

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

# HOZIK & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS  
374 MAPLE AVENUE EAST, SUITE 305  
VIENNA, VIRGINIA 22180  
TELEPHONE (703) 272-7109  
WEBSITE [www.hozikcpa.com](http://www.hozikcpa.com)

*Member of the American Institute  
of Certified Public Accountants*

Partners  
Karen Fleming  
James Hozik

## 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 nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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.

Vienna, Virginia  
October 18, 2017

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash	\$ 510,049	\$ 388,221
Prepaid expenses and other	<u>11,931</u>	<u>11,746</u>
TOTAL CURRENT ASSETS	521,980	399,967
EQUIPMENT		
Equipment	4,846	3,482
Accumulated depreciation	<u>(3,755)</u>	<u>(3,426)</u>
	<u>1,091</u>	<u>56</u>
TOTAL ASSETS	<u>\$ 523,071</u>	<u>\$ 400,023</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 17</u>	<u>\$ 235</u>
TOTAL CURRENT LIABILITIES	17	235
NET ASSETS		
Unrestricted	<u>523,054</u>	<u>399,788</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 523,071</u>	<u>\$ 400,023</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
 STATEMENTS OF ACTIVITIES  
 Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED REVENUE AND NET REVENUE FROM SPECIAL EVENTS		
Contributions	\$ 69,496	\$ 58,303
Special events income	273,220	209,606
Special events - contributions in-kind	18,612	8,033
Less: Cost of direct benefits to donors	<u>(37,120)</u>	<u>(37,845)</u>
Total contributions and net revenue special events	324,208	238,097
Interest income	<u>1,630</u>	<u>2,925</u>
TOTAL UNRESTRICTED REVENUE AND NET REVENUE FROM SPECIAL EVENTS	325,838	241,022
EXPENSES		
Program services		
Hardship support	77,704	67,186
Bereavement support	1,293	-
Scholarship program	<u>30,627</u>	<u>34,081</u>
Total program services	109,624	101,267
Support services		
General and administrative	19,113	20,825
Fundraising		
Special events	64,034	47,416
Other	<u>9,801</u>	<u>10,067</u>
Total support services	<u>92,948</u>	<u>78,308</u>
TOTAL EXPENSES	<u>202,572</u>	<u>179,575</u>
INCREASE IN UNRESTRICTED NET ASSETS	123,266	61,447
NET ASSETS AT BEGINNING OF YEAR	<u>399,788</u>	<u>338,341</u>
NET ASSETS AT END OF YEAR	<u>\$ 523,054</u>	<u>\$ 399,788</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 201 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 123,266	\$ 61,447
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	329	227
Change in assets and liabilities:		
Increase in prepaid expenses and other	(185)	(1,015)
Decrease in accounts payable and accrued expenses	<u>(218)</u>	<u>(617)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	123,192	60,042
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,364)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,364)</u>	<u>-</u>
 NET INCREASE IN CASH	121,828	60,042
 CASH AT BEGINNING OF YEAR	<u>388,221</u>	<u>328,179</u>
 CASH AT END OF YEAR	<u>\$ 510,049</u>	<u>\$ 388,221</u>

See accompanying notes to financial statements

DIPLOMATIC SECURITY FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2016 and 2015

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, 2016 and 2015.

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 over 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, 2016, the federal and state statute of limitations remains open for the 2013 through the 2016 tax years.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 18, 2017, 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 80% and 78% of total revenue for 2016 and 2015, respectively.



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

NOTE 5 - FUNCTIONAL EXPENSES

The functional expenses for 2016 are as follows:

	PROGRAM SERVICES				SUPPORT SERVICES				Total
	Hardship Support	Bereavement support	Scholarship Program	Total Program Expenses	Management and General	Fundraising - special events	Fundraising - other	Total Support Services	
Financial assistance	\$ 64,002	\$ 1,100	\$ 25,000	\$ 90,102	\$ -	\$ -	\$ -	\$ -	\$ 90,102
Management fee	13,702	193	5,403	19,298	5,790	7,719	5,789	19,298	38,596
Special events	-	-	-	-	-	56,315	-	56,315	56,315
Depreciation	-	-	-	-	329	-	-	329	329
Postage	-	-	20	20	212	-	38	250	270
Supplies	-	-	-	-	481	-	58	539	539
Travel	-	-	-	-	-	-	180	180	180
PayPal fees	-	-	-	-	330	-	-	330	330
Miscellaneous	-	-	204	204	11,971	-	3,736	15,707	15,911
	<u>\$ 77,704</u>	<u>\$ 1,293</u>	<u>\$ 30,627</u>	<u>\$ 109,624</u>	<u>\$ 19,113</u>	<u>\$ 64,034</u>	<u>\$ 9,801</u>	<u>\$ 92,948</u>	<u>\$ 202,572</u>

The functional expenses for 2015 are as follows:

	PROGRAM SERVICES				SUPPORT SERVICES				Total
	Hardship Support	Bereavement 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>\$ -</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>