

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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Independent Auditor's Report

To the Board of Directors
Business Executives for National Security

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Prior Period Financial Statements

The financial statements of Business Executives for National Security as of December 31, 2019, were audited by other auditors whose report dated April 7, 2020, expressed an unmodified opinion on those statements.

Gross, Mendelsohn & Associates, P. A.

Baltimore, Maryland
April 1, 2021

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,847,243	\$ 2,532,657
Investments	9,511,846	7,880,602
Accounts receivable	441,973	179,321
Prepaid expenses	97,083	169,254
Total Current Assets	<u>12,898,145</u>	<u>10,761,834</u>
Property		
Equipment	308,715	308,715
Furniture	165,548	155,331
Leasehold improvements	10,593	10,593
Total Cost	<u>484,856</u>	<u>474,639</u>
Less: Accumulated depreciation	<u>432,074</u>	<u>357,240</u>
Net Property	<u>52,782</u>	<u>117,399</u>
Other Assets		
Security deposits	<u>49,364</u>	<u>49,364</u>
Total Assets	<u><u>\$ 13,000,291</u></u>	<u><u>\$ 10,928,597</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 53,489	\$ 86,177
Payroll liabilities	528,265	334,006
Paycheck Protection Program note payable (Note 5)	665,012	-0-
Total Current Liabilities	<u>1,246,766</u>	<u>420,183</u>
Non-Current Liabilities		
Deferred rent	<u>280,759</u>	<u>217,015</u>
Total Liabilities	<u>1,527,525</u>	<u>637,198</u>
Commitments (Notes 7, 8 and 9)		
Net Assets		
Without donor restrictions	11,472,766	10,267,476
With donor restrictions	-0-	23,923
Total Net Assets	<u>11,472,766</u>	<u>10,291,399</u>
Total Liabilities and Net Assets	<u><u>\$ 13,000,291</u></u>	<u><u>\$ 10,928,597</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, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 5,556,382	\$ -0-	\$ 5,556,382
Special events, net of cost of direct benefits to attendees of \$102,014 (2019 - \$443,230)	1,258,036	-0-	1,258,036
In-kind contributions	15,868	-0-	15,868
Net investment return	998,975	-0-	998,975
Other revenue	34,948	-0-	34,948
	7,864,209	-0-	7,864,209
Net assets released from restriction	23,923	(23,923)	-0-
Total Support and Revenue	7,888,132	(23,923)	7,864,209
Expenses			
Program services			
Meetings, Program Development and Implementation	2,476,229	-0-	2,476,229
Project Development and Implementation	2,849,639	-0-	2,849,639
Membership Engagement	135,697	-0-	135,697
Total Program Services	5,461,565	-0-	5,461,565
Management and general	542,791	-0-	542,791
Fundraising	678,486	-0-	678,486
Total Expenses	6,682,842	-0-	6,682,842
Change in Net Assets	1,205,290	(23,923)	1,181,367
Net Assets at Beginning of Year	10,267,476	23,923	10,291,399
Net Assets at End of Year	\$ 11,472,766	\$ -0-	\$ 11,472,766

2019

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 5,403,722	\$ -0-	\$ 5,403,722	\$ 152,660
1,512,657	-0-	1,512,657	(254,621)
66,616	-0-	66,616	(50,748)
1,157,182	-0-	1,157,182	(158,207)
2,610	-0-	2,610	32,338
<u>8,142,787</u>	-0-	<u>8,142,787</u>	<u>(278,578)</u>
-0-	-0-	-0-	-0-
<u>8,142,787</u>	-0-	<u>8,142,787</u>	<u>(278,578)</u>
2,279,314	-0-	2,279,314	196,915
3,009,122	-0-	3,009,122	(159,483)
143,292	-0-	143,292	(7,595)
<u>5,431,728</u>	-0-	<u>5,431,728</u>	29,837
573,167	-0-	573,167	(30,376)
716,458	-0-	716,458	(37,972)
<u>6,721,353</u>	-0-	<u>6,721,353</u>	<u>(38,511)</u>
1,421,434	-0-	1,421,434	<u>\$ (240,067)</u>
<u>8,846,042</u>	23,923	<u>8,869,965</u>	
<u>\$ 10,267,476</u>	<u>\$ 23,923</u>	<u>\$ 10,291,399</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, 2020 and 2019

