



TRUMAN CENTER FOR
NATIONAL POLICY

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2019

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To the Board of Directors
Truman Center for National Policy
Washington DC

Independent Accountant's Review Report

We have reviewed the accompanying statement of financial position of the Truman Center for National Policy (TCNP or Organization) as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review consists principally of applying analytical procedures to management's financial data and making inquiries of the Organization's 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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 me 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 that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the December 31, 2019 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
July 30, 2020

Nanette K Miller CPA PC

TRUMAN CENTER FOR NATIONAL POLICY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents \$ 238,529

Grants, Pledges, and Contract Receivable 778,700

Fixed Assets

Furniture, equipment, and leasehold improvements, net 531,318

Other Assets

Prepaid expenses 2,590

Advances to affiliate 2,401

Security and other deposit 97,977

102,968

Total assets \$ 1,651,515

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses \$ 48,251

Deferred rent - current 110,800

Total current liabilities 159,051

Deferred rent - long term 10,900

10,900

Total liabilities 169,951

Net Assets:

Net assets without donor restrictions 526,963

Net assets with donor restrictions 954,601

Total net assets 1,481,564

Total liabilities and net assets \$ 1,651,515

TRUMAN CENTER FOR NATIONAL POLICY
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Revenue, support and gains:			
Foundation and corporate grants and contributions	\$ 540,000	\$ 565,000	\$ 1,105,000
Individual and board contributions	262,082	-	262,082
Other income	2,746	-	2,746
<i>Total revenue, support and gains</i>	<u>804,828</u>	<u>565,000</u>	<u>1,369,828</u>
Released from temporary restrictions	<u>421,795</u>	<u>(421,795)</u>	<u>-</u>
Expenses and losses:			
Program services -			
Op Free	\$ 194,862	\$ -	\$ 194,862
Women, Peace & Security	11,402	-	11,402
General Programs	44,294	-	44,294
Media	23,762	-	23,762
NuClear Non-Proliferation	34,458	-	34,458
Policy	145,225	-	145,225
	<u>454,003</u>	<u>-</u>	<u>454,003</u>
Support services -			
Administrative and general	657,936	-	657,936
Resource development and fundraising	302,037	-	302,037
	<u>959,973</u>	<u>-</u>	<u>959,973</u>
<i>Total expenses and losses</i>	<u>1,413,976</u>	<u>-</u>	<u>1,413,976</u>
<i>Change in net assets</i>	(187,353)	143,205	(44,148)
Net assets, beginning	<u>714,316</u>	<u>811,396</u>	<u>1,525,712</u>
Net assets, ending	<u>\$ 526,963</u>	<u>\$ 954,601</u>	<u>\$ 1,481,564</u>

**TRUMAN CENTER FOR NATIONAL POLICY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Op Free General	Women Peace & Security	General Programs	Media	NuClear Proliferation	Non- Policy	Total Programs	G&A	Fundraising	Total
Salaries	\$ 109,983	\$ -	\$ 6,500	\$ -	\$ 21,033	\$ 86,377	\$ 223,893	\$ 280,305	\$ 240,132	\$ 744,330
Benefits	8,414	-	-	-	1,609	9,108	19,131	59,299	18,370	96,800
Consultants	18,850	9,655	15,525	23,575	-	10,945	78,550	60,287	34,400	173,237
Travel	5,748	1,747	5,699	-	46	15	13,255	2,079	8,964	24,299
Events & Meetings	4,890	-	9,140	-	2,020	50	16,100	59	116	16,275
Rent	-	-	-	-	-	-	-	178,344	-	178,344
Communications	-	-	420	81	-	-	501	13,955	-	14,455
Supplies & Equipment	-	-	315	42	-	-	357	6,107	-	6,464
Resource Materials	9,478	-	6,321	64	-	6,250	22,112	9,196	-	31,308
Bank & Merchant Fees	-	-	-	-	-	-	-	1,478	-	1,478
Office expenses	-	-	375	-	-	-	375	1,413	55	1,843
Payroll Service Fees	-	-	-	-	-	-	-	7,949	-	7,949
Depreciation	-	-	-	-	-	-	-	114,086	-	114,086
Insurance	-	-	-	-	-	-	-	3,108	-	3,108
	\$ 157,362	\$ 11,402	\$ 44,294	\$ 23,762	\$ 24,708	\$ 112,745	\$ 374,273	\$ 737,666	\$ 302,037	\$ 1,413,976
Indirect/Overhead Allocation	37,500	-	-	-	9,750	32,480	79,730	(79,730)	-	-
	\$ 194,862	\$ 11,402	\$ 44,294	\$ 23,762	\$ 34,458	\$ 145,225	\$ 454,003	\$ 657,936	\$ 302,037	\$ 1,413,976

