

TRUMAN CENTER FOR
NATIONAL POLICY

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2017

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TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activity and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Truman Center for National Policy (TCNP) (a District of Columbia not-for-profit organization) which comprises the statements of financial position as of December 31, 2017 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.

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 TCNP'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 the Truman Center for National Policy as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

October 16, 2018

Nan Miller CPA

TRUMAN CENTER FOR NATIONAL POLICY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 7,000
Grants, Pledges, and Contract Receivable	1,317,684

Fixed Assets

Furniture, equipment, and leasehold improvements, net	748,724
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Other Assets

Prepaid expenses	21,410
Security and other deposit	97,976
	119,386

<i>Total assets</i>	\$ 2,192,794
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 35,587
Deferred revenue	6,000
Advances to affiliate	105,490
Deferred rent - current	110,800
	257,877

Rent security deposits	42,341
Deferred rent - long term	232,500
	274,841

<i>Total liabilities</i>	532,718
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Net Assets:

Unrestricted net assets	188,292
Temporarily restricted net assets	1,471,784
	1,660,076

<i>Total liabilities and net assets</i>	\$ 2,192,794
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TRUMAN CENTER FOR NATIONAL POLICY
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, support and gains:			
Foundation and corporate grants and contributions	\$ 268,108	\$ 1,620,000	\$ 1,888,108
Individual contributions	1,267,249	-	1,267,249
Other income	759	-	759
<i>Total revenue, support and gains</i>	<u>1,536,116</u>	<u>1,620,000</u>	<u>3,156,116</u>
Released from temporary restrictions	<u>1,011,120</u>	<u>(1,011,120)</u>	<u>-</u>
Expenses and losses:			
Program services -			
Communications	\$ 16,750	\$ -	\$ 16,750
Training	18,735	-	18,735
Op Free	329,615	-	329,615
National Security	89,500	-	89,500
Policy	405,421	-	405,421
General Programs	428,799	-	428,799
	<u>1,288,820</u>	<u>-</u>	<u>1,288,820</u>
Support services -			
Administrative and general	897,727	-	897,727
Resource development and fundraising	422,454	-	422,454
	<u>1,320,181</u>	<u>-</u>	<u>1,320,181</u>
<i>Total expenses and losses</i>	<u>2,609,001</u>	<u>-</u>	<u>2,609,001</u>
<i>Change in net assets</i>	(61,765)	608,880	547,115
Net assets, beginning	<u>250,057</u>	<u>862,904</u>	<u>1,112,961</u>
Net assets, ending	<u>\$ 188,292</u>	<u>\$ 1,471,784</u>	<u>\$ 1,660,076</u>

TRUMAN CENTER FOR NATIONAL POLICY
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Communications</u>	<u>Training</u>	<u>Op Free</u>	<u>National Security</u>	<u>Policy</u>	<u>General</u>	<u>Total Programs</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>TOTAL</u>
Salaries	\$ 11,875	\$ -	\$ 250,265	\$ 53,424	\$ 248,354	\$ 363,035	\$ 926,953	\$ 100,969	\$ 332,832	\$ 1,360,754
Benefits	908	-	19,225	4,240	18,999	27,692	71,064	74,450	17,247	162,761
Professional fees and consultants	-	-	400	-	2,133	-	2,533	52,938	24,505	79,976
Travel	-	5,265	10,616	5,401	2,980	7,341	31,603	5,904	16,213	53,720
Conferences, events, and meetings	-	7,632	11,090	1,435	34,434	17,164	71,755	4,843	29,732	106,330
Printing and copying	-	-	-	-	-	-	-	1,406	1,099	2,505
Postage and delivery	-	-	-	-	-	-	-	981	-	981
Occupancy	3,000	-	25,000	25,000	93,021	-	146,021	471,886	-	617,907
Communications	-	-	-	-	-	-	-	16,960	-	16,960
Supplies	-	-	3,690	-	-	17	3,707	1,689	161	5,557
Subscriptions and advertising	967	5,838	9,329	-	5,500	13,550	35,184	6,388	95	41,667
Depreciation and amortization	-	-	-	-	-	-	-	128,402	-	128,402
Insurance	-	-	-	-	-	-	-	3,648	-	3,648
Office and other operating expenses	-	-	-	-	-	-	-	27,263	570	27,833
Total Expenses	<u>\$ 16,750</u>	<u>\$ 18,735</u>	<u>\$ 329,615</u>	<u>\$ 89,500</u>	<u>\$ 405,421</u>	<u>\$ 428,799</u>	<u>\$ 1,288,820</u>	<u>\$ 897,727</u>	<u>\$ 422,454</u>	<u>\$ 2,609,001</u>