	2020						
	Program Services						
	Meetings, Program Development and Implementation	Project Development and Implementation	Membership Engagement	Total	Management and General	Fundraising	Total Expenses
Personnel Costs:							
Salaries	\$ 1,528,809	\$ 1,689,737	\$ 80,464	\$ 3,299,010	\$ 321,855	\$ 402,318	\$ 4,023,183
Payroll taxes and employee benefits	349,717	386,529	18,406	754,652	73,625	92,031	920,308
Total personnel costs	1,878,526	2,076,266	98,870	4,053,662	395,480	494,349	4,943,491
Rent	320,221	353,928	16,854	691,003	67,415	84,269	842,687
Office supplies and equipment	79,663	88,049	4,193	171,905	16,771	20,964	209,640
Professional services	63,256	69,914	3,329	136,499	13,318	16,646	166,463
Meetings	54,599	60,346	2,874	117,819	11,495	14,368	143,682
Software licenses	52,116	57,602	2,743	112,461	10,972	13,715	137,148
Depreciation	28,437	31,431	1,497	61,365	5,987	7,483	74,835
Bank fees	25,709	28,416	1,353	55,478	5,413	6,766	67,657
Telephone	18,892	20,881	994	40,767	3,977	4,972	49,716
Dues and subscriptions	11,040	12,202	581	23,823	2,324	2,905	29,052
Business insurance	10,856	11,999	571	23,426	2,286	2,857	28,569
Employee development	9,396	10,385	494	20,275	1,978	2,473	24,726
Travel and subsistence	7,775	8,593	409	16,777	1,637	2,046	20,460
Repairs and maintenance	7,673	8,481	404	16,558	1,615	2,019	20,192
Postage	6,561	7,252	345	14,158	1,381	1,727	17,266
Advertising	3,456	3,820	182	7,458	728	909	9,095
Other	67	74	4	145	14	18	177
Printing	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total expenses by function	2,578,243	2,849,639	135,697	5,563,579	542,791	678,486	6,784,856
Less: Items included within support and revenue:							
Cost of direct benefits to attendees	(102,014)	-0-	-0-	(102,014)	-0-	-0-	(102,014)
Total expenses reported in the Statement of Activities	\$ 2,476,229	\$ 2,849,639	\$ 135,697	\$ 5,461,565	\$ 542,791	\$ 678,486	\$ 6,682,842

2019

Program Services							
Meetings, Program Development and Implementation	Project Development and Implementation	Membership Engagement	Total	Management and General	Fundraising	Total Expenses	Increase (Decrease)
\$ 1,298,635	\$ 1,435,334	\$ 68,349	\$ 2,802,318	\$ 273,397	\$ 341,746	\$ 3,417,461	\$ 605,722
339,083	374,776	17,846	731,705	71,386	89,232	892,323	27,985
1,637,718	1,810,110	86,195	3,534,023	344,783	430,978	4,309,784	633,707
318,962	352,536	16,787	688,285	67,150	83,937	839,372	3,315
80,593	89,076	4,242	173,911	16,967	21,209	212,087	(2,447)
87,338	96,531	4,597	188,466	18,387	22,984	229,837	(63,374)
393,965	435,435	20,735	850,135	82,940	103,675	1,036,750	(893,068)
33,177	36,669	1,746	71,592	6,985	8,731	87,308	49,840
29,557	32,668	1,556	63,781	6,223	7,778	77,782	(2,947)
25,729	28,437	1,354	55,520	5,416	6,771	67,707	(50)
23,432	25,898	1,233	50,563	4,933	6,166	61,662	(11,946)
18,100	20,005	953	39,058	3,810	4,763	47,631	(18,579)
13,460	14,876	708	29,044	2,834	3,542	35,420	(6,851)
3,266	3,609	172	7,047	688	859	8,594	16,132
42,551	47,030	2,240	91,821	8,958	11,197	111,976	(91,516)
3,261	3,604	172	7,037	686	858	8,581	11,611
5,999	6,630	316	12,945	1,263	1,579	15,787	1,479
-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,095
5,018	5,546	264	10,828	1,056	1,321	13,205	(13,028)
418	462	22	902	88	110	1,100	(1,100)
2,722,544	3,009,122	143,292	5,874,958	573,167	716,458	7,164,583	(379,727)
(443,230)	-0-	-0-	(443,230)	-0-	-0-	(443,230)	341,216
\$ 2,279,314	\$ 3,009,122	\$ 143,292	\$ 5,431,728	\$ 573,167	\$ 716,458	\$ 6,721,353	\$ (38,511)

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,181,367	\$ 1,421,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,835	77,782
Realized gains on investments	(37,405)	(385,370)
Unrealized gains on investments	(818,662)	(545,910)
Changes in operating assets and liabilities:		
Accounts receivable	(262,652)	(90,729)
Prepaid expenses	72,171	(43,963)
Accounts payable	(32,688)	32,375
Payroll liabilities	194,259	(98,650)
Deferred rent	63,744	82,304
Net Cash Provided by Operating Activities	<u>434,969</u>	<u>449,273</u>
Cash Flows from Investing Activities		
Purchase of investments	(775,177)	(838,965)
Purchase of property	(10,218)	(22,760)
Net Cash Used in Investing Activities	<u>(785,395)</u>	<u>(861,725)</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program note payable	<u>665,012</u>	-0-
Net Increase (Decrease) in Cash	314,586	(412,452)
Cash and Cash Equivalents at Beginning of Year	<u>2,532,657</u>	<u>2,945,109</u>
Cash and Cash Equivalents at End of Year	<u>2,847,243</u>	<u>\$ 2,532,657</u>

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

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2020 and 2019

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’ 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, 2020 and 2019

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, 2020, BENS' 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 \$6,564,307 and \$5,804,943 for the years ended December 31, 2020 and 2019, 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 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 \$15,868 and \$66,616 for the years ended December 31, 2020 and 2019, respectively. The corresponding expenses are recorded in the appropriate expense categories in the statements of functional expenses.

