

FINANCIAL STATEMENTS

**BUSINESS EXECUTIVES FOR
NATIONAL SECURITY**

**FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2009**

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Business Executives for National Security
Washington, D.C.

We have audited the accompanying statement of financial position of the Business Executives for National Security (BENS) as of December 31, 2010, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of BENS' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from BENS' 2009 financial statements and, in our report dated October 28, 2010, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BENS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BENS as of December 31, 2010, and its change 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.

Gelman Rosenberg & Freedman

July 29, 2011

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BUSINESS EXECUTIVES FOR NATIONAL SECURITY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,368,748	\$ 5,128,576
Prepaid expenses	<u>40,964</u>	<u>33,938</u>
Total current assets	<u>5,409,712</u>	<u>5,162,514</u>
FIXED ASSETS		
Equipment	146,449	142,505
Furniture	100,189	100,189
Leasehold improvements	37,879	37,879
Less: Accumulated depreciation and amortization	<u>(170,016)</u>	<u>(135,743)</u>
Net fixed assets	<u>114,501</u>	<u>144,830</u>
OTHER ASSETS		
Security deposits	<u>50,528</u>	<u>50,528</u>
TOTAL ASSETS	<u>\$ 5,574,741</u>	<u>\$ 5,357,872</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 264,718	\$ 312,459
Accrued vacation	129,474	156,335
Deferred rent abatement (Note 2)	50,380	-
Deferred revenue	<u>-</u>	<u>794</u>
Total current liabilities	<u>444,572</u>	<u>469,588</u>
LONG-TERM LIABILITIES		
Deferred rent abatement, net of current portion (Note 2)	<u>138,352</u>	<u>72,793</u>
Total liabilities	<u>582,924</u>	<u>542,381</u>
NET ASSETS		
Unrestricted (Note 3)	3,053,475	3,022,201
Temporarily restricted (Note 5)	638,213	493,161
Permanently restricted (Note 7)	<u>1,300,129</u>	<u>1,300,129</u>
Total net assets	<u>4,991,817</u>	<u>4,815,491</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,574,741</u>	<u>\$ 5,357,872</u>

See accompanying notes to financial statements.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Contributions and grants	\$ 4,104,477	\$ 1,334,311	\$ -	\$ 5,438,788	\$ 5,424,275
Special event income	2,207,618	-	-	2,207,618	1,588,097
In-kind contributions	55,382	-	-	55,382	106,144
Investment income	17,326	-	-	17,326	54,885
Other revenue	4,160	-	-	4,160	(19,309)
Net assets released from donor restrictions (Note 6)	<u>1,189,259</u>	<u>(1,189,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,578,222</u>	<u>145,052</u>	<u>-</u>	<u>7,723,274</u>	<u>7,154,092</u>
EXPENSES					
Program Services:					
Meetings Program Development and Implementation	1,415,243	-	-	1,415,243	1,346,028
Policy Development and Implementation	1,751,981	-	-	1,751,981	1,779,337
Warrior Gateway Project	1,192,355	-	-	1,192,355	486,884
Business Force Development and Implementation	464,527	-	-	464,527	863,690
Homeland Security Advisory Council Contract	-	-	-	-	191,369
Colorado Emergency Preparedness Partnership Grant	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,634</u>
Total program services	<u>4,824,106</u>	<u>-</u>	<u>-</u>	<u>4,824,106</u>	<u>4,779,942</u>
Supporting Services:					
Administration	844,080	-	-	844,080	787,692
Strategic Development	<u>1,878,762</u>	<u>-</u>	<u>-</u>	<u>1,878,762</u>	<u>1,274,357</u>
Total supporting services	<u>2,722,842</u>	<u>-</u>	<u>-</u>	<u>2,722,842</u>	<u>2,062,049</u>
Total expenses	<u>7,546,948</u>	<u>-</u>	<u>-</u>	<u>7,546,948</u>	<u>6,841,991</u>
Change in net assets	31,274	145,052	-	176,326	312,101
Net assets at beginning of year	<u>3,022,201</u>	<u>493,161</u>	<u>1,300,129</u>	<u>4,815,491</u>	<u>4,503,390</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,053,475</u>	<u>\$ 638,213</u>	<u>\$ 1,300,129</u>	<u>\$ 4,991,817</u>	<u>\$ 4,815,491</u>

