

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Diplomatic Security Foundation, Incorporated (a non-profit corporation) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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, 2015 and 2014, 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.

Hoyt + Company, P.L.L.C.

Vienna, Virginia
October 31, 2016

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Cash	\$ 388,221	\$ 328,179
Prepaid expenses	<u>11,746</u>	<u>10,731</u>
TOTAL CURRENT ASSETS	399,967	338,910
EQUIPMENT		
Equipment	3,482	3,482
Accumulated depreciation	<u>(3,426)</u>	<u>(3,199)</u>
	<u>56</u>	<u>283</u>
TOTAL ASSETS	<u>\$ 400,023</u>	<u>\$ 339,193</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 235</u>	<u>\$ 852</u>
TOTAL CURRENT LIABILITIES	235	852
NET ASSETS		
Unrestricted	<u>399,788</u>	<u>338,341</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 400,023</u>	<u>\$ 339,193</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
 STATEMENTS OF ACTIVITIES
 Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED REVENUE AND NET REVENUE FROM SPECIAL EVENTS		
Contributions	\$ 58,303	\$ 62,316
Special events income	209,606	182,929
Special events - contributions in-kind	8,033	6,562
Less: Cost of direct benefits to donors	<u>(37,845)</u>	<u>(38,425)</u>
Total contributions and net revenue special events	238,097	213,382
Interest income	<u>2,925</u>	<u>485</u>
TOTAL UNRESTRICTED REVENUE AND NET REVENUE FROM SPECIAL EVENTS	241,022	213,867
EXPENSES		
Program services		
Hardship support	67,186	44,593
Scholarship program	<u>34,081</u>	<u>16,483</u>
Total program services	101,267	61,076
Support services		
General and administrative	20,825	17,854
Fundraising		
Special events	47,416	39,319
Other	<u>10,067</u>	<u>8,604</u>
Total support services	<u>78,308</u>	<u>65,777</u>
TOTAL EXPENSES	<u>179,575</u>	<u>126,853</u>
INCREASE IN UNRESTRICTED NET ASSETS	61,447	87,014
NET ASSETS AT BEGINNING OF YEAR	<u>338,341</u>	<u>251,327</u>
NET ASSETS AT END OF YEAR	<u>\$ 399,788</u>	<u>\$ 338,341</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 61,447	\$ 87,014
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	227	227
Change in assets and liabilities:		
Increase in prepaid expenses	(1,015)	-
(Decrease) increase in accounts payable and accrued expenses	<u>(617)</u>	<u>473</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>60,042</u>	<u>87,714</u>
NET INCREASE IN CASH	60,042	87,714
CASH AT BEGINNING OF YEAR	<u>328,179</u>	<u>240,465</u>
CASH AT END OF YEAR	<u>\$ 388,221</u>	<u>\$ 328,179</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2015 and 2014

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 three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation does not have any temporarily or permanently restricted net assets as of December 31, 2015 and 2014.

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.

Contributions

Contributions are accounted for in accordance with *Not-For-Profit Entities – Revenue Recognition* topic of the FASB Accounting Standards Codification. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. The Foundation's policy is to report all donor-restricted contributions as unrestricted if those restrictions are met in the same reporting period that the contributions are received.

Cash

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

Financial Risk

The Foundation maintains cash in deposit accounts, at a federal credit union and a bank, 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment and Related Depreciation

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

Functional Allocation of Expenses

The costs of providing various programs, general and administrative and fundraising activities have been summarized on a functional basis in Note 5. Accordingly, certain costs have been allocated among the program and supporting services benefited.

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, 2015, the federal and state statute of limitations remains open for the 2012 through the 2015 tax years.

Reclassifications

Certain balances at December 31, 2014 have been reclassified to conform to the December 31, 2015 presentation.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 27, 2016, the date the financial statements were issued. None were noted.

NOTE 3 - 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.

Bereavement support – Offers financial and non-financial support to families of fallen U.S. Department of State’s Bureau of Diplomatic Security and law enforcement employees.

NOTE 4 - CONCENTRATION OF REVENUE

The annual golf tournament provided approximately 78% and 75% of total revenue for 2015 and 2014, respectively.

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

NOTE 5 - FUNCTIONAL EXPENSES

The functional expenses for 2015 are as follows:

	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	\$ 51,500	\$ 30,000	\$ 81,500	\$ -	\$ -	\$ -	\$ -	\$ 81,500
Management fee	15,681	3,920	19,601	5,880	7,840	5,880	19,600	39,201
Special events	-	-	-	-	39,576	-	39,576	39,576
Depreciation	-	-	-	227	-	-	227	227
Postage	-	20	20	126	-	10	136	156
Supplies	-	-	-	797	-	176	973	973
Travel	-	-	-	20	-	67	87	87
PayPal fees	-	-	-	503	-	1,918	2,421	2,421
Miscellaneous	5	141	146	13,272	-	2,016	15,288	15,434
	<u>\$ 67,186</u>	<u>\$ 34,081</u>	<u>\$ 101,267</u>	<u>\$ 20,825</u>	<u>\$ 47,416</u>	<u>\$ 10,067</u>	<u>\$ 78,308</u>	<u>\$ 179,575</u>

The functional expenses for 2014 are as follows:

	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	\$ 29,475	\$ 12,500	\$ 41,975	\$ -	\$ -	\$ -	\$ -	\$ 41,975
Management fee	15,093	3,773	18,866	5,660	7,547	5,660	18,867	37,733
Special events	-	-	-	-	31,772	-	31,772	31,772
Depreciation	-	-	-	227	-	-	227	227
Postage	5	59	64	143	-	25	168	232
Supplies	-	-	-	321	-	129	450	450
Travel	-	-	-	13	-	167	180	180
PayPal fees	-	-	-	20	-	2,013	2,033	2,033
Miscellaneous	20	151	171	11,470	-	610	12,080	12,251
	<u>\$ 44,593</u>	<u>\$ 16,483</u>	<u>\$ 61,076</u>	<u>\$ 17,854</u>	<u>\$ 39,319</u>	<u>\$ 8,604</u>	<u>\$ 65,777</u>	<u>\$ 126,853</u>