

DIPLOMATIC SECURITY FOUNDATION,
INCORPORATED

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

HOZIK & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Diplomatic Security Foundation, Incorporated
Chantilly, Virginia

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, 2020 and 2019, and the related statements of activities, 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.

Auditors' 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 auditors' 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 Diplomatic Security Foundation, Incorporated as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Herjitz & Company, P.L.C.

Vienna, Virginia
June 21, 2021

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 300,005	\$ 464,824
Certificates of deposit	571,600	359,063
Contributions receivable	2,500	-
Prepaid expenses and other	<u>22,647</u>	<u>756</u>
TOTAL CURRENT ASSETS	896,752	824,643
 EQUIPMENT		
Equipment	1,363	1,363
Accumulated depreciation	<u>(1,363)</u>	<u>(1,090)</u>
	<u>-</u>	<u>273</u>
TOTAL ASSETS	<u>\$ 896,752</u>	<u>\$ 824,916</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 48	\$ 316
Refundable advances	<u>10,150</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	10,198	316
 NET ASSETS		
Without donor restrictions		
Undesignated	<u>886,554</u>	<u>824,600</u>
	<u>886,554</u>	<u>824,600</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 896,752</u>	<u>\$ 824,916</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
 STATEMENTS OF ACTIVITIES
 Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
Contributions	\$ 57,063	\$ 46,777
Special events income	-	253,042
Special events - contributions in-kind	-	22,332
Less: Cost of direct benefits to donors	-	(40,020)
UnGolf fundraiser	134,310	-
Total contributions	<u>191,373</u>	<u>282,131</u>
Interest income	14,427	13,865
TOTAL REVENUE AND SUPPORT	<u>205,800</u>	<u>295,996</u>
EXPENSES		
Program services		
Hardship support	79,323	85,238
Scholarship program	28,532	28,749
Total program services	<u>107,855</u>	<u>113,987</u>
Support services		
General and administrative	22,592	21,949
Fundraising		
Special events	-	94,035
Other	13,399	8,438
Total support services	<u>35,991</u>	<u>124,422</u>
TOTAL EXPENSES	<u>143,846</u>	<u>238,409</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	61,954	57,587
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>824,600</u>	<u>767,013</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 886,554</u>	<u>\$ 824,600</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
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	PROGRAM SERVICES			SUPPORT SERVICES				Total
	Hardship Support	Scholarship Program	Total Program Expenses	Management and General	Fundraising - Special Events	Fundraising - Other	Total Support Services	
Financial assistance	\$ 71,000	\$ 24,000	\$ 95,000	\$ -	\$ -	\$ -	\$ -	\$ 95,000
Management fee	14,218	4,739	18,957	5,687	7,583	5,687	18,957	37,914
Catering	-	-	-	-	30,717	-	30,717	30,717
Giveaways	-	-	-	-	4,626	-	4,626	4,626
Green fees	-	-	-	-	36,967	-	36,967	36,967
Raffle	-	-	-	-	22,637	-	22,637	22,637
Signage	-	-	-	-	11,257	-	11,257	11,257
Other golf expenses	-	-	-	-	14,554	-	14,554	14,554
Rent	-	-	-	1,062	-	-	1,062	1,062
Marketing	-	-	-	1,727	2,280	-	4,007	4,007
Supplies	-	-	-	293	-	-	293	293
Miscellaneous	20	10	30	13,180	3,434	2,751	19,365	19,395
Total expenses by function	85,238	28,749	113,987	21,949	134,055	8,438	164,442	278,429
Less expenses included with revenues on the statements of activities	-	-	-	-	(40,020)	-	(40,020)	(40,020)
	<u>\$ 85,238</u>	<u>\$ 28,749</u>	<u>\$ 113,987</u>	<u>\$ 21,949</u>	<u>\$ 94,035</u>	<u>\$ 8,438</u>	<u>\$ 124,422</u>	<u>\$ 238,409</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 61,954	\$ 57,587
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	273	272
Change in assets and liabilities:		
Increase in contributions receivable	(2,500)	-
(Increase) decrease in prepaid expenses and other	(21,891)	1,087
Decrease in accounts payable and accrued expenses	(268)	(697)
Increase in refundable advances	<u>10,150</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	47,718	58,249
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit and reinvested interest	<u>(212,537)</u>	<u>(158,559)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(212,537)</u>	<u>(158,559)</u>
 NET DECREASE IN CASH	(164,819)	(100,310)
 CASH AT BEGINNING OF YEAR	<u>464,824</u>	<u>565,134</u>
 CASH AT END OF YEAR	<u>\$ 300,005</u>	<u>\$ 464,824</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2020 and 2019

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, 2020 and 2019.

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, 2020 were received in March 2021 and no allowance for uncollectible contributions receivable was necessary at December 31, 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 any accrued interest.

Financial Risks

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Risks (Continued)

to any significant credit risk on cash or certificates of deposit.

The outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus has recently been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including, but not limited to, the temporary closures of many businesses, “shelter in place” and other governmental regulations, “work from home” directives, and there are many unknowns.

The Foundation continues to monitor the impact of the COVID-19 outbreak closely. The extent to which the COVID-19 outbreak will impact the Foundation’s results of operations, financial condition, and cash flows is uncertain.

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, 2020, the federal and state statute of limitations remains open for the 2017 through the 2020 tax years.

New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2020, the first day of the Foundation’s fiscal year using the modified retrospective approach.

Analysis of the provisions of the standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no adjustments to opening net assets were required. The presentation and disclosures of revenue have been changed in accordance with the standard.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 21, 2021, 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, 2020 and 2019:

Financial assets at year end:	<u>2020</u>	<u>2019</u>
Cash	\$300,005	\$464,824
Certificates of deposit	571,600	359,063
Contributions receivable	<u>2,500</u>	<u>-</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$874,105</u>	<u>\$823,887</u>

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

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. The annual golf tournament provided approximately 82% of total revenue for 2019. One company provided a sponsorship and contributions that amounted to approximately 39% and 15% of total revenue for 2020 and 2019, respectively.

NOTE 6 - CONTRIBUTIONS IN-KIND

During 2020, the Foundation did not receive any contributions in-kind. During 2019, the

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

NOTE 6 - CONTRIBUTIONS IN-KIND (CONTINUED)

Foundation received raffle prizes for \$22,332 for its special event. The in-kind donations are recorded in raffle expense as part of fundraising-special events in the statements of activities.