



★ NATIONAL ★  
CRYPTOLOGIC  
FOUNDATION

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2023 AND 2022**

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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## Independent Auditor's Report

To the Board of Directors of  
The National Cryptologic Foundation, Inc.

### **Opinion**

We have audited the accompanying financial statements of The National Cryptologic Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 The National Cryptologic Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 The National Cryptologic Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 The National Cryptologic Foundation, Inc.'s 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. 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 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 The National Cryptologic Foundation, Inc.'s 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 The National Cryptologic Foundation, Inc.'s 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.

*Alta CPA Group, LLC*

February 5, 2024

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,085,870	\$ 991,567
Investments	6,595,894	7,823,990
Prepaid Expenses	3,500	-
Current Portion of Contributions Receivable	795,942	301,715
 Total Current Assets	 9,481,206	 9,117,272
Property and Equipment, Net	2,724,846	10,850,599
Right of Use Assets - Operating lease, Net	254,536	295,843
Other Assets:		
Contributions Receivable, Net of Current Portion	2,332,970	637,628
Security Deposit	3,506	3,506
 Total Other Assets	 2,336,476	 641,134
 Total Assets	 \$ <u>14,797,064</u>	 \$ <u>20,904,848</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 16,523	\$ 47,611
Lease Obligation Liability - Operating Lease, Current Portion	40,734	39,009
 Total Current Assets	 57,257	 86,620
Lease Obligation Liability - Operating Lease, Net of Current Portion	220,298	256,834
 Total Liabilities	 277,555	 343,454
Net Assets:		
Without Donor Restrictions	4,794,703	12,506,866
With Donor Restrictions	9,724,806	8,054,528
 Total Net Assets	 14,519,509	 20,561,394
 Total Liabilities and Net Assets	 \$ <u>14,797,064</u>	 \$ <u>20,904,848</u>

See independent auditor's report and accompanying notes to financial statements.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Grants and Contributions	\$ 616,275	\$ 3,000,000	\$ 3,616,275
Membership Dues	55,651	-	55,651
In-Kind Donations	7,487	-	7,487
Investment Income	32	801,596	801,628
Gross Special Events Revenue	87,489	-	87,489
Less Cost of Direct Benefits to Donors	(44,057)	-	(44,057)
Net Special Event Revenue	43,432	-	43,432
 Total Revenues and Other Support	 722,877	 3,801,596	 4,524,473
 <b>EXPENSES</b>			
Program Services	4,767,851	-	4,767,851
Administrative	369,879	-	369,879
Fundraising	239,080	-	239,080
 Total Expenses	 5,376,810	 -	 5,376,810
 Change in Net Assets from Operations	 (4,653,933)	 3,801,596	 (852,337)
 <b>OTHER CHANGES IN NET ASSETS</b>			
Loss on Impairment	(5,189,548)	-	(5,189,548)
Net Assets Released from Restrictions	2,131,318	(2,131,318)	-
 Total Change in Net Assets	 (7,712,163)	 1,670,278	 (6,041,885)
 Net Assets at Beginning of Year	 12,506,866	 8,054,528	 20,561,394
 Net Assets at End of Year	 \$ 4,794,703	 \$ 9,724,806	 \$ 14,519,509

See independent auditor's report and accompanying notes to financial statements.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Grants and Contributions	\$ 3,140,014	\$ 480,155	\$ 3,620,169
Membership Dues	49,325	-	49,325
Loss on Investments	58	(1,397,292)	(1,397,234)
Gross Special Events Revenue	34,455	-	34,455
Less Cost of Direct Benefits to Donors	(20,682)	-	(20,682)
Net Special Event Revenue	<u>13,773</u>	<u>-</u>	<u>13,773</u>
 Total Revenues and Other Support	 3,203,170	 (917,137)	 2,286,033
<b>EXPENSES</b>			
Program Services	1,346,685	-	1,346,685
Administrative	291,195	-	291,195
Fundraising	<u>219,427</u>	<u>-</u>	<u>219,427</u>
 Total Expenses	 <u>1,857,307</u>	 <u>-</u>	 <u>1,857,307</u>
 Change in Net Assets from Operations	 1,345,863	 (917,137)	 428,726
<b>OTHER CHANGES IN NET ASSETS</b>			
Net Assets Released from Restrictions	<u>424,006</u>	<u>(424,006)</u>	<u>-</u>
 Total Change in Net Assets	 1,769,869	 (1,341,143)	 428,726
 Net Assets at Beginning of Year	 <u>10,736,997</u>	 <u>9,395,671</u>	 <u>20,132,668</u>
 Net Assets at End of Year	 <u>\$ 12,506,866</u>	 <u>\$ 8,054,528</u>	 <u>\$ 20,561,394</u>

