

NATIONAL CRYPTOLOGIC FOUNDATION, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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Independent Auditor's Report

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

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, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Cryptologic Foundation, Inc. as of June 30, 2021 and 2020, 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.

Alta CPA Group, LLC

January 21, 2022

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,128,549	\$ 1,943,923
Investments	7,445,516	9,558,186
Prepaid Expenses	2,461	-
Current Portion of Contributions Receivable	<u>536,715</u>	<u>325,000</u>
Total Current Assets	9,113,241	11,827,109
PROPERTY AND EQUIPMENT, NET	10,429,345	5,677,948
OTHER ASSETS		
Contributions Receivable, Net of Current Portion	722,096	571,339
Security Deposit	<u>3,506</u>	<u>5,123</u>
Total Other Assets	<u>725,602</u>	<u>576,462</u>
Total Assets	<u>\$ 20,268,188</u>	<u>\$ 18,081,519</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ <u>135,520</u>	\$ <u>1,402</u>
Total Liabilities	135,520	1,402
NET ASSETS		
Without Donor Restrictions	10,736,997	7,048,095
With Donor Restrictions	<u>9,395,671</u>	<u>11,032,022</u>
Total Net Assets	<u>20,132,668</u>	<u>18,080,117</u>
Total Liabilities and Net Assets	<u>\$ 20,268,188</u>	<u>\$ 18,081,519</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants and Contributions	\$ 333,761	\$ 2,973,815	\$ 3,307,576
Membership Dues	48,522		48,522
Special Events and Activities	47,150	-	47,150
Investment Income	23	138,478	138,501
Net Assets Released from Restrictions	4,748,644	(4,748,644)	-
Total Revenues and Other Support	5,178,100	(1,636,351)	3,541,749
EXPENSES			
Program Services	1,016,852	-	1,016,852
Administrative	244,555	-	244,555
Fundraising	227,791	-	227,791
Total Expenses	1,489,198	-	1,489,198
Change in Net Assets	3,688,902	(1,636,351)	2,052,551
Net Assets at Beginning of Year	7,048,095	11,032,022	18,080,117
Net Assets at End of Year	\$ 10,736,997	\$ 9,395,671	\$ 20,132,668

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants and Contributions	\$ 1,807,025	\$ 250,000	\$ 2,057,025
Membership Dues	53,698	-	53,698
Special Events and Activities	23,825	-	23,825
In-Kind Donations	134,250	-	134,250
Investment Income	672	242,214	242,886
Net Assets Released from Restrictions	362,860	(362,860)	-
Total Revenues and Other Support	2,382,330	129,354	2,511,684
EXPENSES			
Program Services	600,896	-	600,896
Administrative	322,776	-	322,776
Fundraising	235,672	-	235,672
Total Expenses	1,159,344	-	1,159,344
Change in Net Assets	1,222,986	129,354	1,352,340
Net Assets at Beginning of Year	5,825,109	10,902,668	16,727,777
Net Assets at End of Year	\$ 7,048,095	\$ 11,032,022	\$ 18,080,117

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, 2021

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 5,118	\$ 1,374	\$ 1,323	\$ 7,815
Artifacts, Exhibits, and Education	485,376	2,104	-	487,480
Bank Charges	294	3,813	-	4,107
Communications	39,973	8,535	10,446	58,954
Insurance	-	4,673	-	4,673
Legal and Accounting	37,907	27,642	-	65,549
Miscellaneous	-	1,551	153	1,704
Other Special Programs and Sponsorships	934	198	2,677	3,809
Payroll Taxes and Benefits	240	6,798	-	7,038
Printing and Publications	1,825	193	-	2,018
Professional Fundraising and Lobbying	3,083	-	34,126	37,209
Postage and Delivery	929	1,784	759	3,472
Rent and Occupancy	32,559	33,388	5,472	71,419
Salaries	407,869	139,657	171,088	718,614
Supplies	745	12,845	1,747	15,337
	<u>745</u>	<u>12,845</u>	<u>1,747</u>	<u>15,337</u>
Total Expenses	<u>\$ 1,016,852</u>	<u>\$ 244,555</u>	<u>\$ 227,791</u>	<u>\$ 1,489,198</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, 2020

