

## **FINANCIAL STATEMENTS**



Center for a  
New American  
Security

**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**CENTER FOR A NEW AMERICAN SECURITY INC.**

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Center for a New American Security Inc.  
Washington, D.C.

#### Opinion

We have audited the accompanying financial statements of the Center for a New American Security Inc. (CNAS), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CNAS as of September 30, 2022, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CNAS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CNAS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CNAS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CNAS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

May 11, 2023

## CENTER FOR A NEW AMERICAN SECURITY INC.

STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2022

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 12,219,566
Contributions receivable	2,742,514
Contracts receivable	1,231,902
Prepaid expenses	<u>46,448</u>
Total current assets	<u>16,240,430</u>

## PROPERTY AND EQUIPMENT

Property and equipment, net	<u>213,775</u>
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## OTHER ASSETS

Restricted cash	3,111,006
Contributions receivable, net	2,904,740
Deposit	<u>71,847</u>
Total other assets	<u>6,087,593</u>

**TOTAL ASSETS** **\$ 22,541,798**

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 262,416
Accrued salaries and related benefits	550,901
Deferred revenue	81,500
Current portion of deferred rent and leasehold allowance	140,179
Obligations under capital leases, current portion	<u>17,299</u>
Total current liabilities	<u>1,052,295</u>

## NONCURRENT LIABILITIES

Deferred rent and leasehold allowance	94,311
Obligations under capital leases, non-current	23,450
Deferred compensation liability	<u>250,000</u>
Total noncurrent liabilities	<u>367,761</u>
Total liabilities	<u>1,420,056</u>

## NET ASSETS

Without donor restrictions	9,400,852
With donor restrictions	<u>11,720,890</u>
Total net assets	<u>21,121,742</u>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 22,541,798**

## CENTER FOR A NEW AMERICAN SECURITY INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 6,111,548	\$ 9,848,452	\$ 15,960,000
Contracts	3,470,056	-	3,470,056
Interest income	-	16,904	16,904
Contributed professional services	63,971	-	63,971
Net assets released from donor restrictions	<u>4,078,898</u>	<u>(4,078,898)</u>	<u>-</u>
Total support and revenue	<u>13,724,473</u>	<u>5,786,458</u>	<u>19,510,931</u>
<b>EXPENSES</b>			
Program Services:			
Defense, Strategies and Assessment	1,437,821	-	1,437,821
Technology and National Security	1,239,189	-	1,239,189
Transatlantic Security	1,135,565	-	1,135,565
Energy, Economics and Security	1,101,333	-	1,101,333
Indo-Pacific Security	1,055,340	-	1,055,340
Outreach	602,918	-	602,918
Middle East Security	272,966	-	272,966
Military Veterans and Society	<u>684,599</u>	<u>-</u>	<u>684,599</u>
Total program services	<u>7,529,731</u>	<u>-</u>	<u>7,529,731</u>
Supporting Services:			
Management and General	2,238,233	-	2,238,233
Fundraising	<u>1,102,575</u>	<u>-</u>	<u>1,102,575</u>
Total supporting services	<u>3,340,808</u>	<u>-</u>	<u>3,340,808</u>
Total expenses	<u>10,870,539</u>	<u>-</u>	<u>10,870,539</u>
Change in net assets	2,853,934	5,786,458	8,640,392
Net assets at beginning of year	<u>6,546,918</u>	<u>5,934,432</u>	<u>12,481,350</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 9,400,852</u></b>	<b><u>\$ 11,720,890</u></b>	<b><u>\$ 21,121,742</u></b>