TRUMAN CENTER FOR NATIONAL POLICY
Statement of Cash Flows
For the Year ended December 31, 2019

OPERATING ACTIVITIES

Change in net assets		\$ (44,148)
Adjustments to reconcile the change in net assets to net cash provided by operations:		
Depreciation and amortization	\$ 114,086	
Decrease (increase) in grants, pledges and contracts receivable	(28,700)	
Decrease (increase) in prepaid expenses and advances	37,896	
Decrease (increase) in advances to affiliate	6,442	
Increase (decrease) in accounts payable and accrued expenses	11,716	
Increase (decrease) in deferred rent	(110,800)	
Increase (decrease) in rent deposit	<u>(15,531)</u>	<u>15,109</u>
Net cash provided by Operating Activities		(29,039)
Cash at January 1, 2019		<u>267,568</u>
Cash at December 31, 2019		<u><u>\$ 238,529</u></u>
Interest expense and bank charges		<u><u>\$ 1,478</u></u>

There were no non-cash investing and financing activities
for the year ended December 31, 2019.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. ORGANIZATION

Truman Center for National Policy (TCNP or the Organization) is a public not-for-profit research organization dedicated to developing new approaches and creative solutions to major issues confronting the Nation. TCNP was incorporated in March 1974 under the laws of the District of Columbia. In 2015, TCNP changed its name from Center for National Policy. The activities of TCNP are funded primarily through contributions.

TCNP is a partner of the Truman National Security Project, which unites next-generation veteran, political, and policy leaders to develop and advance strong, smart and principled solutions to the global challenges Americans now face.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of TCNP have been prepared on the accrual basis of accounting, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

Basis of presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958: Not-for Profit Entities. Contributions are recognized as revenue when they are received or unconditionally pledged. FASB ASC Topic 958 eliminates the utilization of fund accounting for financial reporting purposes and requires that net assets be classified as (1) net assets without donor restrictions; or (2) net assets with donor restrictions, depending on limitations placed on the net assets by donors. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions imposed at the time received. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be met or will be met either by actions of the Organization and/or the passage of time.

Furniture, fixtures and equipment

TCNP capitalizes all fixed assets acquisitions of \$6,000 or more. Furniture, fixtures and equipment are recorded at cost and depreciated over the estimated useful lives of the asset using the straight-line method. Leasehold improvements and betterments are amortized over the shorter of the useful life or the remaining lease term. Expenditures for maintenance and repairs are expensed as incurred. Depreciation and amortization expense for the year ended December 31, 2019 totaled \$114,086.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

TCNP is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a) (1) of the Code, is subject to Federal income tax. TCNP is not a private foundation within the meaning of Section 509(a) of the Code. For the year ended December 31, 2019, TCNP had no unrelated business income subject to federal income tax.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the years then ended. Actual results could differ from those estimates.

Uncertain tax positions

TCNP is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a) (1) of the Code, is subject to Federal income tax. TCNP is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. This code section enables TCNP to accept donations that qualify as charitable contributions to the donor. TCNP is subject to tax on net income from unrelated business activities. For the year ended December 31, 2019, TCNP did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

TCNP is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements, pursuant to *Accounting Standards Codification (ASC) for Income Taxes*. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. The open tax years are December 31, 2017, 2018, and 2019. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is TCNP's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2019, TCNP had no accruals for interest and/or penalties as there were no uncertain tax positions.

Functional expenses and allocations

The costs of providing the various programs and other operating activities have been summarized on a functional basis in the statement of functional expenditures. Certain costs that benefit a given program, as permitted by the grantor approved budget, have been directly allocated to that program. Additionally, certain indirect general and administrative costs have been allocated amongst the programs based on the approved allowable indirect cost rates as determined by each grantor and as specified in each grant document.

