

# Center for a New American Security Inc.

Report to the Audit Committee  
March 27, 2017





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Audit Committee  
Center for a New American Security Inc.  
Washington, D.C

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We are pleased to present this report related to our audit of the financial statements of Center for a New American Security Inc. (CNAS) as of and for the year ended September 30, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for CNAS's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to CNAS.

*RSM US LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated November 4, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by CNAS. CNAS did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>The following is a list of selected pending accounting pronouncements:</p> <ul style="list-style-type: none"><li>• Pending pronouncement Accounting Standards Update (ASU) No. 2015-14, <i>Revenue from Contracts with Customers (Topic 606)</i></li><li>• Pending pronouncement ASU No. 2016-02, <i>Leases (Topic 842)</i></li><li>• Pending pronouncement ASU No. 2016-14, <i>Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities</i></li></ul> <p>All of these ASU's are described in more detail in Note 1 of the financial statements.</p>

Area	Comments
	<p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communication Between Management and Our Firm</b>	A copy of the significant written communication between our firm and the management of CNAS, which is the representation letter provided to us by management, is attached as Exhibit A.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in CNAS's September 30, 2016, financial statements.

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Useful lives of property and equipment</b>	CNAS depreciates items on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the lesser of the life of the asset and the related lease term.	CNAS estimates the useful lives of assets based on their classification.	We reviewed the property and equipment listing, specifically the useful lives assigned to the assets. We analyzed the expense in relation to prior year and known changes to property and equipment.
<b>Allowance for doubtful accounts, promises to give and grants receivable</b>	CNAS reports an allowance for doubtful accounts for receivables whose collectability is uncertain.	Allowance for doubtful accounts is determined by regularly evaluating individual customer/donor/grantor receivables and considering a customer/donor's financial condition, credit history, and current economic conditions.	We confirmed our understanding of the process used by management to estimate the allowance. We evaluated the age of the outstanding receivables at fiscal year-end. We performed testing of cash collections in fiscal year 2017, related to receivables at September 30, 2016.

**Exhibit A—Significant Written Communication Between Management  
and Our Firm**

March 27, 2017

RSM US LLP  
1250 H Street, N.W. Suite 650  
Washington, D.C. 20005

This representation letter is provided in connection with your audits of the financial statements of Center for a New American Security Inc. (CNAS), which comprise the statements of financial position as of September 30, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March 27, 2017:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 4, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. There are no events subsequent to the date of the financial statements for which U.S. GAAP requires adjustment or disclosure.
7. There are no known actual or possible litigation or claims against CNAS.
8. The selection and application of accounting policies are appropriate. We further represent the following are accurately recorded and/or disclosed on the financial statements:
  - a. Our tax status, which is exempt under Internal Revenue Code section 501(C)(3). Additionally, we have evaluated the tax positions under the two-step approach for recognition and measurement of uncertain tax positions required by the Income Taxes Topic of the FASB Accounting Standards Codification.
  - b. Leases and material amounts of rental obligations.
  - c. Releases of temporarily restricted net assets.

- d. Allocations of expenses on a reasonable basis.
- e. Recordable contributions, by appropriate net asset class.
- f. Refundable advances.
- g. Lines of credit.

9. We have no knowledge of any uncorrected misstatements in the financial statements.

**Information Provided**

10. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
- b. Additional information that you have requested from us for the purpose of the audits;
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. All transactions have been recorded in the accounting records and are reflected in the financial statements.

12. It is our responsibility to establish and maintain internal controls over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

13. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the financial statements.

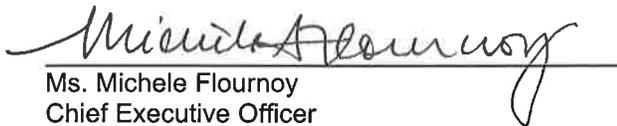
14. We have no knowledge of any allegations of fraud or suspected fraud affecting CNAS's financial statements received in communications from employees, former employees, regulators or others.

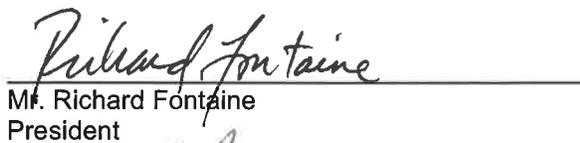
15. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

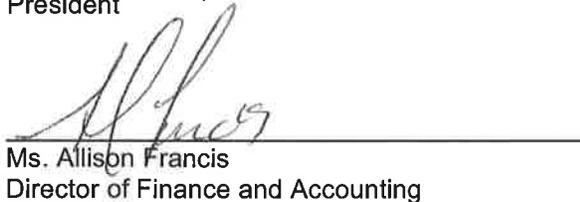
16. We are not aware of any pending or threatened litigation or claims whose effects were considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.
17. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
18. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect CNAS's ability to record, process, summarize and report financial data.
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Sincerely,

**Center for a New American Security Inc.**

  
Ms. Michele Flournoy  
Chief Executive Officer

  
Mr. Richard Fontaine  
President

  
Ms. Allison Francis  
Director of Finance and Accounting