See independent auditor's report and accompanying notes to financial statements.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Administrative	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
Advertising	\$ 15,996	\$ 688	\$ -	\$ -	\$ 16,684
Artifacts, Exhibits, and Education	308,414	1,548	850	-	310,812
Bank Charges	34,518	6,585	3,770	-	44,873
Communications	4,295	12,869	4,063	-	21,227
Donations	3,789,017	-	-	-	3,789,017
Insurance	-	7,988	-	-	7,988
Legal and Accounting	-	37,558	-	-	37,558
Meetings and Conferences	11,733	246	2,223	-	14,202
Other Special Programs and Sponsorships	3,319	43,093	1,133	44,057	91,602
Other Taxes	-	369	-	-	369
Payroll Taxes and Benefits	-	33,563	-	-	33,563
Printing and Publications	7,823	1,133	84	-	9,040
Professional Fundraising and Lobbying	-	33,915	3,083	-	36,998
Postage and Delivery	3,806	2,306	213	-	6,325
Rent and Occupancy	34,224	36,123	3,454	-	73,801
Salaries	553,343	138,944	219,850	-	912,137
Supplies	1,363	12,951	357	-	14,671
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Less: Special Event Expenses Included with revenue in the statement of activities	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          (44,057)</u>	<u>          (44,057)</u>
Total Expenses Reported in the Statement of activities	<u>\$ 4,767,851</u>	<u>\$ 369,879</u>	<u>\$ 239,080</u>	<u>\$ -</u>	<u>\$ 5,376,810</u>

See independent auditor's report and accompanying notes to financial statements.



THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Administrative	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
Advertising	\$ 2,646	\$ 1,213	\$ 282	\$ -	\$ 4,141
Artifacts, Exhibits, and Education	822,433	-	324	-	822,757
Bank Charges	255	3,754	-	-	4,009
Communications	34,564	9,560	6,099	-	50,223
Depreciation	-	2,752	-	-	2,752
Insurance	-	4,137	-	-	4,137
Legal and Accounting	-	41,372	-	-	41,372
Miscellaneous	-	375	-	-	375
Other Special Programs and Sponsorships	4,867	10,750	8,839	20,682	45,138
Other Taxes	-	4,057	-	-	4,057
Payroll Taxes and Benefits	-	13,809	-	-	13,809
Printing and Publications	-	3,748	538	-	4,286
Professional Fundraising and Lobbying	-	15,417	21,583	-	37,000
Postage and Delivery	1,763	2,670	-	-	4,433
Rent and Occupancy	33,855	34,558	2,500	-	70,913
Salaries	438,182	133,821	173,176	-	745,179
Supplies	8,120	9,202	6,086	-	23,408
	<u>8,120</u>	<u>9,202</u>	<u>6,086</u>	<u>-</u>	<u>23,408</u>
Less: Special Event Expenses Included with revenue in the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,682)</u>	<u>(20,682)</u>
Total Expenses Reported in the Statement of activities	<u>\$ 1,346,685</u>	<u>\$ 291,195</u>	<u>\$ 219,427</u>	<u>\$ -</u>	<u>\$ 1,857,307</u>

See independent auditor's report and accompanying notes to financial statements.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (6,041,885)	\$ 428,726
Adjustments to Reconcile Change in Net Assets to Net Cash		
Depreciation		2,752
Realized and Unrealized Gain on Investments	(516,714)	1,730,960
Change in Operating Assets and Liabilities:		
Contributions Receivable	(2,189,569)	319,468
Prepaid Expenses	(3,500)	2,461
Security Deposit	-	-
Accounts Payable	(31,088)	(87,909)
Operating Lease Assets and Liabilities	6,496	-
	<u>(8,776,260)</u>	<u>2,396,458</u>
Net Cash Change in Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	8,125,753	(424,006)
Purchase of Investments	(5,766,365)	(10,005,156)
Proceeds from Sale of Investments	7,511,175	7,895,722
	<u>9,870,563</u>	<u>(2,533,440)</u>
Net Cash Change in Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,094,303	(136,982)
Cash and Cash Equivalents, Beginning of Year	<u>991,567</u>	<u>1,128,549</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,085,870</u>	<u>\$ 991,567</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Cryptologic Museum Foundation, Inc. (the Foundation) was formed on April 17, 1996 to support the National Cryptologic Museum (Museum), an instrumentality of the United States Department of Defense. At the time, the Foundation's support included making purchases of artifacts that are donated to the Museum, publicizing the Museum, building a network of Museum supporters, and supporting special events to celebrate cryptologic history. The Foundation was also actively involved in designing, financing and constructing a new museum on the site of the current museum but was suspended due to DoD restrictions. Their design work was turned over to the federal government in 2022 as the DoD has taken over construction of a new facility.

