

DIPLOMATIC SECURITY FOUNDATION,  
INCORPORATED

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Diplomatic Security Foundation, Incorporated  
Dunn Loring, Virginia

### **Opinion**

We have audited the accompanying financial statements of Diplomatic Security Foundation, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diplomatic Security Foundation, Incorporated as of December 31, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diplomatic Security Foundation, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Diplomatic Security Foundation, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Diplomatic Security Foundation, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Diplomatic Security Foundation, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Horjic & Company, P.L.C.*

Vienna, Virginia  
July 14, 2022

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 652,594	\$ 300,005
Certificates of deposit	287,203	571,600
Contributions and sponsorships receivable	50,000	2,500
Prepaid expenses and other	<u>756</u>	<u>22,647</u>
<b>TOTAL CURRENT ASSETS</b>	<b>990,553</b>	<b>896,752</b>
 <b>EQUIPMENT</b>		
Equipment	1,363	1,363
Accumulated depreciation	<u>(1,363)</u>	<u>(1,363)</u>
	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>990,553</u></b>	<b>\$ <u>896,752</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,729	\$ 48
Refundable advances	<u>-</u>	<u>10,150</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,729</b>	<b>10,198</b>
 <b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	<u>988,824</u>	<u>886,554</u>
	<u>988,824</u>	<u>886,554</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>990,553</u></b>	<b>\$ <u>896,752</u></b>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
 STATEMENTS OF ACTIVITIES  
 Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>REVENUE AND SUPPORT</b>		
Contributions	\$ 79,026	\$ 57,063
Special events income	274,930	-
Special events - contributions in-kind	7,297	-
Less: Cost of direct benefits to donors	(41,400)	-
UnGolf fundraiser	-	134,310
Total contributions	<u>319,853</u>	<u>191,373</u>
Interest income	<u>10,469</u>	<u>14,427</u>
TOTAL REVENUE AND SUPPORT	330,322	205,800
<b>EXPENSES</b>		
Program services		
Hardship support	84,180	79,323
Scholarship program	<u>31,548</u>	<u>28,532</u>
Total program services	115,728	107,855
Support services		
General and administrative	25,784	22,592
Fundraising		
Special events	76,906	-
Other	<u>9,634</u>	<u>13,399</u>
Total support services	<u>112,324</u>	<u>35,991</u>
TOTAL EXPENSES	<u>228,052</u>	<u>143,846</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	102,270	61,954
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>886,554</u>	<u>824,600</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 988,824</u>	<u>\$ 886,554</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended December 31, 2021

	PROGRAM SERVICES			SUPPORT SERVICES				
	Hardship Support	Scholarship Program	Total Program Expenses	Management and General	Fundraising - Special Events	Fundraising - Other	Total Support Services	Total
Financial assistance	\$ 64,535	\$ 25,000	\$ 89,535	\$ -	\$ -	\$ -	\$ -	\$ 89,535
Management fee	19,645	6,548	26,193	7,858	10,477	7,858	26,193	52,386
Catering	-	-	-	-	39,933	-	39,933	39,933
Giveaways	-	-	-	-	6,171	-	6,171	6,171
Green fees	-	-	-	-	31,450	-	31,450	31,450
Raffle	-	-	-	-	7,636	-	7,636	7,636
Signage	-	-	-	-	9,133	-	9,133	9,133
Other golf expenses	-	-	-	-	10,223	-	10,223	10,223
Rent	-	-	-	1,207	-	-	1,207	1,207
Marketing	-	-	-	2,468	118	-	2,586	2,586
Supplies	-	-	-	271	65	-	336	336
Miscellaneous	-	-	-	13,980	3,100	1,776	18,856	18,856
Total expenses by function	84,180	31,548	115,728	25,784	118,306	9,634	153,724	269,452
Less expenses included with revenues on the statements of activities	-	-	-	-	(41,400)	-	(41,400)	(41,400)
	<u>\$ 84,180</u>	<u>\$ 31,548</u>	<u>\$ 115,728</u>	<u>\$ 25,784</u>	<u>\$ 76,906</u>	<u>\$ 9,634</u>	<u>\$ 112,324</u>	<u>\$ 228,052</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Year ended December 31, 2020

	PROGRAM SERVICES			SUPPORT SERVICES			Total
	Hardship Support	Scholarship Program	Total Program Expenses	Management and General	Fundraising - Other	Total Support Services	
Financial assistance	\$ 68,900	\$ 25,000	\$ 93,900	\$ -	\$ -	\$ -	\$ 93,900
Management fee	10,423	3,474	13,897	4,169	9,728	13,897	27,794
Signage	-	-	-	-	671	671	671
Rent	-	-	-	948	-	948	948
Marketing	-	-	-	2,884	257	3,141	3,141
Supplies	-	24	24	284	-	284	308
Miscellaneous	-	34	34	14,307	2,743	17,050	17,084
Total expenses by function	<u>\$ 79,323</u>	<u>\$ 28,532</u>	<u>\$ 107,855</u>	<u>\$ 22,592</u>	<u>\$ 13,399</u>	<u>\$ 35,991</u>	<u>\$ 143,846</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 102,270	\$ 61,954
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	-	273
Change in assets and liabilities:		
Contributions and sponsorships receivable	(47,500)	(2,500)
Prepaid expenses and other	21,891	(21,891)
Accounts payable and accrued expenses	1,681	(268)
Refundable advances	<u>(10,150)</u>	<u>10,150</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	68,192	47,718
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit and reinvested interest	(5,259)	(212,537)
Maturities of certificates of deposit	<u>289,656</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>284,397</u>	<u>(212,537)</u>
 NET INCREASE (DECREASE) IN CASH	352,589	(164,819)
 CASH AT BEGINNING OF YEAR	<u>300,005</u>	<u>464,824</u>
 CASH AT END OF YEAR	<u>\$ 652,594</u>	<u>\$ 300,005</u>