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, 2020 or 2019. Accordingly, no provision for income taxes is reflected in these financial statements. BENS' 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, 2020 and 2019

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.

Reclassifications: Certain amounts previously reported in the financial statements for the year ended December 31, 2019 have been reclassified to conform to the financial statement presentation for the year ended December 31, 2020.

Subsequent Events: In preparing these financial statements, BENS has evaluated events and transactions for potential recognition or disclosure through April 1, 2021, the date the financial statements were available to be issued. During the period from January 1, 2021 through April 1, 2021, except as disclosed in Note 5, 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:

	2020	2019
Cash and cash equivalents	\$ 2,847,243	\$ 2,532,657
Investments	9,511,846	7,880,602
Accounts receivable	441,973	179,321
	<u>12,801,062</u>	<u>10,592,580</u>
Less: With donor restrictions	-0-	23,923
Less: Board designated funds	6,564,307	5,804,943
Financial Assets Available for General Expenditure	<u>\$ 6,236,755</u>	<u>\$ 4,763,714</u>

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Liquidity and Availability of Funds (Continued)

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, 2020 and 2019:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Equity mutual funds	\$ 4,835,767	\$ 3,787,235	\$ 4,026,899	\$ 3,606,053
Fixed income mutual funds	4,676,079	4,433,522	3,853,703	3,802,121
	<u>\$ 9,511,846</u>	<u>\$ 8,220,757</u>	<u>\$ 7,880,602</u>	<u>\$ 7,408,174</u>

Net investment return consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 172,050	\$ 253,985
Realized gains	37,405	385,370
Unrealized gains	818,662	545,910
Investment fees	(29,142)	(28,083)
Net investment return	<u>\$ 998,975</u>	<u>\$ 1,157,182</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.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2020 and 2019

Note 4: Fair Value Measurement (Continued)

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, 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-
	<u>\$ 9,511,846</u>	<u>\$ 9,511,846</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The table below presents the balances of investments as of December 31, 2019, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equity mutual funds	\$ 4,026,899	\$ 4,026,899	\$ -0-	\$ -0-
Fixed income mutual funds	3,853,703	3,853,703	-0-	-0-
	<u>\$ 7,880,602</u>	<u>\$ 7,880,602</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Note 5: Paycheck Protection Program Note Payable

The Company 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. Management has applied for forgiveness to the Small Business Administration (SBA), the agency that is administering the PPP, and has been informed on February 13, 2021 that all of the funding has qualified for forgiveness. The Company has reflected the entire loan as a current liability in its statements of financial position as of December 31, 2020.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
Notes to Financial Statements
December 31, 2020 and 2019

Note 6: Net Assets Without Donor Restrictions

Net assets without donor restrictions for the years ended December 31, 2020 and 2019 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 4,908,459	\$ 4,462,533
Board designated: Leadership fund	<u>6,564,307</u>	<u>5,804,943</u>
Total net assets without donor restrictions	<u>\$ 11,472,766</u>	<u>\$ 10,267,476</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' 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 \$111,110 and \$103,283 for the years ended December 31, 2020 and 2019, 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 \$842,687 and \$839,372 for the years ended December 31, 2020 and 2019, respectively. BENS also leases various office equipment under operating leases with terms of 63 months expiring in May 2022 and August 2023. Rental expense under these leases was \$102,201 and \$101,115 for the years ended December 31, 2020 and 2019, respectively.

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Note 8: Operating Leases (Continued)

Future annual minimum lease payments for each of the years subsequent to December 31, 2020 are as follows:

Year ending December 31,	
2021	\$ 857,914
2022	872,817
2023	861,475
2024	825,723
2025	846,346
Thereafter	<u>3,285,739</u>
	<u>\$ 7,550,014</u>

Note 9: Space Commitment

BENS is committed under agreements for conference space through the year 2021. 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. As of December 31, 2020, BENS paid a nonrefundable deposit of \$35,000 that is included in prepaid expenses on the statements of financial position.

Note 10: Other Matters

Uninsured Balances: BENS maintains its cash balances at one financial institution. Periodically during the year, BENS' 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' 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.

