

# **National Endowment for Democracy**

Financial Report  
September 30, 2019

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
National Endowment for Democracy

### Report on the Financial Statements

We have audited the accompanying financial statements of National Endowment for Democracy (the Endowment), which comprise the balance sheet as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 National Endowment for Democracy as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Endowment's 2018 financial statements, and we have expressed an unmodified opinion on those audited financial statements in our report dated February 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the Endowment retrospectively adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the issuance of the statement of functional expenses and additional footnote disclosures. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020, on our consideration of the Endowment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Endowment's internal control over financial reporting and compliance.

*RSM US LLP*

Washington, D.C.  
April 20, 2020

**National Endowment for Democracy**

**Balance Sheet**

**September 30, 2019**

**(With Comparative Totals for 2018)**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 5,490,561	\$ 6,030,575
Investments	1,354,062	1,253,448
Grants receivable from the U.S. Department of State	134,713,791	119,998,097
Other receivables	169,265	110,316
Prepaid and other assets	968,453	898,112
Property and equipment, net	645,295	799,672
	<u>645,295</u>	<u>799,672</u>
<b>Total assets</b>	<b><u>\$ 143,341,427</u></b>	<b><u>\$ 129,090,220</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,802,593	\$ 1,770,597
Grants payable	136,266,535	122,774,038
Refundable advances, due to U.S. Department of State	500,289	109,407
Capitalized lease obligation	60,142	-
Deferred rent and lease incentives	692,760	1,036,408
	<u>692,760</u>	<u>1,036,408</u>
	<b><u>139,322,319</u></b>	<b><u>125,690,450</u></b>
Commitments and contingency (Notes 9 and 11)		
Net assets:		
Without donor restrictions	3,639,272	3,135,527
With donor restrictions	379,836	264,243
	<u>379,836</u>	<u>264,243</u>
	<b><u>4,019,108</u></b>	<b><u>3,399,770</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 143,341,427</u></b>	<b><u>\$ 129,090,220</u></b>

See notes to financial statements.

**National Endowment for Democracy**

**Statement of Activities**

**Year Ended September 30, 2019**

**(With Comparative Totals for 2018)**

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grant revenue – U.S. government	\$ 196,487,807	\$ -	\$ 196,487,807	\$ 187,172,306
Grant revenue – Other sources	-	250,265	250,265	625,050
Democracy award revenue	-	32,361	32,361	37,952
Global assembly revenue	(17,800)	100,000	82,200	387,219
Contributions	140,050	17,639	157,689	30,077
Other revenue, investment and miscellaneous income	444,046	-	444,046	442,105
Net assets released from restrictions	284,672	(284,672)	-	-
<b>Total support and revenue</b>	<b>197,338,775</b>	<b>115,593</b>	<b>197,454,368</b>	<b>188,694,709</b>
Expenses:				
Program services:				
Federal grants programs	163,875,753	-	163,875,753	155,582,492
Other activities – federal	4,891,827	-	4,891,827	5,282,246
Other activities – non-federal	320,496	-	320,496	1,194,138
<b>Total program services</b>	<b>169,088,076</b>	<b>-</b>	<b>169,088,076</b>	<b>162,058,876</b>
Supporting services:				
Management and general	27,746,954	-	27,746,954	26,534,935
<b>Total supporting services</b>	<b>27,746,954</b>	<b>-</b>	<b>27,746,954</b>	<b>26,534,935</b>
<b>Total expenses</b>	<b>196,835,030</b>	<b>-</b>	<b>196,835,030</b>	<b>188,593,811</b>
<b>Change in net assets</b>	<b>503,745</b>	<b>115,593</b>	<b>619,338</b>	<b>100,898</b>
Net assets:				
Beginning	3,135,527	264,243	3,399,770	3,298,872
Ending	<b>\$ 3,639,272</b>	<b>\$ 379,836</b>	<b>\$ 4,019,108</b>	<b>\$ 3,399,770</b>

See notes to financial statements.