See accompanying notes to financial statements.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 176,326	\$ 312,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,273	24,330
(Increase) decrease in:		
Accounts receivable	-	55,502
Prepaid expenses	(7,026)	54,702
Security deposits	-	(49,364)
Increase (decrease) in:		
Accounts payable and accrued expenses	(47,741)	(196,609)
Accrued vacation	(26,861)	11,879
Deferred rent abatement	115,939	40,079
Deferred revenue	<u>(794)</u>	<u>-</u>
Net cash provided by operating activities	<u>244,116</u>	<u>252,620</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of investments	-	176
Purchases of equipment	<u>(3,944)</u>	<u>(142,858)</u>
Net cash used by investing activities	<u>(3,944)</u>	<u>(142,682)</u>
Net increase in cash and cash equivalents	240,172	109,938
Cash and cash equivalents at beginning of year	<u>5,128,576</u>	<u>5,018,638</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,368,748</u>	<u>\$ 5,128,576</u>

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Business Executives for National Security (BENS), formerly the Business Executives for National Security Education Fund, Inc., is a nonprofit organization incorporated in the District of Columbia. The purpose of BENS is charitable and educational, namely, to conduct nonpartisan public educational functions concerning national security issues.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BENS' financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Cash and cash equivalents -

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

At times during the year, BENS maintains cash balances at a financial institution in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk in these situations to be minimal.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Furniture, equipment and leasehold improvements -

BENS records furniture and equipment at cost. Furniture and equipment are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. BENS has established a capitalization threshold policy of \$2,500. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

BENS 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. BENS is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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

Uncertain tax positions (continued) -

For the year ended December 31, 2010, BENS has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of BENS and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of BENS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by BENS. The permanently restricted net assets are described in Note 7.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

BENS receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Donated services and materials -

Donated services and materials are valued at fair market value. The value of services and materials donated to BENS for the years ended December 31, 2010 and 2009 was \$55,382 and \$106,144, respectively, which is reflected as an in-kind contribution in the Statement of Activities and Change in Net Assets. The corresponding expenses are recorded in the appropriate expense categories in the Schedule of Functional Expenses.

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

2. COMMITMENTS

Operating lease -

On March 26, 2009, BENS entered into a new lease for ten years and one month. The commencement date on the new lease was September 1, 2009. Thus, the lease expires on October 31, 2019. BENS' rent is to increase on a yearly basis by a factor of 3% per year. BENS is to receive rent abatements for months one and thirteen of the lease.

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 liability in the Statement of Financial Position.

Total rental expense for 2010 was \$683,598.

BENS also has signed leases for various types of office equipment with lease terms of two to five years.

Future minimum payments are as follow:

Year Ended December 31,

2011	\$ 656,012
2012	649,813
2013	660,432
2014	671,122
2015	689,499
Thereafter	<u>2,805,683</u>
	<u>\$6,132,561</u>

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

3. BOARD DESIGNATED NET ASSETS

A reserve fund, the Founders' Fund, has been established by the Board of Directors and contributions to this fund are Board restricted. In an emergency situation in which revenues are insufficient to meet financial commitments, the Chief Executive Officer (CEO) may request a draw from these reserves. Any disbursement of funds would require the approval of the Chairman of the Board and the Chairs of both the Executive and Finance Committees. All advances from the Founders' Fund must be restored as soon as funds, surplus to the budgetary needs of BENS, become available.

The balance of the Founders' Fund as of December 31, 2010, was \$1,162,014.