## CENTER FOR A NEW AMERICAN SECURITY INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services					
	Defense, Strategies and Assessment	Technology and National Security	Transatlantic Security	Energy, Economics and Security	Indo-Pacific Security	Outreach
Salaries and wages	\$ 709,165	\$ 514,214	\$ 556,395	\$ 490,838	\$ 443,275	\$ 185,140
Employee benefits and related taxes	389,965	285,085	306,652	276,519	248,455	97,865
Consultant services	116,066	84,697	108,426	197,645	92,807	91,527
Travel	52,915	237,610	38,149	20,917	182,366	15,258
Occupancy	86,236	62,529	67,659	59,687	53,903	22,513
Computer, software and internet	191	832	16,536	14,688	809	119,233
Accounting fees	-	-	-	-	-	-
Other expenses	228	134	431	-	55	142
Conferences and conventions	21,399	5,919	1,750	2,052	680	46,609
Depreciation and amortization	23,271	16,874	18,258	16,107	14,546	6,075
Meals and entertainment	12,614	12,962	4,832	8,583	4,593	10,121
Supplies	4,081	2,716	234	216	700	2,610
Telephone	7,356	5,334	5,772	5,092	4,598	1,920
Legal fees	-	-	-	-	-	-
Printing and publications	7,250	5,147	4,914	4,087	4,125	2,056
Insurance	3,740	2,712	2,934	2,588	2,338	976
Bank service charges	3,344	2,424	2,623	2,314	2,090	873
Dues and subscriptions	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 1,437,821</b>	<b>\$ 1,239,189</b>	<b>\$ 1,135,565</b>	<b>\$ 1,101,333</b>	<b>\$ 1,055,340</b>	<b>\$ 602,918</b>

See accompanying notes to financial statements.

CENTER FOR A NEW AMERICAN SECURITY INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services (Continued)			Supporting Services			
	Middle East Security	Military Veterans and Society	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	\$ 132,312	\$ 333,375	\$3,364,714	\$ 963,851	\$ 456,818	\$ 1,420,669	\$ 4,785,383
Employee benefits and related taxes	63,870	178,188	1,846,599	413,401	264,550	677,951	2,524,550
Consultant services	38,156	35,311	764,635	-	129,232	129,232	893,867
Travel	3,063	18,384	568,662	61,687	56,460	118,147	686,809
Occupancy	16,089	40,539	409,155	117,206	55,550	172,756	581,911
Computer, software and internet	191	54,540	207,020	159,655	600	160,255	367,275
Accounting fees	-	-	-	174,205	-	174,205	174,205
Other expenses	-	-	990	158,599	6,132	164,731	165,721
Conferences and conventions	5,590	3,500	87,499	4,712	67,830	72,542	160,041
Depreciation and amortization	4,342	10,940	110,413	31,629	14,991	46,620	157,033
Meals and entertainment	819	780	55,304	40,350	17,048	57,398	112,702
Supplies	1,864	373	12,794	30,911	24,062	54,973	67,767
Telephone	1,372	3,458	34,902	9,998	4,739	14,737	49,639
Legal fees	-	-	-	41,930	-	41,930	41,930
Printing and publications	3,976	1,881	33,436	459	-	459	33,895
Insurance	698	1,758	17,744	5,083	2,409	7,492	25,236
Bank service charges	624	1,572	15,864	4,544	2,154	6,698	22,562
Dues and subscriptions	-	-	-	20,013	-	20,013	20,013
<b>TOTAL</b>	<b>\$ 272,966</b>	<b>\$ 684,599</b>	<b>\$7,529,731</b>	<b>\$ 2,238,233</b>	<b>\$ 1,102,575</b>	<b>\$ 3,340,808</b>	<b>\$ 10,870,539</b>

See accompanying notes to financial statements.



## CENTER FOR A NEW AMERICAN SECURITY INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 8,640,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	157,033
Discount on long-term receivables	256,271
(Increase) decrease in:	
Contributions receivable	(5,576,775)
Contracts receivable	(1,007,791)
Prepaid expenses	98,526
Deposit	15,000
Increase (decrease) in:	
Accounts payable and accrued liabilities	6,596
Accrued salaries and related benefits	313,864
Deferred revenue	(52,600)
Deferred abatement	(151,971)
Deferred compensation liability	<u>250,000</u>
Net cash provided by operating activities	<u>2,948,545</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of fixed assets	<u>(2,807)</u>
Net cash used by investing activities	<u>(2,807)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on obligations under capital lease	<u>(60,877)</u>
Net cash used by financing activities	<u>(60,877)</u>
Net increase in cash and cash equivalents	2,884,861
Cash and cash equivalents at beginning of year	<u>12,445,711</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH OF \$3,111,006</b>	<b><u>\$ 15,330,572</u></b>