TRUMAN CENTER FOR NATIONAL POLICY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents

Revenue Recognition

TCNP’s primary source of revenue is contributions from individuals, corporations, and foundations. TCNP reports unconditional contributions and grants of cash and other assets as unrestricted and available for general operations, unless specifically restricted by the donor. If contributions and grants are received with donor stipulations that limit the use of the donated funds or assets to a particular purpose or to specific time periods, the Organization reports the contributions and grants as temporarily restricted. When a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Unconditional contributions and grants that are expected to be collected in the future are recorded as pledges receivable when the promises are made. Unconditional pledge receivables that are expected to be collected within one year are reported at net realizable value. Unconditional pledge receivables that are expected to be collected beyond one year are reported at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the promises are to be received.

Non-cash contributions, such as marketable securities or other valuables easily converted into cash, are recorded at the fair market value on the date of the contribution. Any gain or loss on the subsequent sale is reported in the Statement of Activity as a realized gain/loss and is considered unrestricted revenue. For the year ended December 31, 2019, there were no non-cash donations received by TCNP.

In-kind contributions

In accordance with FASB ASC Topic 958, in-kind contributions, if any, are recorded at their estimated fair market value on the date the unconditional promise to give the asset is made and transfer of the asset is assured. In kind contributions are not included in the accompanying financial statements since the value of the donated services and materials can not be objectively measured.

Accounts payable and accrued expenses

Description	
Vendors and other accrued expenses	\$ 37,670
Accrued vacation and other employee benefits	10,581
Total	\$ 48,251

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants, pledges, contracts and other receivable

These amounts consist of grant amounts due to TCNP and are recorded at their estimated fair values on the date the unconditional promise to give from the donor is received by the Organization. As of December 31, 2019 grants, contributions, and other accounts receivable consisted of the following and management considers these receivables fully collectible:

Donor	
Carnegie Foundation	\$ 209,200
MacArthur Foundation	500,000
Other accounts receivable	69,500
	<u>\$ 778,700</u>

3. RELATED PARTY TRANSACTIONS

TCNP and The Truman National Security Project (TNSP) is a non profit 501 (c) (4) organization as defined by the Internal Revenue Code and shares office space, management, staff, and has several board members in common. General and administrative costs have been allocated between TCNP and TNSP based upon each organization's percentage of total expenses. For the year ended December 31, 2019, \$335,175. Other costs incurred on TNSP's behalf are directly charged to TNSP. As of and for the year ended December 31, 2019, TNSP owes TCNP \$2,401 for expenses incurred by TCNP on behalf of TNSP. These advances are short-term in nature, considered fully collectible, and are repaid to TCNP as TNSP's funding allows.

4. PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following as of December 31:

Description	
Leasehold improvements	\$ 955,394
Website development	21,706
Office furniture and equipment	388,810
Subtotal	<u>1,365,910</u>
Less: Accumulated depreciation and amortization	(834,592)
Total	\$ 531,318

TRUMAN CENTER FOR NATIONAL POLICY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019

5. CONCENTRATION OF CREDIT RISK

TCNP maintains its cash balances in various financial institutions. At December 31, 2019, the balances were insured, up to \$250,000, by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2019, TCNP had no cash balances that exceeded the FDIC/SPIC coverage limits. Management has determined that the risk of loss associated with any future overages to be minimal.

In accordance with FASB ASC Topic 275, *Disclosure Information Regarding Concentration Risk*, TCNP primarily receives their funding from grant awards and individual contributions. As of December 31, 2019, two contributors represent approximately 91% of outstanding grants, pledges, and contract receivables. For the year ended December 31, 2019, two (2) donors represented 58% of total support and revenue.

6. RETIREMENT PLAN

TCNP Sponsors a 403(b) plan that allows eligible employees to make voluntary contributions. TCNP contributions, if any, are discretionary. For the year ended December 31, 2019 there were no contributions made to this plan by TCNP.

7. NET ASSETS WITH DONOR RESTRICTIONS

The aggregate amount of net assets with donor restrictions as of December 31, 2019:

Donor	Amount
Policy - Carnegie	\$ 341,124
MacArthur Foundation	576,412
Ploughshares	37,065
Total	\$ 954,601

For the year ended December 31, 2019 net assets that have been released from grantor restrictions are as follows:

Donor	Amount
Policy - Carnegie	\$ 185,481
MacArthur Foundation	190,692
Ploughshares	34,220
Compton Foundation	11,402
Total	\$ 421,795

**TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

8. COMMITMENTS AND CONTINGENCIES

For the year ended December 31, 2019, the Organization is committed under an operating lease for office space located in Washington, DC. The original lease commenced on December 1, 2013 and was modified on May 20, 2019. The original lease was modified and extended and terminates on November 30, 2029. This lease is subjected to an adjustment for operating expense and real estate taxes. Base rent is subject to an annual escalation of 3.96% which is their share of building operating costs and real estate taxes.