Recognizing the broadening mission of the Foundation, the name was changed to The National Cryptologic Foundation, Inc. in 2021. In addition to supporting the Museum, the Foundation has a robust cyber education mission and serves as a platform for convening government, industry and academia to discuss national security challenges related to cybersecurity and cryptology. The Foundation's relationship with the National Security Agency is a vital part of their mission and includes continued support of the Museum.

The mission of the National Cryptologic Foundation is to advance the nation's Interest in Cyber and Cryptology by:

- Educating citizens to be cyber smart individuals;
- Developing pathways for the future cyber and cryptologic workforce;
- Engaging and convening partners to address emerging cyber and cryptologic issue, and;
- Commemorating our cryptologic history and those who served.

The Foundation holds a number of special events and programs. These include:

- A series of programs in partnership with the National Security Agency to address issues of national security interest that includes government, industry, academia and the general public.
- Education programs designed to engage students that includes in-person and virtual events and the development of materials to support these programs.
- Annual golf tournament
- Cocktails and Codebreakers fundraising event
- Member programs dealing with significant events in the history of cryptology, many of which were once classified

The costs associated with these activities are program expenses on the accompanying statement of activities and changes in net assets.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables and other liabilities.

Recent Accounting Pronouncements Adopted

The Organization has adopted Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The amendment requires companies to recognize leased assets and liabilities on the statement of financial position and to disclose key information regarding leasing arrangements. This guidance is effective for annual periods, and interim periods within those annual periods after December 15, 2022. The Organization has adopted the standard for the year ended June 30, 2023 and made reclassifications to the statement of financial position for the year ended June 30, 2022 to comply with the new standard for comparative presentation. The adoption of the new lease standard did not have a material impact to prior period information related to its ending net asset balances and statement of activities. The presentation and disclosure of lease expense, right of use, and lease obligations have been enhanced in accordance with the standard.

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 as of the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Certificates of Deposit

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Fair value approximates the carrying amount of cash and cash equivalents.

Concentrations

In general, the Federal Deposit Insurance Corporation (FDIC) insures bank balances up to \$250,000. Throughout the year, the Foundation's bank balance may exceed these insured limits. As of June 30, 2023, amounts on deposit in excess of insured limits were approximately \$207,000.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable and Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities and changes in net assets. The Foundation determines the allowance for uncollectable promises to give based on historical experience, and assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2023 and 2022, the Foundation considers all promises to give collectable; therefore, no allowance is considered necessary.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value Measurements

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data.

Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing their asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Depreciation is computed on the straight line method over the estimated useful life of the assets.

Property and equipment are stated at cost. Major renewals and betterments and property and equipment costing over \$500 are capitalized. Maintenance and repairs that do not improve or extend the life of respective assets are charged to expense when incurred. All property is depreciated over the estimated useful lives of the assets using the straight line method. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions.

Costs of constructing the Cyber Center for Education and Innovation Facility (CCEI Facility) are being capitalized as incurred. During 2023, the foundation agreed to gift the architectural designs for the CCEI Facility to the National Security Agency (NSA). The architectural designs cost the foundation \$3,789,017. These donated services were recorded as a reduction in construction in progress and expensed as a contribution for the year ended June 30, 2023.

Impairment of Long-Lived Assets

The Foundation assesses the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. On June 3<sup>rd</sup> of 2022, the Foundation's board voted to terminate efforts to fund and construct the CCEI facility. As a result, the Foundation has determined that certain long-lived assets were impaired during the year ended June 30, 2023, and have recorded an impairment loss of \$5,189,548 for the year ended June 30, 2023. There were no indicators of asset impairment during the year ended June 30, 2022.