**SUPPLEMENTAL INFORMATION:**

Interest Paid	<u>\$ 3,523</u>
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CENTER FOR A NEW AMERICAN SECURITY INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for a New American Security Inc. (CNAS) is a non-profit organization, incorporated in the State of Delaware and located in Washington D.C.. CNAS is an independent, bipartisan, nonprofit organization that develops strong, pragmatic, and principled national security and defense policies. CNAS engages policymakers, experts, and the public with innovative, fact-based research, ideas, and analysis to shape and elevate the national security debate. A key part of CNAS' mission is to inform and prepare the national security leaders of today and tomorrow.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than CNAS' mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During the year ended September 30, 2022, CNAS adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

**CENTER FOR A NEW AMERICAN SECURITY INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

**Cash and cash equivalents -**

CNAS considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, CNAS maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

**Receivables -**

Contributions and contracts receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

**Property and equipment -**

Property and equipment in excess of \$500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended September 30, 2022 totaled \$157,033.

**Impairment of long-lived assets -**

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

**Income taxes -**

CNAS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. CNAS is not a private foundation.

**Uncertain tax positions -**

For the year ended September 30, 2022, CNAS has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

CENTER FOR A NEW AMERICAN SECURITY INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Revenue -

Contributions -

Contributions are recognized in the appropriate category of net assets in the period received. CNAS performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed nonreciprocal or reciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and awards are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

Funds received in advance of the incurrence of qualifying expenditures are recorded as a refundable advance. For contributions and grants treated as contributions, CNAS had approximately \$582,000 in unrecognized conditional awards as of September 30, 2022.

Contracts revenue -

Contract revenue consists of exchange transactions which are recognized according to ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. CNAS has elected to opt out of all (or certain) disclosures not required for nonpublic entities.

Contract revenue is derived from contracts from governmental agencies and nongovernmental entities. CNAS is primarily contracted to conduct specialized studies and publish related research reports as stipulated by the customer. Revenue is recognized from such studies and research reports either at a point in time or over time, as determined on a contract-by-contract basis. For contract performance obligations deemed to be satisfied over time, revenue is recognized as the study and research reports are completed using a cost-to-cost plus anticipated profit margin input method. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. CNAS considers such performance obligations to be satisfied over time as the studies and interrelated research reports represent assets without alternative use to CNAS.

**CENTER FOR A NEW AMERICAN SECURITY INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Revenue (continued) -

Contracts revenue (continued) -

Other contract services provided by CNAS include conducting its fellows program and providing specialized staffing for U.S. Government agencies. Revenue from such contracts is recognized ratably over time as the customer simultaneously receives and consumes the value of services.

CNAS' revenue from contracts with customers generally range from within one year or less. The contracts do not include significant financing components and do not have variable considerations. CNAS did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to certain economic factors, specifically the political climate. Management does not believe there is a material risk of loss for future revenue and cash inflows.

For the year ended September 30, 2022, CNAS' total contract revenue of \$3,470,056 was recognized over time. Payments are either received in advance or on a reimbursement basis, as stipulated on a contract-by-contract basis. Payments in excess of revenue recognized are reported as deferred revenue; revenue recognized in excess of payments are reported as accounts receivable. As of September 30, 2022 and 2021, total deferred revenue was \$81,500 and \$134,100, respectively, and total accounts receivable was \$1,231,902 and \$224,111, respectively.