**National Endowment for Democracy**

**Statement of Functional Expenses  
Year Ended September 30, 2019  
(With Comparative Totals for 2018)**

	Program Services			Supporting Services			2019	2018
	Federal Grant Programs	Other Democracy Promotion Activities		Total Program Services	Management and General	Total Supporting Services		
		Federal	Non-Federal					
Grants to others	\$ 163,875,753	\$ -	\$ 132,707	\$ 164,008,460	\$ -	\$ -	\$ 164,008,460	\$ 155,615,865
Fellowships	-	569,828	20,356	590,184	-	-	590,184	687,998
Salaries, wages and benefits	-	3,395,165	-	3,395,165	19,999,855	19,999,855	23,395,020	22,544,621
Occupancy and equipment	-	28,051	-	28,051	5,014,156	5,014,156	5,042,207	5,135,459
Professional fees	-	170,100	23,562	193,662	754,805	754,805	948,467	815,010
Travel and transportation	-	488,894	50,961	539,855	910,458	910,458	1,450,313	2,071,721
Conferences and meetings	-	110,227	74,015	184,242	60,552	60,552	244,794	656,091
Communications	-	19,257	30	19,287	277,053	277,053	296,340	332,316
Printing and publications	-	96,438	2,158	98,596	24,980	24,980	123,576	202,540
Insurance	-	-	-	-	119,537	119,537	119,537	97,994
Other	-	13,867	16,707	30,574	585,558	585,558	616,132	434,196
	<b>\$ 163,875,753</b>	<b>\$ 4,891,827</b>	<b>\$ 320,496</b>	<b>\$ 169,088,076</b>	<b>\$ 27,746,954</b>	<b>\$ 27,746,954</b>	<b>\$ 196,835,030</b>	<b>\$ 188,593,811</b>

See notes to financial statements.

**National Endowment for Democracy**

**Statement of Cash Flows**  
**Year Ended September 30, 2019**  
**(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 619,338	\$ 100,898
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	351,525	314,089
Realized and unrealized gain on investments	(28,478)	(39,546)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable from U.S. Department of State	(14,715,694)	849,342
Other receivables	(58,949)	(101,495)
Prepaid expenses and other assets	(70,341)	73,647
Increase (decrease) in:		
Accounts payable and accrued liabilities	31,996	72,943
Grants payable	13,492,497	2,009,459
Refundable advances, due to U.S. Department of State	390,882	(38,227)
Deferred rent and lease incentives	(343,648)	(244,987)
<b>Net cash (used in) provided by operating activities</b>	<b>(330,872)</b>	<b>2,996,123</b>
Cash flows from investing activities:		
Purchases of investments	(72,136)	(52,038)
Purchases of property and equipment	(112,948)	(286,085)
<b>Net cash used in investing activities</b>	<b>(185,084)</b>	<b>(338,123)</b>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(24,058)	-
<b>Net cash used in financing activities</b>	<b>(24,058)</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(540,014)</b>	<b>2,658,000</b>
Cash and cash equivalents:		
Beginning	6,030,575	3,372,575
Ending	\$ 5,490,561	\$ 6,030,575
Supplemental schedules of noncash investing and financing activities:		
Purchase of property and equipment included in obligations under capital leases	\$ 84,200	\$ -

See notes to financial statements.



## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** National Endowment for Democracy (the Endowment) is a nonprofit organization based in Washington, D.C. The establishment of the Endowment in 1983 was followed by the National Endowment for Democracy Act (the Act) of the United States Congress, which authorized the terms by which the Endowment could receive an annual appropriation from Congress in the form of a grant awarded through the United States Information Agency (USIA). The purpose of the Endowment is to encourage free and democratic institutions throughout the world through activities that promote individual rights and freedoms. The Endowment awards grants to organizations with programs consistent with its objectives. On October 1, 1999, USIA and the U.S. Department of State (DOS) consolidated. Accordingly, the Endowment receives funding for its annual Congressional Appropriation and other special federal funding from the DOS.

A summary of the Endowment's significant accounting policies follows:

**Basis of accounting:** The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. The Endowment reports quarterly to the U.S. government on the basis of grant obligations incurred and accrual-based expenses for democracy promotion activities. The Single Audit schedule of federal awards is reported on the basis of cash payments made to the Endowment's subrecipient grantees.

**Basis of presentation:** The Endowment is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions:** Contributions and other inflows of assets whose use is not subject to donor-imposed stipulations.

**Net assets with donor restriction:** Contributions and other inflows of assets whose use is subject to donor-imposed stipulations that either expire by the passage of time or will be met by actions of the Endowment pursuant to those stipulations, such as usage for specific programs.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Endowment considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Endowment had no cash equivalents as of September 30, 2019.