In 2014, TCNP received rent abatements and leasehold improvement incentives from the landlord totaling \$600,000. In accordance with FASB ASC Topic 840 - *Accounting for Leases*, these incentives are recorded leasehold improvements and deferred rent liabilities in the Statement of Financial Position as of December 31, 2019. These abatements incentives are amortized over the life of the original lease and reduce future rent expense until fully amortized. As of December 31, 2019, there are \$121,700 of unamortized abatements and leasehold improvements available to offset future rent expense. If TCNP should default on this lease, \$257,156 of previous incentives would have to be repaid to the landlord.

For the year ended December 31, 2019, rent expense and the pro-rata share of building operating expenses under this operating lease totaled \$349,900. Rent expense net of sublease income of \$16,798, leasehold improvement incentive amortization of \$90,000, and allocation of shared rent to an affiliate of \$52,582 (See Note 3) totaled \$166,922 for the year ended December 31, 2019. TCNP negotiated a second amendment to the lease effective May 2020 reducing the term April 30, 2023. See Note 10.

Future minimum lease payments under this lease as of December 31, 2019 were as follows:

Year	Amount	Amortization of Abatements and Incentives	Net Rent Expense
2020	\$ 432,476	90,000	\$ 342,746
2021	445,423	31,700	413,723
2022	458,789	-	458,789
2023	472,575	-	472,575
2024	486,781	-	486,781
Thereafter through 2029	2,661,759	-	2,661,759
	\$4,957,803	\$ 121,700	\$4,836,103

TCNP was obligated under a lease for office space, no longer occupied through January 15, 2019. During the term of the lease, the landlord provided lease incentives of approximately \$142,000 to build out the office space and rent abatements and reductions totaling approximately \$66,000. In accordance with FASB ASC Topic 840 - *Accounting for Leases*, rent abatements and other incentives are amortized on a straight-line basis over the life of the lease or \$20,800 per annum. For the year ended December 31, 2019, rent expense under this operating lease totaled \$27,765, net of amortization of prior incentives and abatements of \$20,800, net rent expense totaled \$6,185.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

8. COMMITMENTS AND CONTINGENCIES (continued)

The Organization is committed under operating lease for a postage machine. These leases have not been capitalized since the effect to the financial statements is not material.

In a prior year TCNP entered into a lease agreement with a subtenant and received a security deposit equal to two months rent totaling \$15,531. During the year ended December 31, 2019, the remaining balance of this security deposit totaling \$15,531 has been recorded as sublease income and a reduction to rent expense.

9. LIQUIDITY

TCNP has \$1,022,221 of liquid financial assets available for use within one year of the balance sheet date to meet cash needs for general expenditures and donor or other contractual restrictions. Liquid financial assets as of December 31, 2019 consists of cash of \$238,529, grants and pledges receivable of \$778,700, and other liquid assets of \$4,992.

Financial assets subject to donor or other contractual restrictions total \$954,601 making them unavailable for general expenditure within one year of the balance sheet date.

The grants and pledges receivable are subject to implied time restrictions but are expected to be collected within one year.

TCNP's has a goal to maintain liquid, non-committed financial assets, which consist of cash and money market funds, on hand to meet on average 2 months of normal operating expenses, which are, on average, approximately \$100,000 per month.

TCNP policy is to structure its liquid financial assets to be available as its general expenditures, liabilities, and donor obligations come due.

10. SUBSEQUENT EVENTS

TNCP renegotiated its current lease for office space. Effective May 1, 2020, the second amendment of the office lease changes the location and the rented square footage to 2,100. The term of the lease has been changed from November 30, 2029 to April 30, 2023. The amended minimum annual rent will be \$20,000 per month or \$240,000 per annum. This amendment has stipulated that all security deposits held by the landlord totaling \$97,976 be converted to pay in full any and all outstanding rent obligations and abatements (only due and payable if TCNP defaulted under the prior amendment). This amended lease continues to include TCNP's share of building and real estate tax costs of approximately 3.96% of total annual rent per annum.

Subsequent events have been reviewed through July 30, 2020 and all transactions requiring adjustment to or disclosure in the financial statements as of and for the year ended December 31, 2019 have been recorded.