



DESTINATION & TRAVEL FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021





DESTINATION & TRAVEL FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Destination & Travel Foundation

Opinion

We have audited the accompanying financial statements of the Destination & Travel Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses 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 Foundation 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's 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 auditor's 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, including omissions, 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 the Foundation'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 the Foundation'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.

CalibreCPAGroup, PLLC

Bethesda, MD
September 9, 2022



DESTINATION & TRAVEL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|-------------------|
| Assets | | |
| Assets | | |
| Cash and cash equivalents | \$ 792,679 | \$ 224,810 |
| Investments | 329,478 | 305,631 |
| Accounts receivable | 44,119 | 54,802 |
| Pledges and contributions receivable | 45,000 | 29,500 |
| Prepaid expenses and other assets | <u>129</u> | <u>42,913</u> |
| Total assets | <u>\$ 1,211,405</u> | <u>\$ 657,656</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 7,032 | \$ 6,500 |
| Refundable advances - PPP loan | - | 77,033 |
| Refundable advances - other | 47,559 | 2,559 |
| Due to Destinations International | 59,881 | 22,794 |
| Loan payable - EIDL | <u>-</u> | <u>150,000</u> |
| Total liabilities | <u>114,472</u> | <u>258,886</u> |
| Net assets | | |
| Without donor restrictions | <u>677,451</u> | <u>159,507</u> |
| With donor restrictions | | |
| Temporary restrictions | 238,977 | 143,758 |
| Perpetual restrictions | <u>180,505</u> | <u>95,505</u> |
| Total with donor restrictions | <u>419,482</u> | <u>239,263</u> |
| Total net assets | <u>1,096,933</u> | <u>398,770</u> |
| Total liabilities and net assets | <u>\$ 1,211,405</u> | <u>\$ 657,656</u> |

See accompanying notes to financial statements.

DESTINATION & TRAVEL FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and other support | | | | | | |
| Special events revenue | \$ 58,701 | \$ - | \$ 58,701 | \$ 300,980 | \$ - | \$ 300,980 |
| Contributions | 655,190 | 162,901 | 818,091 | 583,859 | - | 583,859 |
| In-kind contributions | 318,242 | - | 318,242 | 252,584 | - | 252,584 |
| Other revenue | 76,353 | - | 76,353 | 5,576 | - | 5,576 |
| Net assets released from restrictions | - | - | - | - | - | - |
| Total revenue and other support | <u>1,108,486</u> | <u>162,901</u> | <u>1,271,387</u> | <u>1,142,999</u> | <u>-</u> | <u>1,142,999</u> |
| Expenses | | | | | | |
| Program services | | | | | | |
| Education and scholarships | 71,280 | - | 71,280 | - | - | - |
| Special events | 38,789 | - | 38,789 | 7,158 | - | 7,158 |
| Research and advocacy | 147,000 | - | 147,000 | 541,949 | - | 541,949 |
| Equity, diversity and inclusion | <u>60,000</u> | <u>-</u> | <u>60,000</u> | <u>59,065</u> | <u>-</u> | <u>59,065</u> |
| Total program services | 317,069 | - | 317,069 | 608,172 | - | 608,172 |
| Supporting services | | | | | | |
| General and administrative | 210,274 | - | 210,274 | 458,063 | - | 458,063 |
| Fundraising | <u>69,728</u> | <u>-</u> | <u>69,728</u> | <u>73,443</u> | <u>-</u> | <u>73,443</u> |
| Total expenses | <u>597,071</u> | <u>-</u> | <u>597,071</u> | <u>1,139,678</u> | <u>-</u> | <u>1,139,678</u> |
| Change in net assets before investment income | 511,415 | 162,901 | 674,316 | 3,321 | - | 3,321 |
| Investment income, net | <u>6,529</u> | <u>17,318</u> | <u>23,847</u> | <u>5,890</u> | <u>15,973</u> | <u>21,863</u> |
| Change in net assets | 517,944 | 180,219 | 698,163 | 9,211 | 15,973 | 25,184 |
| Net assets | | | | | | |
| Beginning of year | <u>159,507</u> | <u>239,263</u> | <u>398,770</u> | <u>150,296</u> | <u>223,290</u> | <u>373,586</u> |
| End of year | <u>\$ 677,451</u> | <u>\$ 419,482</u> | <u>\$ 1,096,933</u> | <u>\$ 159,507</u> | <u>\$ 239,263</u> | <u>\$ 398,770</u> |

See accompanying notes to financial statements.

DESTINATION & TRAVEL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

| | Program Services | | | | Supporting Services | | Total |
|------------------------------|----------------------------|------------------|-----------------------|---------------------------------|----------------------------|------------------|-------------------|
| | Education and Scholarships | Special Events | Research and Advocacy | Equity, Diversity and Inclusion | General and Administrative | Fundraising | |
| Salaries and fringe benefits | \$ 34,695 | \$ - | \$ - | \$ - | \$ 119,569 | \$ 16,978 | \$ 171,242 |
| Advertising | - | - | - | - | - | - | - |
| Boards/committees | - | - | - | - | 30,104 | - | 30,104 |
| Business alliance | - | - | 147,000 | - | - | - | 147,000 |
| Grants and contributions | - | - | - | 60,000 | - | 52,750 | 112,750 |
| Meeting expenses | 36,082 | 38,789 | - | - | 15,256 | - | 90,127 |
| Occupancy and operating | 503 | - | - | - | 8,899 | - | 9,402 |
| Professional services | - | - | - | - | 35,497 | - | 35,497 |
| Travel | - | - | - | - | 949 | - | 949 |
| Totals | <u>\$ 71,280</u> | <u>\$ 38,789</u> | <u>\$ 147,000</u> | <u>\$ 60,000</u> | <u>\$ 210,274</u> | <u>\$ 69,728</u> | <u>\$ 597,071</u> |

See accompanying notes to financial statements.