4. RETIREMENT PLAN

BENS has a 401(k) plan for all employees. BENS contributes a four percent matching contribution for all participating employees. The employer's contribution for the year ended December 31, 2010 totaled \$89,019.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010:

Warrior Gateway Project	\$ 513,213
Strategic Development Data Base	<u>125,000</u>
	<u>\$ 638,213</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets which were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Warrior Gateway Project	<u>\$1,189,259</u>
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7. PERMANENTLY RESTRICTED NET ASSETS

In 2006, BENS initiated an Endowment Fund in order to preserve the organization in-perpetuity. The Board of Directors is evaluating a draft Investment Policy Statement that will govern the use of these contributions.

At December 31, 2010, permanently restricted net assets totaled \$1,300,129.

8. SUBSEQUENT EVENTS

In preparing these financial statements, BENS has evaluated events and transactions for potential recognition or disclosure through July 29, 2011, the date the financial statements were issued.



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL FINANCIAL INFORMATION**

To the Board of Directors
Business Executives for National Security
Washington, D.C.

Our report on our audit of the basic financial statements of the Business Executives for National Security (BENS) as of December 31, 2010 appears on page 2. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gelman Rosenberg & Freedman

July 29, 2011

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BUSINESS EXECUTIVES FOR NATIONAL SECURITY

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	Program Services			
	Meetings Program Development and Implementation	Policy Development and Implementation	Warrior Gateway Project	Business Force Development and Implementation
Salaries	\$ 724,918	\$ 1,127,889	\$ 315,494	\$ 301,153
Payroll taxes and employee benefits	149,948	233,302	65,259	62,293
Total salaries and employee expenses	874,866	1,361,191	380,753	363,446
Temporary help	10,813	16,823	4,706	4,492
Consultants	-	-	-	-
Professional services	-	59	675,849	23,700
Advertising	-	-	498	-
Postage	9,586	14,915	4,172	3,982
Office supplies and equipment	32,764	50,977	14,259	13,611
Software licenses	-	-	-	-
Printing	10,490	16,321	4,565	4,358
Rent	107,961	188,393	45,351	26,256
Telephone	17,514	27,249	7,622	7,276
Repairs and maintenance	3,499	5,444	1,523	1,454
Travel and subsistence	-	13,393	35,054	2,838
Meetings	321,372	16,174	6,523	2,154
Depreciation and amortization	6,930	10,782	3,016	2,879
Bank fees	-	-	-	-
Dues and subscriptions	11,585	18,024	5,042	4,813
Employee development	899	1,399	391	374
Business insurance	6,953	10,819	3,026	2,889
Other	11	18	5	5
TOTAL	\$ 1,415,243	\$ 1,751,981	\$1,192,355	\$ 464,527

2010					2009
Supporting Services					
Total Program Services	Administration	Strategic Development	Total Supporting Services	Total Expenses	Total Expenses
\$ 2,469,454	\$ 309,399	\$ 806,301	\$ 1,115,700	\$ 3,585,154	\$ 3,404,917
510,802	63,999	166,782	230,781	741,583	743,455
2,980,256	373,398	973,083	1,346,481	4,326,737	4,148,372
36,834	4,615	12,027	16,642	53,476	57,337
-	-	-	-	-	13,991
699,608	253,359	24,648	278,007	977,615	465,656
498	-	99	99	597	-
32,655	4,091	10,662	14,753	47,408	62,707
111,611	13,984	36,443	50,427	162,038	120,026
-	35	49	84	84	84,600
35,734	4,477	11,668	16,145	51,879	69,411
367,961	114,107	201,530	315,637	683,598	618,698
59,661	7,475	19,480	26,955	86,616	106,182
11,920	1,493	3,892	5,385	17,305	38,530
51,285	3,241	224,242	227,483	278,768	352,991
346,223	4,322	331,599	335,921	682,144	543,425
23,607	2,958	7,708	10,666	34,273	24,330
-	48,224	-	48,224	48,224	25,698
39,464	4,944	12,885	17,829	57,293	67,561
3,063	384	1,000	1,384	4,447	-
23,687	2,968	7,734	10,702	34,389	40,814
39	5	13	18	57	1,662
\$ 4,824,106	\$ 844,080	\$ 1,878,762	\$ 2,722,842	\$ 7,546,948	\$ 6,841,991