See accompanying notes to financial statements



DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2021 and 2020

NOTE 1 - NATURE OF ACTIVITIES

The Diplomatic Security Foundation (DSF) provides timely financial support and charitable contributions to members, and their immediate family, of the U.S. Department of State's Bureau of Diplomatic Security and colleagues in the law enforcement and U.S. foreign affairs community. Funding for these projects is provided by public contributions. The Foundation's major sources of revenue are the annual golf tournament and contributions. The Foundation was incorporated in the District of Columbia on December 22, 1994.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, revenues and expenses are recognized in the period to which they relate.

Basis of Presentation

In accordance with the *Not-For-Profit-Entities – Presentation of Financial Statements* sub topic of the FASB Accounting Standards Codification, the Foundation reports information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors that will be satisfied by action of the Foundation or by the passage of time. There were no net assets with donor restrictions at December 31, 2021 and 2020.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue from Contracts with Customers

Tickets and sponsorships for the Foundation's annual golf tournament generally cover meals and rounds of golf at the tournament (the direct benefit to donors) and a contribution to the Foundation for the payment in excess of the direct benefit received by the donor.

The revenue for the fair market value of meals and rounds of golf is recognized at a point in time, on the date that the golf tournament is held.

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (Continued)

Payments for tickets and sponsorships in advance of the golf tournament are recorded as either deferred revenue (a contract liability for the fair market value of the meals and rounds of golf) or refundable advances (for the contribution portion).

Payment for tickets and sponsorships is generally due in advance of the golf tournament.

Contributions

Contributions are accounted for in accordance with the *Not-For-Profit Entities - Revenue Recognition* Sub topic of the FASB Accounting Standards Codification. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Contributions with donor restrictions that are received and released in the same year are reported as contributions without donor restrictions in the statements of activities.

Unconditional contributions are recognized as revenues in the period received. Conditional contributions are recognized only when the condition on which they depend are substantially met and the contribution becomes unconditional. Payments received for conditional contributions in advance of satisfying the conditions are recorded as refundable advances on the statements of financial position. Contributions receivable are reported in the statements of financial position at the outstanding contribution receivable balance adjusted for any write-offs and an allowance for uncollectible contributions receivable, if applicable. Contributions receivable at December 31, 2021 and 2020 were received in the subsequent year. No allowance for uncollectible contributions receivable was necessary at December 31, 2021 or 2020.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded as revenue and expense at their fair values in the period received.

Cash

Cash consists of checking, money market and savings accounts at a federal credit union and a bank.

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest.

Financial Risks

The Foundation maintains cash in several checking and savings accounts and holds

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Risks (Continued)

certificates of deposit, which at times may exceed Federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash or certificates of deposit.

The ongoing COVID-19 (coronavirus) pandemic has contributed to uncertainty in the economy and negative economic conditions. The Foundation continues to monitor the impact of the COVID-19 outbreak closely. Management believes that the COVID-19 pandemic will not have a permanent negative impact on the results of its operations, financial condition or cash flows.

Equipment and Related Depreciation

Equipment is capitalized at cost or fair value of donated property. Equipment is depreciated using the straight-line method over five years. Donations or purchases of property and equipment of \$500 or more are capitalized.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. Management fees have been allocated across program and other supporting services based on the estimated time and effort spent by the manager in each area.

Income Taxes

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2021, the federal and state statute of limitations remains open for the 2018 through the 2021 tax years.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 14, 2022, the date the financial statements were issued. None were noted.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2021 and 2020:

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash	\$652,594	\$300,005
Certificates of deposit	287,203	571,600
Contributions and sponsorships receivable	<u>50,000</u>	<u>2,500</u>

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - AVAILABILITY AND LIQUIDITY (CONTINUED)

Total financial assets available to meet general expenditures over the next twelve months	<u>\$989,797</u>	<u>\$874,105</u>
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The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 - PROGRAM SERVICES

Program services consist of the following:

Hardship support – This program offers assistance to U.S. Department of State’s Bureau of Diplomatic Security and law enforcement individuals in times of financial hardship.

Scholarship Program – Offers scholarships to the children, step-children, or grandchildren of current or former U.S. Department of State’s Bureau of Diplomatic Security employees.

NOTE 5 - CONCENTRATION OF REVENUE

The annual golf tournament provided approximately 76% of total revenue for 2021. One organization provided a contribution that amounted to approximately 16% of total revenue for 2021.

During 2020, due to the cancellation of the annual golf tournament as a result of the COVID-19 pandemic, the Foundation held an Ungolf fundraiser. The Ungolf fundraiser provided approximately 65% of total revenue for 2020. One company provided a sponsorship and contribution that amounted to approximately 39% of total revenue for 2020.

NOTE 6 - CONTRIBUTIONS IN-KIND

During 2021, the Foundation received raffle prizes totaling \$7,297 for its golf tournament. The in-kind donations are recorded in raffle expense as part of fundraising-special events in the statements of activities.

During 2020, the Foundation did not receive any contributions in-kind.