

TRUMAN CENTER FOR
NATIONAL POLICY

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2018

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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 financial statements of Truman Center for National Policy, which comprise the statement of financial position as of December 31, 2018 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 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintaining of internal control relevant to the preparation and fair presentation of financial statements.

Accountant's 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 I am aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. generally accepted accounting principles. We believe that the results of my procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the December 31, 2018 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
August 22, 2019

Nanette K Miller CPA PC

TRUMAN CENTER FOR NATIONAL POLICY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 267,568
Grants, Pledges, and Contract Receivable	750,000

Fixed Assets

Furniture, equipment, and leasehold improvements, net	645,404
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Other Assets

Prepaid expenses	40,486
Advances to affiliate	8,844
Security and other deposit	97,976
	<u>147,306</u>

<i>Total assets</i>	<u><u>\$ 1,810,278</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 36,535
Deferred rent - current	<u>110,800</u>
Total current liabilities	147,335

Rent security deposits	15,531
Deferred rent - long term	<u>121,700</u>
	<u>137,231</u>

<i>Total liabilities</i>	<u>284,566</u>
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Net Assets:

Net assets without donor restrictions	714,316
Net assets with donor restrictions	<u>811,396</u>
Total net assets	<u>1,525,712</u>

<i>Total liabilities and net assets</i>	<u><u>\$ 1,810,278</u></u>
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TRUMAN CENTER FOR NATIONAL POLICY
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, support and gains:			
Foundation and corporate grants and contributions	\$ 1,152,682	\$ 96,000	\$ 1,248,682
Individual contributions	677,276	-	677,276
<i>Total revenue, support and gains</i>	<u>1,829,958</u>	<u>96,000</u>	<u>1,925,958</u>
Released from temporary restrictions	<u>756,388</u>	<u>(756,388)</u>	<u>-</u>
Expenses and losses:			
Program services -			
Communications and Media	\$ 3,949	\$ -	\$ 3,949
Nuclear Non-Proliferate	58,716	-	58,716
Training	44,827	-	44,827
Op Free	248,383	-	248,383
Women, Peace & Security	14,598	-	14,598
Policy	273,340	-	273,340
General Programs	420,773	-	420,773
	<u>1,064,586</u>	<u>-</u>	<u>1,064,586</u>
Support services -			
Administrative and general	626,677	-	626,677
Resource development and fundraising	369,059	-	369,059
	<u>995,736</u>	<u>-</u>	<u>995,736</u>
<i>Total expenses and losses</i>	<u>2,060,322</u>	<u>-</u>	<u>2,060,322</u>
<i>Change in net assets</i>	526,024	(660,388)	(134,364)
Net assets, beginning	<u>188,292</u>	<u>1,471,784</u>	<u>1,660,076</u>
Net assets, ending	<u><u>\$ 714,316</u></u>	<u><u>\$ 811,396</u></u>	<u><u>\$ 1,525,712</u></u>

TRUMAN CENTER FOR NATIONAL POLICY
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Communications	Op Free	Women, Peace & Security	Training	General Programs	Nuclear Non- Proliferate	Policy	Total Programs	General and Administrative	Fund Raising	TOTAL
Salaries	\$ -	\$ 181,292	\$ -	\$ -	\$ 366,394	\$ 45,479	\$ 224,224	\$ 817,389	\$ 100,132	\$ 309,525	\$ 1,227,046
Benefits	-	13,869	-	-	28,029	3,479	17,153	62,530	50,510	23,679	136,719
Professional fees and consultants	-	-	8,640	-	-	-	-	8,640	53,092	36	61,768
Travel	-	3,705	2,058	27,053	1,422	8	40	34,286	185	1,622	36,093
Conferences, events, and meetings	-	-	-	12,099	4,532	-	3,079	19,710	130	-	19,840
Printing and copying	-	590	-	-	-	-	20	610	993	162	1,765
Postage and delivery	-	-	-	-	-	-	-	-	822	-	822
Occupancy	-	-	-	-	-	-	-	-	330,242	-	330,242
Communications	-	-	-	-	-	-	-	-	5,109	-	5,109
Supplies	-	-	-	-	-	-	-	-	10,754	-	10,754
Subscriptions and advertising	3,949	11,427	-	5,000	20,363	-	5,245	45,984	6,942	-	52,926
Depreciation and amortization	-	-	-	-	-	-	-	-	121,367	-	121,367
Insurance	-	-	-	-	-	-	-	-	4,134	-	4,134
Office and other operating expenses	-	37,500	3,900	675	33	9,750	23,579	75,437	(57,735)	34,035	51,737
Total Expenses	<u>\$ 3,949</u>	<u>\$ 248,383</u>	<u>\$ 14,598</u>	<u>\$ 44,827</u>	<u>\$ 420,773</u>	<u>\$ 58,716</u>	<u>\$ 273,340</u>	<u>\$ 1,064,586</u>	<u>\$ 626,677</u>	<u>\$ 369,059</u>	<u>\$ 2,060,322</u>

See Notes to Financial Statements.