Tax Status

The Foundation is a nonprofit organization under section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from Federal and state income taxes. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

The Foundation's income tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are for fiscal years ending June 30, 2018 through June 30, 2022. The Foundation recognizes interest and penalties related to income taxes as administrative and general expenses and has not incurred any of these expenses for the years ended June 30, 2023 and 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. 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. 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 when the assets are placed in service. Donor-imposed restrictions are released when a 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. All temporarily restricted net assets are restricted for construction of a new museum.

Revenue Recognition

Revenue from contracts with customers consists of special events and membership dues. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts, waivers, and refunds.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation determines revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied;

*Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which the Foundation evaluates the market and estimates a price that a customer would be willing to pay for the goods and services the Foundation provides.

The Foundation's performance obligations are primarily satisfied at the point of purchase of an admission ticket, museum event, or provision of educational programs. The transaction price is determined based on gross price, net of discounts or refunds.

The Foundation has elected the optional exemption to not disclose amounts where the performance obligation is part of a contract which has an original expected duration of one year or less. The Foundation expects to recognize substantially all revenue on these remaining performance obligations over the next 12 months.

*Contract Balances*

The timing of billings, cash collections, and revenue recognition may result in accounts receivable (contract assets) and deferred revenue on the statement of financial position. Receivables are only recognized to the extent that it is probable that the Foundation will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred. The Foundation may receive advance payments of deposits from our customers before revenue is recognized. There were no such advance payments at June 30, 2023 and 2022.



THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

*Costs to Obtain a Contract*

We have elected the practical expedient available in ASC 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

*Practical Expedients and Optional Exemptions*

We have made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities which are both imposed and concurrent with the specific revenue-producing transactions and collected by the entity from our customers, e.g., sales and use taxes.

Donated Services, Materials and Facilities

Donated services are recognized as contributions at their estimated fair value at the date of donation, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In addition, individuals and other groups contribute substantial amounts of materials and services toward the fulfillment of programs initiated by the Foundation. A substantial number of volunteers have donated significant amounts of time to the Foundation's program services and fundraising campaigns.

However, these amounts have not been recognized in the accompanying statement of activities and changes in net assets for these contributed services because the conditions for requiring recognition of such volunteer effort under generally accepted accounting principles do not exist.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs, fundraising, and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Where possible, expenses are charged directly to the benefiting functional area. The financial statements also report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, which is allocated on the basis of estimates of time and effort. Rent and occupancy, communications, printing and publications are allocated based on an estimate of usage by functional area.

Advertising

All advertising costs are expensed as incurred. As of June 30, 2023 and 2022, the Foundation had advertising expenses of \$16,684 and \$4,141, respectively.

Subsequent Events

The Foundation evaluated subsequent events through the date that the financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to February 5, 2024 that would have a material impact on the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,085,870	\$ 991,567
Investments	6,595,894	7,823,990
Contributions Receivable	<u>3,128,912</u>	<u>939,343</u>
 Total Financial Assets at Year End	 11,810,676	 9,754,900
 Amounts Unavailable for General Expenditures Within One Year, Due to:		
Restricted by Donors for a Specific Purpose	<u>11,003,311</u>	<u>8,054,528</u>
 Total Financial Assets Available for General Expenditure Within One Year	 \$ <u>2,085,870</u>	 \$ <u>1,700,372</u>

NOTE 3 - CONTRIBUTIONS RECEIVABLE

The Foundation assists the National Cryptologic Museum in its efforts to commemorate the accomplishments and contributions of the cryptologic community. To enhance these efforts, the Foundation created a fundraising capital campaign for the establishment of the Cyber Center for Education and Innovation (CCEI). Establishment of the CCEI includes construction of a new museum facility as well as the creation and implementation of education and innovation programs. The Foundation also raises funds to further its mission of educating the public and increasing public awareness of the cryptologic and cyber professions. Contributions receivable, which are unconditional promises to give, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Contributions receivable in one year or less	\$ 795,942	\$ 301,715
Contributions receivable in one to five years	<u>2,385,000</u>	<u>654,227</u>
Total	3,180,942	955,942
Less discount to net present value of 1%	<u>(52,030)</u>	<u>(16,599)</u>
 Net contributions receivable	 \$ <u>3,128,912</u>	 \$ <u>939,343</u>

Contributions receivable are restricted for capital campaign purposes.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2023 and 2022 is summarized below:

