

NATIONAL SPACE SOCIETY

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Space Society
Reston, Virginia

We have audited the accompanying financial statements of National Space Society, which comprise the statement of financial position as of December 31, 2018, 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. 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 Space Society as of December 31, 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, National Space Society adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of National Space Society as of December 31, 2017, were audited by other auditors whose report dated July 20, 2018, expressed an unmodified opinion on those financial statements.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
November 5, 2019

NATIONAL SPACE SOCIETY
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 136,190	\$ 32,694
Accounts receivable	35,244	56,371
Prepaid expenses	2,266	6,192
Total current assets	173,700	95,257
OTHER ASSETS		
Investments	1,502,303	161,178
Total assets	\$ 1,676,003	\$ 256,435
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 31,243	\$ 31,205
Deferred revenue	64,616	77,187
Due to chapters	7,000	11,500
Total liabilities	102,859	119,892
NET ASSETS		
Without donor restrictions		
Undesignated	1,573,144	133,772
Board designated for Bruce Clark Scholarship Award	-	2,771
Total net assets	1,573,144	136,543
Total liabilities and net assets	\$ 1,676,003	\$ 256,435

See accompanying notes.

NATIONAL SPACE SOCIETY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Membership dues	\$ 385,360	\$ 323,057
Conference revenue	227,315	162,756
Contributions	216,073	172,978
Bequests	1,530,934	67,034
Projects	93,275	66,349
List rental, advertising, and royalties	17,572	8,561
Investment return, net	(74,218)	21,752
Miscellaneous revenue	-	236
	2,396,311	822,723
EXPENSES		
Program services		
Education and communication	600,738	564,291
Policy and research	188,887	186,809
Supporting activities		
Management and general	123,133	77,469
Fundraising	46,952	51,517
	959,710	880,086
Change in net assets	1,436,601	(57,363)
Net assets at beginning of year	136,543	193,906
Net assets at end of year	\$ 1,573,144	\$ 136,543

See accompanying notes.

NATIONAL SPACE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	<u>Program Services</u>		<u>Supporting Activities</u>		<u>Total Expenses</u>
	<u>Education and Communication</u>	<u>Policy and Research</u>	<u>Management and General</u>	<u>Fundraising</u>	
Professional fees	\$ 181,749	\$ 35,092	\$ 60,291	\$ 5,321	\$ 282,453
Office expenses	-	-	3,027	-	3,027
Conferences and meetings	204,437	36,713	10,477	-	251,627
Insurance	-	-	8,563	-	8,563
Occupancy	11,784	-	5,427	-	17,211
Advertising	2,558	-	-	-	2,558
Information technology	22,615	-	6,290	1,249	30,154
Travel	9,997	3,333	-	-	13,330
Interest	-	-	3	-	3
Miscellaneous	-	-	5,745	-	5,745
Bad debt expense	-	-	2,800	-	2,800
Postage and delivery	24,427	30,412	2,128	10,062	67,029
Printing and copying services	42,055	4,214	2,599	7,410	56,278
Projects	59,691	-	-	-	59,691
Mailing services	-	79,123	-	9,868	88,991
Licenses	2,227	-	-	8,146	10,373
Design and layout	39,198	-	-	-	39,198
Credit card and bank fees	-	-	15,783	4,896	20,679
Total expenses	<u>\$ 600,738</u>	<u>\$ 188,887</u>	<u>\$ 123,133</u>	<u>\$ 46,952</u>	<u>\$ 959,710</u>

See accompanying notes.

NATIONAL SPACE SOCIETY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,436,601	\$ (57,363)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net realized and unrealized (gain) loss on investments	91,610	(22,045)
Decrease in assets		
Accounts receivable	21,127	13,033
Prepaid expenses	3,926	12,181
Increase (decrease) in liabilities		
Accounts payable	38	(34,323)
Deferred revenue	(12,571)	25,981
Due to chapters	(4,500)	-
Net cash flows from operating activities	<u>1,536,231</u>	<u>(62,536)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	13,552
Purchases of and interest and dividends retained in investments	<u>(1,432,735)</u>	<u>(16,833)</u>
Net cash flow from investing activities	<u>(1,432,735)</u>	<u>(3,281)</u>
Change in cash	103,496	(65,817)
Cash at beginning of year	<u>32,694</u>	<u>98,511</u>
Cash at end of year	<u><u>\$ 136,190</u></u>	<u><u>\$ 32,694</u></u>

See accompanying notes.

NATIONAL SPACE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

National Space Society (Society) is an educational, non-profit membership organization dedicated to the creation of a space faring civilization. The Society was formed under the laws of the District of Columbia on Jun 12, 1974. The Society's vision is of "people living and working in thriving communities beyond Earth, and the use of the vast resources of space for the dramatic betterment of humanity." To meet this vision, the Society has as its mission statement, "to promote social, economic, technological, and political change in order to expand civilization beyond Earth, to settle space and to use the resulting resources to build a hopeful and prosperous future for humanity.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society has adjusted the presentation of these financial statements accordingly. The update has been applied retrospectively to all periods presented.