TRUMAN CENTER FOR NATIONAL POLICY

Statement of Cash Flows

For the Year ended December 31, 2018

OPERATING ACTIVITIES

Change in net assets		\$ (134,364)
Adjustments to reconcile the change in net assets to net cash provided by operations:		
Depreciation and amortization	\$ 121,367	
Decrease in grants, pledges and contracts receivable	567,684	
Increase in prepaid expenses and advances	(19,076)	
Increase in accounts payable and accrued expenses	947	
Decrease in advances to affiliate	(114,334)	
Decrease in deferred revenue	(6,000)	
Decrease in deferred rent	(110,800)	
Decrease in rent deposit	<u>(26,810)</u>	\$ 412,978
Net cash provided by Operating Activities		<u>278,614</u>

INVESTING ACTIVITIES

Purchase of furniture and equipment		<u>(18,046)</u>
Net cash increase for period		260,568
Cash at January 1, 2018		<u>7,000</u>
Cash at December 31, 2018		<u><u>\$ 267,568</u></u>
Interest expense and bank charges		<u><u>\$ 1,539</u></u>

There were no non-cash investing and financing activities
for the year ended December 31, 2018.

**TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 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 \$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, 2018 totaled \$121,367.

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, 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, 2018, 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, 2016, 2017, and 2018. 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, 2018, 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, 2018

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, 2018, 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	\$ 16,101
Accrued vacation and other employee benefits	20,434
Total	\$ 36,535

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018 grants, contributions, and other accounts receivable consisted of the following and management considers these receivables fully collectible:

Donor	
MacArthur Foundation	\$750,000

3. RELATED PARTY TRANSACTIONS

TCNP and 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, 2018, TNSP owes TCNP \$8,844 for direct 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
Computer software	21,706
Office furniture and computer and office equipment	388,810
Subtotal	1,365,910
Less: Accumulated depreciation and amortization	-720,506
Total	\$ 645,404

5. CONCENTRATION OF CREDIT RISK

TCNP maintains its cash balances in various financial institutions. At December 31, 2018, the balances were insured, up to \$250,000, by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2018, 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.

**TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

5. CONCENTRATION OF CREDIT RISK (continued)

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, 2018, one contributors represent approximately 100% of outstanding grants, pledges, and contract receivables. For the year ended December 31, 2018, two (2) donors represented 57% 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, 2018 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, 2018:

Donor	Amount
Policy - Carnegie	\$ 26,605
MacArthur Foundation	767,105
Compton Foundation	11,402
Ploughshares	6,284
Total	\$ 811,396

For the year ended December 31, 2018 net assets that have been released from grantor restrictions are as follows:

Donor	Amount
Policy - Carnegie	\$ 229,258
MacArthur Foundation	232,895
M&R Strategic Services	5,000
Ploughshares	58,716
Compton Foundation	14,598
Open Society	81,122
Caldera Foundation	10,398
Institute of International Education	12,201
Center for the Study of Democratic Institutions	12,201
Others	100,000
Total	\$ 756,389

TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. These incentives will be amortized over the life of the lease to reduce future rent expense.

For the year ended December 31, 2018, rent expense and the pro-rata share of building operating expenses under this operating lease totaled \$293,248. Rent expense net of sublease income of \$7,200 and leasehold improvement incentive amortization of \$90,000 totaled \$196,048 for the year ended December 31, 2018. TCNP is in the process of renegotiating this lease and as of August 22, 2019, a new lease has not been signed.

Future minimum lease payments under this lease are as follows:

Year	Amount	Amortization of Abatements and Incentives	Total Rent Expense
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
	\$2,789,845	\$ 232,500	\$2,557,345

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, 2018, rent expense under this operating lease was \$334,509, net of sublease payments of \$224,609 and leasehold improvement incentive amortization of \$20,800 totaled \$89,100 prior to any pass through or offset adjustments. Future minimum rents under this lease total \$12,448.

**TRUMAN CENTER FOR NATIONAL POLICY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 \$34,613. During the year ended December 31, 2018, the remaining balance of this security deposit totaling \$25,610 has been recorded as sublease income and a reduction to rent expense. As of December 31, 2018, the remaining balance of \$15,531 relates to current sublessors and is recorded as a current liability in the Statement of Financial Position.

9. LIQUIDITY

TCNP has \$1,017,568 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, 2018 consists of cash of \$267,568, and grants and pledges receivable of \$750,000.

Financial assets subject to donor or other contractual restrictions total \$811,396 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

Subsequent events have been reviewed through August 22, 2019 and all transactions requiring adjustment to or disclosure in the financial statements as of and for the year ended December 31, 2018 have been recorded.