	Estimated <u>Lives</u>	July 1, <u>2022</u>	<u>Additions</u>	Impairments/ <u>Disposals</u>	June 30, <u>2023</u>
Office Furniture	5-7 Years	\$ 17,591	\$ ---	\$ ---	\$ 17,591
Computer Equipment	5-7 Years	18,081	---	---	18,081
Museum Construction in Progress	2-25 Years	<u>10,850,599</u>	<u>852,812</u>	<u>(8,978,565)</u>	<u>2,724,846</u>
Total Capital Assets		10,886,271	852,812	(8,978,565)	2,760,518
Accumulated Depreciation		<u>(35,672)</u>	<u>---</u>	<u>---</u>	<u>(35,672)</u>
Net Capital Assets		\$ <u>10,850,599</u>	\$ <u>852,812</u>	\$ <u>(8,978,565)</u>	\$ <u>2,724,846</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The following table presents the Foundation's fair value hierarchy for the assets and liabilities measured at fair value on a recurring basis as of June 30, 2023:

	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Investments:				
Equity Securities	\$ 4,566,866	\$ ---	\$ ---	\$ 4,566,866
Fixed Income Securities	1,618,659	---	---	1,618,659
Real Estate	<u>---</u>	<u>410,369</u>	<u>---</u>	<u>410,369</u>
Total Investments	\$ <u>6,185,525</u>	\$ <u>410,369</u>	\$ <u>---</u>	\$ <u>6,595,894</u>

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the Foundation’s fair value hierarchy for the assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	Quoted Market Prices in Active Markets <u>(Level 1)</u>		Other Observable Inputs <u>(Level 2)</u>		Unobservable Inputs <u>(Level 3)</u>		<u>Total</u>
Investments:							
Equity Securities	\$ 4,489,912	\$	---	\$	---	\$	4,489,912
Fixed Income Securities	1,580,951		---		---		1,580,951
Real Estate	---		895,224		---		895,224
Commodities	<u>---</u>		<u>857,903</u>		<u>---</u>		<u>857,903</u>
 Total Investments	 \$ <u>6,070,863</u>	 \$	 <u>1,753,127</u>	 \$	 <u>---</u>	 \$	 <u>7,823,990</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

All net assets with donor restrictions are available for NCF and NSA progress through Partnership Vision for the establishment of the Cyber Center for Education and Innovation (CCEI) including construction costs as well as various general and administrative expenses and fund-raising expenses. As of June 30, 2023 and 2022, the Foundation had \$9,724,806 and \$8,054,528 restricted for CCEI expenses, respectively.

NOTE 7 - COMMITMENTS

The Foundation has entered a contract with a vendor to receive lobbying services for the purpose of affirmative advocacy on legislative and procurement efforts related to the Foundation’s mission. For the years ended June 30, 2023 and 2022, \$36,998 and \$37,000 of expenses were incurred, respectively. A fixed term contract commenced in January 2013 and has been extended several times, with the most recent extension expiring in November 2024. The current extension requires payments in the amount of \$2,668 per month.

The Foundation leases a copier under the terms of an operating lease commencing November 2018. The lease expires November 2023 and calls for monthly payments of \$130.

The Foundation leases office space under an operating lease. The Foundation’s most recent lease commences May 1, 2024 and expires April 30, 2029, which calls for minimum monthly base rent payments ranging from \$3,720 to \$4,187 over the life the lease, plus additional amounts for certain utilities. For the years ended June 30, 2023 and 2022, rent expense for office space was \$53,922 and \$52,198, respectively.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 7 - COMMITMENTS (CONTINUED)

The Organization has elected the short-term lease practical expedient related to leases of various rentals used for programming activities.

The Organization has elected the practical expedient not to separate lease and nonlease components for the operating lease for its office space.

Future minimum payments required under these contracts as of June 30, 2023 are as follows:

<u>Year Ending December 31:</u>		<u>Amount</u>
2024	\$	44,637
2025		44,861
2026		46,206
2027		47,557
2028		48,840
Thereafter		<u>41,867</u>
Net Minimum Lease Payments		273,968
Less: Interest		<u>(12,936)</u>
Present Value of Lease Liabilities		261,032
Less: Current Portion		<u>40,734</u>
Lease Liabilities, Net of Current Portion	\$	<u>220,298</u>

Because the Company does not have access to the rate implicit in the lease, the Company has used the Treasury bill risk-free rate as of the commencement date of the leases to determine the applicable lease discount rate.

The Foundation has also entered into various construction contracts to build a new museum facility. The Foundation paid \$852,812 and \$424,006 for these contracts during the years ended June 30, 2023 and 2022, respectively.