**Financial risk:** The Endowment maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Endowment has not experienced any losses in such accounts. The Endowment believes it is not exposed to any significant financial risk on cash and cash equivalents.

The Endowment invests in mutual funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

**Investments:** The Endowment's investments consist entirely of mutual funds and equities and are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is included as a component of investment income in the statement of activities and changes in net assets.

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Grants receivable:** Grants receivable are due from DOS and represent unreimbursed funds obligated by the Endowment to other organizations and administrative costs incurred by the Endowment. When the Endowment incurs expenses and obligates grants to the various organizations, a receivable from the DOS and a related grant payable is recorded. In order for the Endowment to subsequently disburse payments for program grants, democracy promotion activities and general and administrative costs, funding draw requests are submitted directly by the Endowment in the government's electronic payment management system against active authorizations made available by DOS under each specific award. When cash advances are received from the awarding agency, the receivable is reduced. Management does not obligate any grants until the funding is approved and thus, determined that there is no need for provision for doubtful accounts at September 30, 2019.

**Property and equipment:** Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line methods over the estimated useful lives of the related assets, which range from 3 to 10 years. The Endowment capitalizes all property and equipment purchased with a cost of \$5,000 or more.

**Valuation of long-lived assets:** The Endowment accounts for the valuation of long-lived assets by reviewing such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

**Grants payables:** Grants payable represent the undisbursed balances of funds obligated to the Endowment's grantees. Grantee organizations are entitled to collect funds as needed in accordance with the terms of the grant agreement.

**Refundable advances – due to U.S. Department of State (DOS):** Amount represents funds returned to the Endowment by grantees for grants that have been deobligated. Funds are in turn either repaid to DOS, or otherwise applied against the grants receivable balance and used to fund new grantee funding requests as appropriate.

**Support and revenue:** The Endowment receives grants from DOS and private grantors for various purposes. Grants received from DOS specify the periods in which monies are to be expended. Additionally, certain government grants restrict the use of funds for programs in specific countries or regions. Revenue from government grants is recognized as earned in the year in which the Endowment obligates the funds for the intended purpose that is set forth in the grant agreement and for administrative expenses incurred. Revenue from private grantors is recognized as earned in the year received.

Agreements with DOS provide for the subsequent audit of costs funded under the grant agreements. It is the policy of the Endowment to provide for cost disallowances based upon its experience in previous grant audits. There was no provision for such disallowance for the year ended September 30, 2019.

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contributions:** The Endowment recognizes unconditional gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified in the statement of activities as net assets released from restrictions. Income on these net assets is classified as with donor restrictions or without donor restrictions, in accordance with the donor's stipulation. The Endowment treats all contributions with donor restrictions that are satisfied within the same fiscal year as activities without donor restrictions for purposes of financial statement presentation.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income taxes:** The Endowment is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Endowment qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no estimated federal tax liability for unrelated business income tax for the year ended September 30, 2019.

Management has evaluated the Endowment's tax positions and has concluded that the Endowment has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Endowment files tax returns in the U.S. federal jurisdictions. Generally, the Endowment is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2016.

**Prior year information:** 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 the Endowment's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

**Adoption of recent accounting pronouncement:** In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands on disclosures about the nature and amount of any donor restrictions. Additionally, the ASU requires the inclusion of a Statement of Functional Expenses.

The Endowment retrospectively adopted this guidance during the year ended September 30, 2019. As a result, there are additional quantitative and qualitative disclosures to communicate information related to the Endowment's liquidity. Also, there were changes in the presentation of net assets within the statement and disclosures.

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Endowment is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In June 2018, the FASB issued (ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*). The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The amendments in the ASU likely will result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under current guidance. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Where the Organization is a resource provider, the ASU is effective for annual periods beginning December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

**Subsequent events:** Subsequent events have been evaluated through April 20 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed one new material event or transaction that would require an additional adjustment to or disclosure in the accompanying financial statements. The U.S. federal budget for fiscal year 2020, passed by the U.S. Congress on December 20, 2019, included a \$300,000,000 annual appropriation for the Endowment, which reflects an increase of \$120,000,000 over the prior annual appropriation for fiscal year 2019 of \$180,000,000.