Contributed professional services -

Contributed professional services consist of pro-bono legal services and contributed software services. Contributed professional services are recorded at their fair value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of CNAS are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

**CENTER FOR A NEW AMERICAN SECURITY INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Functional allocation of expenses (continued) -

Expenses that are allocated include the following:

<b>Expenses</b>	<b>Method of Allocation</b>
Salaries and benefits	Time studies by employee
Occupancy and depreciation	Salaries
IT and communications	Salaries
Insurance	Salaries

New accounting pronouncements not yet adopted -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 which delayed the implementation date by one year. The ASU is effective for non-public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for CNAS for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

CNAS plans to adopt the new ASUs at the required implementation date and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

**2. CONTRIBUTIONS RECEIVABLE**

As of September 30, 2022, contributors to CNAS have made unconditional written promises to give, of which \$5,903,525 remained due and outstanding. Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 6.25%.

Following is a schedule of amounts due, by year, as of September 30, 2022:

Less than one year	\$ 2,742,514
One to five years	<u>3,161,011</u>
Total	5,903,525
Less: Allowance to discount balance to present value	<u>(256,271)</u>
<b>NET RECEIVABLES</b>	<b><u>\$ 5,647,254</u></b>

**CENTER FOR A NEW AMERICAN SECURITY INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**3. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at September 30, 2022:

Furniture	\$ 152,736
Computer equipment	302,478
Leasehold improvements	<u>828,477</u>
Total property and equipment	1,283,691
Less: Accumulated depreciation and amortization	<u>(1,069,916)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<b><u>\$ 213,775</u></b>

**4. CAPITAL LEASE OBLIGATIONS**

CNAS entered into capital lease obligations for various office equipment, which expire in 2022 and 2025. As of September 30, 2022, the cost and related accumulated amortization of the leased assets were \$185,692 and \$142,068, respectively. Amortization of assets held under capital leases is included with depreciation expense. Future minimum lease payments at September 30, 2022 are as follows:

**Year Ending December 31,**

2023	\$ 18,650
2024	11,808
2025	11,808
2026	<u>984</u>
	43,250
Less: Imputed interest	<u>(2,501)</u>
	40,749
Less: Current portion	<u>(17,299)</u>
<b>LONG-TERM PORTION</b>	<b><u>\$ 23,450</u></b>

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at September 30, 2022:

Subject to expenditure for specified purpose:	
Defense, Strategies and Assessment	\$ 1,257,950
Technology and National Security	1,922,302
Transatlantic Security	450,948
Energy, Economics and Security	1,683,471
Indo-Pacific Security	899,035
Outreach	71,893
Middle East Security	134,737
Military Veterans and Society	434,696
Independent Programs	17,757
Accumulated Term Endowment Earnings	<u>111,006</u>
Subtotal	6,983,795
Subject to passage of time	1,737,095
Term Endowment to be invested in perpetuity	<u>3,000,000</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 11,720,890</u></b>

**CENTER FOR A NEW AMERICAN SECURITY INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Defense, Strategies and Assessment	\$ 370,603
Technology and National Security	1,224,065
Transatlantic Security	290,556
Energy, Economics and Security	527,789
Indo-Pacific Security	747,369
Outreach	120,607
Middle East Security	103,635
Military Veterans and Society	513,527
Independent Programs	82,747
Future of Department of Defense	30,000
Time restrictions accomplished	<u>68,000</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 4,078,898</u></b>

**6. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 12,219,566
Contributions receivable	2,742,514
Contracts receivable	<u>1,231,902</u>
Subtotal financial assets available within one year	16,193,982
Less: Donor restricted funds	(11,720,890)
Add: Time restrictions - current portion	<u>855,561</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 5,328,653</u></b>

CNAS has a policy to structure its financial assets to be available and liquid as its obligations become due.

**7. CONTRIBUTED PROFESSIONAL SERVICES**

During the year ended September 30, 2022, CNAS was the beneficiary of donated goods and services which allowed CNAS to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended September 30, 2022. The value of these contributions is recorded at their fair value as of the date the donations were provided. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended September 30, 2022.

