



**NATIONAL DEFENSE UNIVERSITY
FOUNDATION**

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

Years Ended June 30, 2017 and 2016

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.
Financial Statements

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors National Defense University Foundation, Inc. Washington, DC

We have reviewed the accompanying financial statements of the National Defense University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

Independent Accountants' Review Report

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Report on 2016 Financial Statements

The financial statements of the National Defense University Foundation, Inc. as of June 30, 2016, were reviewed by other accountants whose report dated November 3, 2016, stated that based on their procedures, they were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

DeLeon & Stang

**DeLeon & Stang, CPAs
Gaithersburg, Maryland
February 22, 2018**

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	122,137	\$ 110,804
Contributions receivable	50,000	10,000
Prepaid expenses	9,000	39,196
Bookstore inventory	26,947	10,454
Property and equipment, net	1,855	2,855
Collections	75,000	75,000
Total Assets	\$ 284,939	\$ 248,309
Liabilities and Net Assets		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	51,483	\$ 11,934
Deferred revenue	-	215,000
Total Liabilities	51,483	226,934
<u>Net assets:</u>		
Unrestricted	148,813	(166,326)
Temporarily restricted	84,643	187,701
Total net assets	233,456	21,375
Total Liabilities and Net Assets	\$ 284,939	\$ 248,309

See Independent Accountants' Review Report
and Accompanying Notes to the Financial Statements.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.
Statements of Activities
For the Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Support and revenue:</u>						
Contributions	\$ 278,258	\$ 250	\$ 278,508	\$ 105,260	\$ 84,364	\$ 189,624
Special events	555,000	-	555,000	565,750	-	565,750
Project revenue	62,151	-	62,151	-	-	-
Bookstore sales	51,091	-	51,091	50,291	-	50,291
Interest income	64	-	64	103	-	103
Other revenue	1,540	-	1,540	753	-	753
Net assets released from restriction	103,308	(103,308)	-	133,350	(133,350)	-
Total revenue and support	1,051,412	(103,058)	948,354	855,507	(48,986)	806,521
<u>Expenses:</u>						
Program services	465,624	-	465,624	452,141	-	452,141
<u>Supporting services:</u>						
General and administrative	131,572	-	131,572	140,271	-	140,271
Fundraising	139,077	-	139,077	207,591	-	207,591
Total supporting services	270,649	-	270,649	347,862	-	347,862
Total expenses	736,273	-	736,273	800,003	-	800,003
Change in net assets	315,139	(103,058)	212,081	55,504	(48,986)	6,518
Net assets, beginning of year	(166,326)	187,701	21,375	(221,830)	236,687	14,857
Net assets, end of year	\$ 148,813	\$ 84,643	\$ 233,456	\$ (166,326)	\$ 187,701	\$ 21,375

See Independent Accountants' Review Report
and Accompanying Notes to the Financial Statements.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	<u>Supporting Services</u>				<u>2017 Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 149,930	\$ 39,112	\$ 28,248	\$ 67,360	\$ 217,290
Fringe benefits	28,019	7,309	5,279	12,588	40,607
Payroll taxes	11,381	2,969	2,144	5,113	16,494
Retirement plan contributions	6,512	1,699	1,227	2,926	9,438
Total salaries and benefits	195,842	51,089	36,898	87,987	283,829
Special events	123,746	32,281	82,163	114,444	238,190
NDU support	118,766	-	-	-	118,766
Miscellaneous	21,747	10,235	4,108	14,343	36,090
Professional fees	-	12,198	5,740	17,938	17,938
Bank and credit card fees	-	9,587	3,728	13,315	13,315
Telephone and internet	-	5,741	2,741	8,482	8,482
Insurance	-	5,011	-	5,011	5,011
Travel	1,186	1,186	1,186	2,372	3,558
Repairs and maintenance	989	1,977	-	1,977	2,966
Printing and publications	318	440	1,686	2,126	2,444
Bookstore-cost of good sold	2,203	-	-	-	2,203
Supplies	711	711	711	1,422	2,133
Depreciation and amortization	-	1,000	-	1,000	1,000
Postage	116	116	116	232	348
Total	\$ 465,624	\$ 131,572	\$ 139,077	\$ 270,649	\$ 736,273