See Notes to Financial Statements.

TRUMAN CENTER FOR NATIONAL POLICY
Statement of Cash Flows
For the Year ended December 31, 2017

OPERATING ACTIVITIES

Change in net assets		\$ 547,115
Adjustments to reconcile the change in net assets to net cash provided by operations:		
Depreciation and amortization	\$ 128,402	
Increase in grants, pledges and contracts receivable	(914,770)	
Decrease in prepaid expenses and advances	15,212	
Decrease in accounts payable and accrued expenses	(155,286)	
Increase in advances to affiliate	56,895	
Increase in deferred revenue	6,000	
Decrease in deferred rent	(110,800)	
Increase in rent deposit	1,200	\$ (973,147)
Net cash provided by Operating Activities		(426,032)
Net cash increase for period		(426,032)
Cash at January 1, 2017		433,032
Cash at December 31, 2017		\$ 7,000
Interest expense and bank charges		\$ 3,840

There were no non-cash investing and financing activities
for the year ended December 31, 2017.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. ORGANIZATION

The 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 accounting for contributions received and contributions made financial statements of not-for-profit organizations. 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 requires that net assets be classified as (1) unrestricted; (2) temporarily restricted; or (3) permanently restricted depending on limitations placed on the net assets by donors. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - 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.

Permanently restricted net assets - net assets subjected to donor imposed stipulations that these funds be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2017 there are no permanently restricted net assets.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture, fixtures and equipment

TCNP capitalizes all fixed assets acquisitions of \$2,500 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, 2017 totaled \$128,402.

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, 2017, 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, 2017, 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, 2015, 2016, and 2017. 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, 2017, TCNP had no accruals for interest and/or penalties as there were no uncertain tax positions.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017, there were no non-cash donations received by TCNP.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As of December 31, accounts payable and accrued expenses consisted of:

Description	
Vendors and other accrued expenses	\$ 13,549
Accrued vacation and other employee benefits	22,038
Total	\$ 35,587

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, 2017 grants, contributions, and other accounts receivable consisted of the following and management considers these receivables fully collectible:

Donor	
Carnegie Foundation	\$208,300
Robert Abernathy	100,000
MacArthur Foundation	1,000,000
Other	9,384
Total	\$1,317,684

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. Other costs incurred on TNSP's behalf are directly charged to TNSP. As of and for the year ended December 31, 2017, TCNP owes TNSP \$105,490 for direct expenses incurred on their behalf by TCNP and their share of operating expenses. These advances are short-term in nature, considered fully collectible, and are repaid to TNSP as TCNP's funding allows.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

4. PROPERTY, FURNITURE AND EQUIPMENT

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

Description	
Leasehold improvements	\$ 955,394
Computer software	21,706
Office furniture and computer and office equipment	370,764
Subtotal	1,347,864
Less: Accumulated depreciation and amortization	-599,140
Total	\$ 748,724

5. CONCENTRATION OF CREDIT RISK

TCNP maintains its cash balances in various financial institutions. At December 31, 2017, the balances were insured, up to \$250,000, by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2017, 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, 2017, two contributors represent approximately 92% of outstanding grants, pledges, and contract receivables. For the year ended December 31, 2017, two (2) donors represented 64% 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, 2017 there were no contributions made to this plan by TCNP.