Legal services	\$ 40,426
Software	<u>23,545</u>
<b>TOTAL</b>	<b><u>\$ 63,971</u></b>



**CENTER FOR A NEW AMERICAN SECURITY INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**7. CONTRIBUTED PROFESSIONAL SERVICES (Continued)**

The following programs have benefited from these donated services:

<b>Management and General</b>	<b>\$ <u>63,971</u></b>
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**8. LEASE COMMITMENTS**

In 2013, CNAS executed a lease for office space in Washington D.C. under a five-year agreement. In 2015, CNAS extended the lease with additional space through February 2024. Base rent under the amended agreement is \$48,012 per year, plus a proportionate share of expenses, increasing by a factor of 4% per year. The lease also provided for a tenant improvement allowance totaling \$398,680.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent and tenant improvement liability on the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u><b>Year Ending December 31,</b></u>	
2023	\$ 764,579
2024	<u>331,837</u>
	<b>\$ <u>1,096,416</u></b>

Rent expense for the year ended September 30, 2022 was \$581,911. The deferred rent and tenant improvement liability was \$234,490.

**9. RETIREMENT PLAN**

CNAS provides retirement benefits to its employees through a 403(b) defined contribution plan covering all full-time employees. CNAS contributes up to 4% of eligible employee's compensation (safe harbor contributions). Participants are fully vested in safe harbor contributions. Contributions to the Plan during the year ended September 30, 2022 totaled \$202,339.

During 2022, CNAS established a defined contribution plan under Section 457(b) of the Internal Revenue Code. All assets contributed to the Plan are considered assets of the employer. Total contributions and investment earnings related to the Plan were \$250,000 as of September 30, 2022, and are recorded as a Deferred compensation long-term liability in the accompanying Statement of Financial Position. The funds were transferred to a separate brokerage account subsequent to September 30, 2022. As of September 30, 2022 the Deferred compensation asset is included in Cash and cash equivalents on the accompanying Statement of Financial position.

**10. RELATED PARTY**

CNAS receives significant support in the form of contributions from Board of Directors' members in the ordinary course of business. During the year ended September 30, 2022, Board Members and organizations affiliated with Board Members made contributions totaling \$544,500.

# CENTER FOR A NEW AMERICAN SECURITY INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

### 11. TERM ENDOWMENT

In 2017, CNAS received a matching contribution that established a term endowment fund for the purpose of providing for unspecified long-term cash flow needs. Donor-restricted contributions made to the fund have restrictions that are permanent in nature and gains are available to be appropriated for general operations when approved in a prudent manner by the Board of Directors, provided that no such appropriation reduces the principal below the contribution level. Withdrawals from the fund may be made only upon request of the CEO and approval by the Chairmen of the Board of Directors or the chair of the Audit Committee. Withdrawals from the fund for an immediate and mission-critical cash obligation may reduce the principal of the fund. As of September 30, 2022, the fund totaled \$3,111,006 and is shown as restricted cash on the accompanying Statement of Financial Position.

CNAS' endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, CNAS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. CNAS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, CNAS considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Term endowment net asset composition by type of fund as of September 30, 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 3,000,000	\$ 3,000,000
Accumulated investment earnings	<u>-</u>	<u>111,006</u>	<u>111,006</u>
<b>TOTAL TERM ENDOWMENT FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 3,111,006</u></b>	<b><u>\$ 3,111,006</u></b>

**CENTER FOR A NEW AMERICAN SECURITY INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**11. TERM ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended September 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,094,102	\$ 3,094,102
Interest income	<u>-</u>	<u>16,904</u>	<u>16,904</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 3,111,006</u></b>	<b><u>\$ 3,111,006</u></b>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. No such deficiencies existed as of September 30, 2022.

Return Objectives and Risk Parameters -

CNAS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve capital and generate income.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, CNAS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CNAS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Earnings and distributions from the funds held in the term endowment are to be reinvested until proper approvals for expenditures are received. Withdrawals of the principal require explicit approval and must be for an immediate and mission-critical objective as detailed above. The current objective is preservation of capital.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, CNAS has evaluated events and transactions for potential recognition or disclosure through May 11, 2023, the date the financial statements were issued.