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 2. Liquidity and Availability of Financial Asset

The Endowment maintains a policy of structuring its financial assets to ensure availability as operational expenses come due. The table below represents financial assets as of September 30, 2019 that are available to fulfill both the organization's contractual obligations to its subrecipient grantees as well as requirements for general expenditures to be made over the course of the following year.

Cash and cash equivalents	\$ 5,490,561
Investments	1,354,062
Grants and other receivables, net	134,883,056
Total financial assets available	<u>141,727,679</u>
Less amounts not available to be used within one year:	
Refundable advances, due to U.S. Department of State	500,289
Restricted by donor with time or purpose restrictions	379,836
	<u>880,125</u>
Financial assets available to meet general expenditures within one year	<u>\$ 140,847,554</u>

#### Note 3. Investments and Fair Value Measurements

The Endowment's investments are measured at fair value and consist almost entirely of amounts invested in mutual funds.

The Fair Value Measurement Topic of the FASB Codification (the Codification) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Endowment performs a detailed analysis of the assets and liabilities that are subject to accounting for fair value measurements. At each reporting period all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets or liabilities held by the Endowment at September 30, 2019.

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 3. Investments and Fair Value Measurements (Continued)

The Endowment's investments are mainly comprised of mutual funds and domestic equities. The Endowment had no unfunded commitments to these investments. The Endowment is permitted to make redemptions at any time and amount. The fair values of these investments have been estimated using net asset value per share of the investment that is the quoted market price in the active market; therefore, these investments are considered a Level 1 item.

	Assets at Fair Value as of September 30, 2019			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Large growth	\$ 885,726	\$ 885,726	\$ -	\$ -
Intermediate-term bonds	431,187	431,187	-	-
	<u>1,316,913</u>	<u>1,316,913</u>	-	-
Stocks:				
Domestic equity	37,149	37,149	-	-
	<u>37,149</u>	<u>37,149</u>	-	-
	<u>\$ 1,354,062</u>	<u>\$ 1,354,062</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 4. Property and Equipment

Property and equipment and related accumulated depreciation and amortization at September 30, 2019, consist of the following:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation and Amortization Expense
Leasehold improvements	5-10 years	\$ 5,204,263	\$ 5,018,634	\$ 185,629	\$ 124,745
Furniture and fixtures	4-10 years	563,889	464,058	99,831	24,403
Office equipment	3-5 years	291,558	197,645	93,913	55,067
Computer equipment and software	3 years	1,474,839	1,208,917	265,922	147,310
		<u>\$ 7,534,549</u>	<u>\$ 6,889,254</u>	<u>\$ 645,295</u>	<u>\$ 351,525</u>

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 5. Grant Revenue – U.S. Government

Federal awards received during the fiscal year ended September 30, 2019, are as follows:

Fiscal Year 2019 Congressional Annual Appropriation received from DOS	<u>\$ 180,046,673</u>
Other new grants and supplemental funding received from DOS during the year:	
Burma 2019: Grantmaking Program to Promote Democracy and Human Rights in Burma	3,424,691
Cuba 2019: Grantmaking Program Advancing Democratic Rights, Political Pluralism and Independent Civil Society in Cuba	6,172,840
Eurasia 2018: Grantmaking Program Promoting Democracy in Eurasia Region and Georgia	5,580,246
Europe 2017: Grantmaking Program Promoting Democracy in Europe	<u>3,407,407</u>
Total new grants and supplemental funding	<u>18,585,184</u>
 Total awards received during the year	 <u><u>\$ 198,631,857</u></u>
 Federal grant revenue recognized during the fiscal year:	
Grants obligated, net of deobligations	\$ 163,875,753
Democracy promotion activities	4,891,827
Other grant-related expenses	<u>27,720,227</u>
	<u><u>\$ 196,487,807</u></u>

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 6. Program Services Expenses

Program services expenses for the year ended September 30, 2019, represent the following activities:

Federal grant programs	<u>\$ 163,875,753</u>
Other democracy promotion activities, federal:	
International Forum for Democratic Studies:	
Journal of Democracy	568,167
Research and conferences	63,292
Management and support	900,869
Reagan-Fascell Fellowships	999,998
Democracy Resource Center	436,710
World Movement for Democracy	603,671
Center for International Media Assistance	841,635
Other democracy promotion activities	477,485
	<u>4,891,827</u>
Other democracy promotion activities, non-federal:	
International Forum for Democratic Studies:	
Journal of Democracy	1,471
Research and conferences	11,086
Other Forum activities	20,085
Management and support	8,324
World Movement for Democracy (WMD):	
Youth Fellowships & Engagement	58,441
Other WMD activities	128,486
Other Endowment events and development	92,603
	<u>320,496</u>
	<u><u>\$ 169,088,076</u></u>



## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 7. Net Assets with Donor Restrictions

Changes in net assets with donor restriction during the year ended September 30, 2019, are as follows:

	Balance at September 30, 2018	Net Additions	Releases	Balance at September 30, 2019
Democracy Promotion Activities:				
WMD 10th Global Assembly 2020	\$ -	\$ 100,000	\$ -	\$ 100,000
World Movement for Democracy:				
Hurford Youth Fellowship Program 2018-2019	27,981	-	(26,866)	1,115
Hurford Youth Fellowship Program 2019-2020	-	75,000	(41,366)	33,634
Ford Foundation - Democratic Renewal 2018-2019	121,885	-	(118,916)	2,969
Korea Foundation - Revitalizing Democratic Citizenship 2018	53,717	(24,735)	(28,982)	-
International Forum:				
SRF Sharp Power 2019-2020	-	200,000	(22,086)	177,914
Penn Kemble Youth Forum on Democracy	53,140	-	(11,334)	41,806
Other restrictions:				
Democracy Award Event	-	32,361	(32,361)	-
NED Service Medal Awards & Other NED Public Events	5,424	17,639	(2,740)	20,323
Kahng Foundation	2,096	-	(21)	2,075
	<u>\$ 264,243</u>	<u>\$ 400,265</u>	<u>\$ (284,672)</u>	<u>\$ 379,836</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during the year ended September 30, 2019.

#### Note 8. Related Parties

The Endowment awards grants to various organizations to be used for programs that the Board of Directors determines are consistent with the purposes of the Act. Some of the organizations that submit proposals and are awarded funds have members of their Boards of Directors represented on the Board of Directors of the Endowment. Article VI, Section III of the Endowment's bylaws provides that any Board member who is an officer or director of an organization seeking to receive grants from the Endowment must abstain from consideration of and any vote on such a grant. The provision does not prevent any director from supplying factual information that the Board of Directors requests.

## National Endowment for Democracy

### Notes to Financial Statements

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#### Note 9. Operating Lease

The Endowment has a noncancellable operating lease that was amended on October 31, 2010, to include additional space and an extension of the lease term to March 31, 2021. The lease for office space includes a provision for rent escalations. The lease expense is recognized on a straight-line basis ratably over the term of the lease. The difference between the straight-line expense and the required lease payment is reflected as deferred rent and lease incentives in the accompanying balance sheet.

Future minimum rental payments required under the lease for office space are as follows:

Years ending September 30:	
2020	\$ 4,146,241
2021	2,098,715
	<u>\$ 6,244,956</u>

Rent expense, including the Endowment's share of common building costs, was \$3,884,583 for the year ended September 30, 2019.

The Endowment has a standby letter of credit in the amount of \$188,661 from a commercial bank. The letter of credit represents the security deposit for the Endowment's noncancellable operating lease for office space. No funds were withdrawn from the letter of credit during the year ended September 30, 2019.

In preparation for the termination of its office lease in 2021, the Endowment retained a real estate broker and is currently in negotiations for a new long-term office lease. On January, 29, 2020, the Endowment signed a letter of intent to lease a new office building location.

#### Note 10. Retirement Plan

The Endowment has a defined contribution annuity plan for all of its employees, under which the Endowment contributes a percentage of eligible employees' annual earnings to individually-owned tax-deferred annuity contracts. The Endowment's contribution to the plan is based on 10% of an eligible employee's annual earnings after the first year of employment. Employer contributions to the plan for the year ended September 30, 2019, were \$1,600,161.

#### Note 11. Contingency

**Federal awards:** The Endowment participates in a number of federally-assisted grant programs, which are subject to financial and compliance audits by the federal government or its representative. Separate audit reports may be received on these federal programs. Management does not anticipate significant adjustments as a result of such audits.

#### Note 12. Concentrations of Revenue

During the year ended September 30, 2019, substantially all of the Endowment's revenue was related to appropriations and grants from the U.S. government.