See Independent Accountants' Review Report
and Accompanying Notes to the Financial Statements.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2016

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>2016 Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 143,324	\$ 37,197	\$ 27,202	\$ 64,399	\$ 207,723
Fringe benefits	23,622	6,455	4,838	11,293	34,915
Payroll taxes	10,763	2,793	2,043	4,836	15,599
Retirement plan contributions	2,774	720	526	1,246	4,020
Total salaries and benefits	<u>180,483</u>	<u>47,165</u>	<u>34,609</u>	<u>81,774</u>	<u>262,257</u>
Special events	95,531	51,440	146,971	198,411	293,942
NDU support	122,212	-	-	-	122,212
Bookstore-cost of good sold	39,668	-	-	-	39,668
Miscellaneous	11,025	6,690	9,013	15,703	26,728
Professional fees	-	13,451	6,351	19,802	19,802
Bank and credit card fees	-	8,329	3,103	11,432	11,432
Telephone and internet	406	4,128	4,128	8,256	8,662
Insurance	-	4,863	-	4,863	4,863
Repairs and maintenance	359	1,481	1,481	2,962	3,321
Supplies	1,481	859	859	1,718	3,199
Travel	859	406	406	812	1,671
Depreciation and amortization	-	1,000	-	1,000	1,000
Printing and publications	-	193	553	746	746
Staff training	117	149	-	149	266
Postage	-	117	117	234	234
Total	<u>\$ 452,141</u>	<u>\$ 140,271</u>	<u>\$ 207,591</u>	<u>\$ 347,862</u>	<u>\$ 800,003</u>

See Independent Accountants' Review Report
and Accompanying Notes to the Financial Statements.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 212,081	\$ 6,518
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,000	1,000
Change in operating assets and liabilities:		
Contributions receivable	(40,000)	(10,000)
Prepaid expenses	30,196	(15,446)
Bookstore inventory	(16,493)	2,464
Accounts payable and accrued expenses	39,549	(64,710)
Deferred revenue	(215,000)	(8,000)
Net cash provided by (used in) operating activities	11,333	(88,174)
 Net increase (decrease) in cash and cash equivalents for the year	 11,333	 (88,174)
 Cash and cash equivalents at, beginning of year	 <u>110,804</u>	 <u>198,978</u>
 Cash and cash equivalents at, end of year	 <u>\$ 122,137</u>	 <u>\$ 110,804</u>

See Independent Accountants' Review Report
and Accompanying Notes to the Financial Statements.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements
June 30, 2017 and 2016

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The National Defense University Foundation, Inc. (NDUF) is a non-profit organization, formed July 21, 1982 in Washington, D.C. The purpose of NDUF is to further the academic and professional objectives of the National Defense University located at Fort Lesley J. McNair, Washington, D.C. NDUF receive private sector support through grants and donations to enhance NDUF's teaching and research capabilities. These enhancements involve rotating research and teaching functions, chairs and fellowships, seminars, conferences and other specialized means to achieve the academic ambiance commensurate with what is expected of a prestigious university.

In furtherance of its mission, NDUC provides program and general support to the National Defense University. These contributions support the University's outreach and education efforts, and totaled \$118,766 and \$122,212 for the years ended June 30, 2017 and 2016, respectively.

A summary of NDUF's significant accounting policies follows.

Accounting Method

NDUF uses the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

NDUF presents its financial statements in accordance with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in the codification topics, Accounting for Contributions Received and Contributions Made, and Financial Statements of Not-for-Profit Organizations. Accordingly, the net assets of NDUF are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Under these provisions, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of NDUF and changes therein are classified and reported as follows:

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets from grants and contributions subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by NDUF. Generally, donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes. At June 30, 2017 and 2016, there were no permanently restricted net assets.

NDUF also complies with the Accounting for Contributions Received and Contributions Made topic of the FASB Accounting Standards Codification. As such, contributions and grants are recognized as revenue when they are received or unconditionally pledged.

Cash and Cash Equivalents

For purposes of the statements of cash flows, NDUF considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Contributions receivable

Receivable are stated at original invoice amount, less an estimate for doubtful accounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables, and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2017 and 2016, management feels the amount in receivables is fully collectible within the next year.