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Professional Fundraising and Lobbying	\$ -	\$ -	\$ 149,432	\$ 149,432
Artifacts, Exhibits, and Education	285,473	-	-	285,473
Salaries	188,028	140,757	53,280	382,065
Rent and Occupancy	28,033	28,033	14,017	70,083
Legal and Accounting	-	33,034	-	33,034
Advertising	3,396	-	1,505	4,901
Other Special Programs and Sponsorships	5,390	-	-	5,390
Meetings and Conferences	93	151	151	395
Payroll Taxes and Benefits	3,323	665	4,874	8,862
Printing and Publications	8,128	8,128	4,065	20,321
Miscellaneous	4,294	-	245	4,539
Supplies	9,629	-	-	9,629
Communications	14,520	14,520	7,260	36,300
Bank Charges	3,151	-	35	3,186
Insurance	-	6,576	-	6,576
Postage and Delivery	1,617	1,617	808	4,042
Depreciation	321	-	-	321
Other Taxes	-	545	-	545
In-Kind Expenses	45,500	88,750	-	134,250
	<u>45,500</u>	<u>88,750</u>	<u>-</u>	<u>134,250</u>
Total Expenses	\$ <u>600,896</u>	\$ <u>322,776</u>	\$ <u>235,672</u>	\$ <u>1,159,344</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,052,551	\$ 1,352,340
Provided by Operating Activities:		
Depreciation	-	321
Realized and Unrealized Gain on Investments	(61,221)	-
Donated Securities	(503,235)	-
(Increase) Decrease in:		
Accounts and Grants Receivable	-	8,028
Contributions Receivable	(362,472)	525,000
Prepaid Expenses	(2,461)	4,649
Security Deposit	1,617	-
Increase (Decrease) in:		
Accounts Payable	<u>134,118</u>	<u>(101,128)</u>
Net Cash Provided by Operating Activities	1,258,897	1,789,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(4,751,397)	(362,858)
Purchase of Investments	(2,769,743)	(9,235,714)
Proceeds from Sale of Investments	<u>5,446,869</u>	<u>7,979,573</u>
Net Cash Used for Investing Activities	(2,074,271)	(1,618,999)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(815,374)	170,211
Cash and Cash Equivalents, Beginning of Year	<u>1,943,923</u>	<u>1,773,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,128,549</u>	<u>\$ 1,943,923</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, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Cryptologic 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. The Foundation's support includes making purchases of artifacts that are donated to the Museum, publicizing the Museum, building a network of Museum supporters, and raising funds and facilitating the construction of a new Museum facility. Additionally, the Foundation supports a history symposium along with other special events, develops programs to promote cybersecurity and STEM education, presents a variety of membership programs, and hosts an annual golf tournament. The costs associated with these activities are program expenses on the accompanying statement of activities and changes in net assets.

The Foundation works with the Museum to educate future generations and the public at large about the struggles and accomplishments of America 's cryptologists and cryptanalysts. In addition to activities at the Museum tailored to students and visiting groups, the Foundation sponsors programs dealing with significant events in the history of cryptology, many of which were once classified as well as programs to encourage students to pursue STEM and cyber related education and careers. Because one of the chief goals of the Foundation is to introduce the importance of cryptology to the next generation of Americans, several awards based on student scholarship are sponsored.

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.

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.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, amounts on deposit in excess of insured limits were approximately \$857,600.

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, 2021 and 2020, 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.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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 a new museum facility are being capitalized as incurred. When the facility is completed, the Foundation anticipates donating the facility to the Museum.

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 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, 2021. 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, 2021 and 2020.

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:

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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 activities. 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 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 NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 probably 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, 2021 and 2020.

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.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 and 2020, the Foundation had advertising expenses of \$7,815 and \$4,901, respectively.

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation evaluated subsequent events through the date that the financial statements were available to be issued. The Foundation's management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to January 21, 2022 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.

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>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,128,549	\$ 1,943,923
Investments	7,445,516	9,558,186
Contributions Receivable	<u>1,258,811</u>	<u>896,339</u>
 Total Financial Assets at Year End	 9,832,876	 12,398,448
 Amounts Unavailable for General Expenditures Within One Year, Due to:		
Restricted by Donors for a Specific Purpose	<u>9,395,671</u>	<u>11,032,022</u>
 Total Financial Assets Available for General Expenditure Within One Year	 \$ <u>437,205</u>	 \$ <u>1,366,426</u>

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 is currently in 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. Contributions receivable, which are unconditional promises to give, are summarized as follows:

	<u>2021</u>	<u>2020</u>
Contributions receivable in one year or less	\$ 536,715	\$ 325,000
Contributions receivable in one to five years	<u>739,227</u>	<u>600,000</u>
Total	1,275,942	925,000
Less discount to net present value of 1%	<u>(17,131)</u>	<u>(28,661)</u>
 Net contributions receivable	 \$ <u>1,258,811</u>	 \$ <u>896,339</u>

Contributions receivable are restricted for capital campaign purposes.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2021 and 2020 is summarized below:

	Estimated <u>Lives</u>	July 1, <u>2020</u>	<u>Additions</u>	<u>Disposals</u>	June 30, <u>2021</u>
Office Furniture	5-7 Years	\$ 17,591	\$ ---	\$ ---	\$ 17,591
Computer Equipment	5-7 Years	15,328	2,753	---	18,081
Museum Construction in Progress	2-25 Years	<u>5,677,948</u>	<u>4,748,644</u>	---	<u>10,426,492</u>
Total Capital Assets		5,710,867	4,751,397	---	10,462,492
Accumulated Depreciation		<u>(32,919)</u>	---	---	<u>(32,919)</u>
Net Capital Assets		\$ <u>5,677,948</u>	\$ <u>4,751,397</u>	---	\$ <u>10,429,345</u>

THE NATIONAL CRYPTOLOGIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021:

	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:				
Fixed Income Securities	\$ <u>7,445,516</u>	\$ ---	\$ ---	\$ <u>7,445,516</u>
Total Investments	\$ <u>7,445,516</u>	\$ ---	\$ ---	\$ <u>7,445,516</u>

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, 2020:

	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	\$ 524,190	\$ ---	\$ ---	\$ 524,190
Fixed Income Securities	8,856,593	---	---	8,856,593
Real Estate	---	102,720	---	102,720
Commodities	<u>---</u>	<u>74,683</u>	<u>---</u>	<u>74,683</u>
Total Investments	\$ <u>9,380,783</u>	\$ <u>177,403</u>	\$ ---	\$ <u>9,558,186</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

All net assets with donor restrictions are available 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, 2021 and 2020, the Foundation had \$9,395,671 and \$11,032,022 restricted for CCEI expenses, respectively.

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NOTE 7 - COMMITMENTS

The Foundation has entered a contract with a vendor to receive lobbying services for the purpose of obtaining capital funding support from the State of Maryland Capital Budget and to set the stage for continued funding in future year budgets as the capital building campaign moves forward. For the year ended June 30, 2021, \$37,209 of expenses was incurred. A fixed term contract commenced in January 2013 and has been extended several times, with the most recent extension expiring in December 2021. The current extension requires payments in the amount of \$3,083 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 current lease commenced May 1, 2021 and expires April 30, 2024, which calls for minimum monthly base rent payments ranging from \$3,506 to \$3,720 over the life the lease, plus additional amounts for certain utilities. For the years ended June 30, 2021 and 2020, rent expense for office space was \$65,303 and \$59,747, respectively.

The Foundation has entered into a contract with an architect for building design related to the CCEI. A variable term contract is in place and continues until construction is complete, requiring payments totaling \$211,200 in future periods. For the years ended June 30, 2021 and 2020, \$95,500 and \$45,000 of expense has been incurred under this contract, respectively.

Future minimum payments required under these contracts as of June 30, 2021 are as follows:

2022	\$	62,870
2023		44,133
2024		<u>37,635</u>
Total	\$	<u>144,638</u>

The Foundation has also entered into various construction contracts to build a new museum facility. The Foundation paid \$4,748,644 and \$362,860 for these contracts during the years ended June 30, 2021 and 2020, respectively.

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NOTE 8 - GRANTS AND CONDITIONAL AWARDS

The Foundation has received conditional promises to give for capital campaign purposes in the amount of \$800,000 and \$450,000 as of June 30, 2021 and 2020, respectively. Pursuant to the Foundation's policy and in conformity with FASB ASC Section 958, the Foundation does not recognize conditional promises as revenue until the condition is met.

The Foundation has been awarded a total of \$4,975,000 in various State of Maryland Capital Grants for the construction of a new museum facility. The awards are subject to certain conditions, including a 1:1 matching requirement. Management anticipates that sufficient funds will be raised to satisfy the full 1:1 match condition. These awards, which represent a commitment by the State of Maryland to provide funds on a cost-reimbursement basis will not be reflected in the financial statements until reimbursable activities have been conducted in accordance with the provisions of the grants.

For the years ended June 30, 2021 and 2020, the Foundation recognized \$1,000,000 and \$94,500 under this grant, respectively.

NOTE 9 - IN-KIND DONATIONS

The Foundation recognizes contributions for the fair value of services received where the services require specialized skills, are provided by individuals possessing these skills and represent services that would have been purchased had they not been donated. The estimated amount of donated services rendered to the Foundation for the years ended June 30, 2021 and 2020 were \$0 and \$129,250, respectively. The Foundation has also received the use of facilities for the years ended June 30, 2021 and 2020, valued at \$0 and \$5,000, respectively. These amounts have been reported as in-kind donations and as an expense in the statement of activities and changes in net assets.

Donated investments are recorded as contributions at their estimated fair values at the date of donation. The Foundation received donated investments in the amount of \$503,235 and \$0 for the years ended June 30, 2021 and 2020, respectively.