | 2,194,688 | 2,194,688 | -0- | -0- |
| | <u>\$ 7,086,323</u> | <u>\$ 7,086,323</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, 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> |

Note 5: Net Assets

Net assets without donor restrictions as of December 31, 2023 and 2022 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, 2023 and 2022:

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Undesignated | \$ 4,043,972 | \$ 5,092,674 |
| Board designated: | | |
| Leadership reserve fund | 7,086,323 | 6,067,142 |
| Total net assets without donor restrictions | <u>\$ 11,130,295</u> | <u>\$ 11,159,816</u> |

Net assets with donor restrictions as of December 31, 2023 are comprised of \$25,000 from a donor for the purpose of podcast support. There were no assets with donor restrictions as of December 31, 2022.

Note 6: 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 \$133,436 and \$136,689 for the years ended December 31, 2023 and 2022, respectively.

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Note 7: Operating Leases

The Company has non-cancellable operating lease agreements for two equipment rentals and 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. Upon the adoption of ASC 842 on January 1, 2022, BENS recorded right-of-use assets of \$9,163,271, which are being expensed over the life of the lease and off-setting operating lease liabilities of \$9,163,271, which were adjusted by the balance of an existing deferred rent liability of \$325,795 at December 31, 2021.

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 commenced on June 1, 2023. Included in the lease amendment is rent abatement periods of four months for the original space and 15 months for the expansion space as well as lease incentives of \$336,396 which were used for the furniture and equipment. BENS recorded right-of-use assets of \$2,658,790 and offsetting lease liabilities as of June 1, 2023, as adjusted for the rent abatement period and lease incentives.

The Company's total lease expense for the year then ended December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|-----------------------|---------------------|-------------------|
| Fixed office lease | \$ 947,237 | \$ 769,485 |
| Fixed equipment lease | 84,232 | 81,810 |
| Short-term lease | 41,838 | 25,633 |
| Variable office lease | 9,075 | 1,069 |
| | <u>\$ 1,082,382</u> | <u>\$ 877,997</u> |

As of December 31, 2023 and 2022, right-of-use assets and operating lease liabilities related to operating leases were as follows:

| | 2023 | 2022 |
|--|----------------------|---------------------|
| Operating lease right-of-use assets | <u>\$ 10,287,963</u> | <u>\$ 8,458,985</u> |
| Operating lease liabilities: | | |
| Current maturities of operating lease liabilities | \$ 780,653 | \$ 482,965 |
| Operating lease liabilities, net of current maturities | <u>10,564,392</u> | <u>8,285,394</u> |
| | <u>\$ 11,345,045</u> | <u>\$ 8,768,359</u> |

Other lease details are as follows:

| | 2023 |
|--|-------|
| Weighted average remaining lease term in years | 10.51 |
| Weighted average discount rate | 2.22% |

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Note 7: Operating Leases (Continued)

As of December 31, 2023, future minimum lease payments under operating leases, summarized by fiscal year, are as follows:

| | |
|--|-----------------------------|
| 2024 | \$ 1,021,232 |
| 2025 | 1,269,361 |
| 2026 | 1,279,384 |
| 2027 | 1,247,548 |
| 2028 | 1,276,254 |
| Thereafter | <u>6,656,978</u> |
| Total | 12,750,757 |
| Less: Amount representing interest | <u>1,405,712</u> |
| Present value of future minimum lease payments | <u><u>\$ 11,345,045</u></u> |

Note 8: 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 equity and fixed income mutual 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.