7. TEMPORARILY RESTRICTED NET ASSETS

The aggregate amount of temporarily restricted net assets as of December 31, 2017:

Donor	Amount
Policy - Carnegie	\$ 255,863
MacArthur Foundation	1,000,000
Caldera Foundation	10,398
Institute of International Education	12,200
Center for the Study of Democratic Institutions	12,200
Open Society	81,122
Others	100,000
Total	\$ 1,471,784

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

7. TEMPORARILY RESTRICTED NET ASSETS (continued)

For the year ended December 31, 2017 temporarily restricted net assets that have been released from grantor restrictions are as follows:

Donor	Amount
Policy - Carnegie	\$ 244,137
MacArthur Foundation	200,000
David Rockefeller	50,000
Unbound Philanthropy	20,000
Compton Foundation	100,000
Minor Foundation	50,000
Open Society	158,878
Caldera Foundation	19,602
Institute of International Education	27,799
Center for the Study of Democratic Institutions	27,799
Western Conservation	11,904
Others	101,000
Total	\$ 1,011,120

8. COMMITMENTS AND CONTINGENCIES

The Organization is committed under an operating lease for office space located in Washington, DC. The lease is an eleven year lease that commenced on December 1, 2013 and terminates on December 1, 2023. This lease is subjected to an adjustment for operating expense and real estate taxes. Base rent is subject to an annual escalation of 2.06% as well as 5.37% share of building operating costs.

In 2014, TCNP received leasehold improvement incentives from the landlord totaling \$600,000. In accordance with FASB ASC Topic 840 - *Accounting for Leases*, these incentives are recorded as leasehold improvements and deferred rent liabilities in the Statement of Financial Position as of December 31, 2017. These incentives will be amortized over the life of the lease to reduce future rent expense.

For the year ended December 31, 2017, rent expense and the pro-rata share of building operating expenses under this operating lease, prior to sublease rent offset discussed below, totaled \$707,184, net of leasehold improvement incentive amortization of \$110,800, for the year ended December 31, 2017.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

8. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum lease payments under this lease are as follows:

Year	Amount	Amortization of Abatements and Incentives	Total Rent Expense
2018	514,054	90,000	424,054
2019	532,960	90,000	442,960
2020	547,083	90,000	457,083
2021	558,353	52,500	505,853
2022	569,855	-	569,855
Thereafter (2023)	581,594	-	581,594
	\$3,303,899	\$ 322,500	\$2,981,399

Additionally, TCNP is obligated under a lease for office space, no longer occupied by TCNP, through January 15, 2019. Under the terms of the lease the base rent increases annually based on a schedule of increases provided in the lease. Additionally, the lessor 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 incentives and abatements are amortized on a straight-line basis over the life of the lease or \$20,800 per annum. Base rent is subject to 2.65% annual rent escalation. For the year ended December 31, 2017, rent expense under this operating lease totaled \$299,640 prior to any pass through or offset adjustments. Future minimum rents under this lease are as follows:

Year	Rent	Amortization of Abatements and Incentives	Total Rent Expense
2018	320,086	20,800	299,286
2019	12,448	-	12,448
	\$ 332,534	\$ 20,800	\$ 311,734

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 \$34,613. This sublease was terminated early by the prospective tenant and \$9,003 was charged against this security deposit for rent and repairs. The remaining balance of \$25,609 has been recorded as a current liability in the Statement of Financial Position as of December 31, 2017 pending final resolution.

**TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. COMMITMENTS AND CONTINGENCIES (continued)

TCNP has subtenants and received security deposits equal to one month's rent totaling \$16,731. This security deposits have been recorded as a current liability in the Statement of Financial Position as of December 31, 2017. Rental income received from these tenants for the year ended December 31, 2017 totaled \$198,545 has been recorded as a reduction in rent expense in the Statement of Activity.

9. SUBSEQUENT EVENTS

Subsequent events have been reviewed through October 16, 2018 and all transactions requiring adjustment to or disclosure in the financial statements as of and for the year ended December 31, 2017 have been recorded.