Accounts Receivable

The Society considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Investments

The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Revenue Recognition

The Society recognizes membership dues as support when earned. Conference revenue is recognized during the year in which it is held.

Membership dues and conference revenue collected in advance of the fiscal year are classified as deferred revenue.

Advertising

Advertising costs are expensed in the year incurred.

NATIONAL SPACE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Income Tax Status

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from certain activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, conferences and meetings, occupancy, information technology, travel, postage and delivery, printing and copying services, mailing services, licenses, and credit card and bank fees which are allocated on the basis of estimates of time and effort.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified from comparative purposes to conform to the presentation in the current year financial statements.

Date of Management's Review

Management has evaluated subsequent events through November 5, 2019, the date which the financial statements were available to be issued.

NATIONAL SPACE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2—INVESTMENTS

Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 538,942	\$ 955
Common stock	116,327	124,827
Stock mutual funds	605,149	-
Bond mutual funds	205,118	-
Exchange traded funds	21,728	20,248
Corporate fixed income bonds	<u>15,039</u>	<u>15,148</u>
Investments	<u>\$ 1,502,303</u>	<u>\$ 161,178</u>

NOTE 3—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>2018</u>				
Common stock	\$ 116,327	\$ 116,327	\$ -	\$ -
Mutual funds	605,149	605,149	-	-
Bond funds	205,118	205,118	-	-
Exchange traded funds	21,728	21,728	-	-
Corporate fixed income bonds	<u>15,039</u>	<u>-</u>	<u>15,039</u>	<u>-</u>
Total	<u>\$ 963,361</u>	<u>\$ 948,322</u>	<u>\$ 15,039</u>	<u>\$ -</u>
<u>2017</u>				
Common stock	\$ 124,827	\$ 124,827	\$ -	\$ -
Exchange traded funds	20,248	20,248	-	-
Corporate fixed income bonds	<u>15,148</u>	<u>-</u>	<u>15,148</u>	<u>-</u>
Total	<u>\$ 160,223</u>	<u>\$ 145,075</u>	<u>\$ 15,148</u>	<u>\$ -</u>

Fair values for corporate fixed income bonds are determined by reference to prices for similar assets.

NATIONAL SPACE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4—CONCENTRATIONS

During the year ended December 31, 2018, the Society received approximately 65% of its support from one donor. The recognized contribution from that donor was part of a legacy gift.

NOTE 5—RELATED PARTY

The Society's board of directors contracted with Barnhard Associates, LLC during the years ended December 31, 2018 and 2017 for information systems consulting services for the Society. The President of Barnhard Associates, LLC was a director of the Society during the years ended December 31, 2018 and 2017. Payments made to Barnhard Associates, LLC for information systems services for the years ended December 31, 2018 and 2017 were \$11,666 and \$6,000, respectively.

NOTE 6—COMMITMENTS

Management Contract

The Society is operated by a management company under the terms of a one-year agreement that is automatically renewed. Under the provisions of this agreement, the Society is to pay an annual management fee in addition to certain reimbursed expenses. The management fee paid for the years ending December 31, 2018 and 2017, was \$102,111 and \$100,990, respectively.

Future minimum management fee payments for the year ending December 31, 2019 total \$104,916.

Hotel Contracts

The Society has entered into agreements to reserve space for future conferences. These agreements indicate that the Society would be liable for certain cancellation fees and liquidated damages in the event of cancellation. If cancellations occur, the Society could be liable for up to approximately \$200,000. Management does not expect any hotel agreement cancellations.

NOTE 7—JOINT COSTS

The Society achieves some of its programmatic goals in direct mail campaigns that include requests for contributions. The costs of conducting those campaigns during the years ending December 31, 2018 and 2017 included a total of \$39,726 and \$53,009, respectively, of joint costs that are not directly attributable to either the program components of the fundraising component of the activities. Those joint costs were allocated as follows:

	2018	2017
Joint programs	\$ 33,767	\$ 42,407
Fundraising	5,959	10,602
Joint costs	\$ 39,726	\$ 53,009

NATIONAL SPACE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8—LIQUIDITY AND AVAILABILITY

The following reflects the Society's financial assets as of the date of the statement of financial position reduced by amounts not available for general expenditures within one year of the date of the statement of financial position because of internal board designations.

Financial assets at end of year	
Cash	\$ 136,190
Accounts receivable	35,244
Investments	<u>1,502,303</u>
 Total financial assets at end of year	 1,673,737
 Less amounts unavailable for general expenditures within one year:	 <u>-</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 1,673,737</u></u>

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.