Inventory

Inventory is recorded at the lower of cost or market using the first-in first-out method.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

NDUF capitalizes, at cost, all expenditures for property and equipment in excess of \$1,000. Depreciation is computed on the straight-line method over the estimated useful lives, ranging from three to seven years.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NDUF receives grants from private grantors for various purposes. Grants and contract awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes of the approved grant. NDUF records refundable grant advances for grant revenues received under approved awards from grantors to the extent they exceed the expenses incurred for the purposes specified under the grant restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status

NDUF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Functional Allocation of Expenses

Expenses are either charged directly to program services as incurred or allocated to functional categories based on estimates of time spent for salaries, benefits and payroll costs or estimates of usage for items such as occupancy and indirect costs.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Uncertain Tax Provisions

NDUF complies with the provisions of Financial Accounting Standards Board Codification topic Accounting for Uncertainty in Income Taxes. For the years ended June 30, 2017 and 2016, no unrecognized tax provision or benefit exists.

Tax returns are subject to examination by federal and state taxing authorities, generally for three years after filing. NDUF's returns for the fiscal years ended 2014 through 2016 and are open to such examination.

NOTE 2- CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject NDUF to credit risk include cash deposits in excess of the insurance limitations of the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, NDUF may maintain accounts in excess of the FDIC insurance limit. However, management does not consider this to be a significant concentration of credit risk.

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture	\$ 13,686	\$ 13,686
Computer equipment and software	<u>66,341</u>	<u>66,341</u>
Subtotal	80,027	80,027
Accumulated depreciation	<u>(78,172)</u>	<u>(77,172)</u>
Property and equipment, net	<u>\$ 1,855</u>	<u>\$ 2,855</u>

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$1,000 and \$1,000, respectively.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.**Notes to the Financial Statements (Continued)****June 30, 2017 and 2016****NOTE 4- TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2017 and 2016 relate to unexpended program contributions as follows:

	<u>2017</u>	<u>2016</u>
H&F Towel service	\$ -	\$ 48,353
iCollege 20th Anniversary program	44,084	45,559
NWC Kennan chair	1,528	1,528
ACSS Chagoury gift	16,711	18,643
CCO Inclusive Security project	13,833	38,000
CTNSP Defense Autonomy program	-	9,000
CTNSP Substance Abuse research	-	11,530
Other programs	8,487	15,088
Totals	<u>\$ 84,643</u>	<u>\$ 187,701</u>

For the year ended June 30, 2017 and 2016, the following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

	<u>2017</u>	<u>2016</u>
H&F Towel service	\$ 48,353	\$ 9,052
iCollege 20th Anniversary program	1,475	-
ACSS Chagoury gift	1,932	-
CCO Inclusive Security project	24,167	-
CTNSP Defense Autonomy program	9,000	-
CTNSP Substance Abuse research	11,530	-
H&F Vitality program	-	39,474
H&F Wellness Center renovation	-	3,525
ES Leo Cherne gift	-	51,139
iCollege 20th Anniversary program	-	10,263
Other programs	6,851	19,897
Totals	<u>\$ 103,308</u>	<u>\$ 133,350</u>

NOTE 5- CONCENTRATION OF REVENUE

Approximately 59% and 70% of NDUF's revenue for the years ended June 30, 2017 and 2016, respectively, was derived from NDUF's annual event. The annual event is a significant source of revenue, and NDUF believes the annual event will continue in the future.

NATIONAL DEFENSE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

NOTE 6- IN-KIND REVENUE

NDUF recognizes revenue for certain donated assets and services at their estimated fair value as of the date of the donation. There were no donated services for the year ended June 30, 2016.

NDUF also uses office space and various other office equipment without charge from the National Defense University. It is not practical to determine a dollar value for the use of these facilities and according no in-kind revenue for these have been included in the accompanying financial statements.

NOTE 7- RETIREMENT PLAN

NDUF has a 403(b) retirement plan that covers all full-time employees. NDUF matches dollar-for-dollar of eligible employee deferrals up to 5% of the employee's compensation. Retirement contributions for the years ended June 30, 2017 and 2016 totaled \$9,438 and \$4,020, respectively.

NOTE 8- SUBSEQUENT EVENTS

NDUF evaluated subsequent events for potential required disclosure through February 22, 2018, which is the date financial statements were available to be issued.