DESTINATION & TRAVEL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

| | Program Services | | | | Supporting Services | | Common Costs | Total |
|------------------------------|----------------------------|-----------------|-----------------------|---------------------------------|----------------------------|------------------|--------------|---------------------|
| | Education and Scholarships | Special Events | Research and Advocacy | Equity, Diversity and Inclusion | General and Administrative | Fundraising | | |
| Salaries and fringe benefits | \$ - | \$ - | \$ 230,941 | \$ - | \$ 304,165 | \$ 30,326 | \$ - | \$ 565,432 |
| Advertising | - | 2,142 | - | - | 76 | - | - | 2,218 |
| Boards/committees | - | - | - | 4,090 | 14,119 | - | - | 18,209 |
| Business alliance | - | - | 252,584 | - | - | - | - | 252,584 |
| Global development | - | - | 5,000 | - | - | - | - | 5,000 |
| Meeting expenses | - | 1,476 | 50,151 | - | - | - | - | 51,627 |
| Occupancy and operating | - | 3,467 | 2,772 | - | 106,944 | 40,243 | 150 | 153,576 |
| Professional services | - | - | - | 54,975 | 31,875 | - | - | 86,850 |
| Travel | - | 73 | (177) | - | - | 2,790 | 1,496 | 4,182 |
| Allocation of common costs | - | - | 678 | - | 884 | 84 | (1,646) | - |
| Totals | <u>\$ -</u> | <u>\$ 7,158</u> | <u>\$ 541,949</u> | <u>\$ 59,065</u> | <u>\$ 458,063</u> | <u>\$ 73,443</u> | <u>\$ -</u> | <u>\$ 1,139,678</u> |

See accompanying notes to financial statements.

DESTINATION & TRAVEL FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|------------|------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 698,163 | \$ 25,184 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | | |
| Net gain on investments | (12,320) | (10,168) |
| Uncollectible receivables written off or reserved | - | 40,395 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 10,683 | (22,375) |
| Pledges and contributions receivable | (15,500) | 208,862 |
| Prepaid expenses and other assets | 42,784 | (11,749) |
| Accounts payable and accrued expenses | 532 | (49,470) |
| Refundable advances - PPP loan | (77,033) | 77,033 |
| Refundable advances - other | 45,000 | (32,441) |
| Due to Destinations International | 37,087 | (459,657) |
| Net cash provide by (used for) operating activities | 729,396 | (234,386) |
| Cash flows from investing activities | | |
| Purchases of investments | (11,527) | (11,694) |
| Proceeds from sales of investments | - | 250,000 |
| Net cash provided by (used for) investing activities | (11,527) | 238,306 |
| Cash flows from financing activities | | |
| Payoff of loan payable - EIDL | (150,000) | - |
| Proceeds from loan payable - EIDL | - | 150,000 |
| Net cash provided by (used for) financing activities | (150,000) | 150,000 |
| Net change in cash and cash equivalents | 567,869 | 153,920 |
| Cash and cash equivalents | | |
| Beginning of year | 224,810 | 70,890 |
| End of year | \$ 792,679 | \$ 224,810 |

See accompanying notes to financial statements.



DESTINATION & TRAVEL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The mission of the Destination & Travel Foundation (the Foundation) is to enhance and complement Destinations International (DI) and the destination management profession through research, education, visioning and developing resources, and partnerships for those efforts. The mission of DI is to enhance the professionalism, effectiveness, and image of its world-wide members and the industry they represent.

Income Tax - The Foundation is exempt from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation by the Internal Revenue Service, under Section 509(a)(3) as a supporting organization. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state taxes.

Basis of Accounting - The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue is recognized when earned and expenses when an obligation is incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions. The Foundation also distinguishes between donor restrictions that are temporary and those that are perpetual in nature.

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

Cash Equivalents - For financial statement purposes, the Foundation considers interest-bearing money market funds to be cash equivalents.



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments - Investments consist of amounts held in money market accounts, mutual funds, and exchange traded funds, all of which are reported at fair value, generally as determined by published market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are reported on a trade-date-basis. Interest income is reported on the accrual basis. Dividends are recognized on the ex-dividend date. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Unrealized gains (losses) resulting from increases (decreases) in fair value of securities held as well as the net realized gains (losses) arising from sales of securities are included in investment income. Investment income is reported in the statements of activities net of all external and direct internal investment expenses.

Accounts, Pledges and Contributions Receivable - Accounts, pledges and contributions receivable due within one year are presented at net realizable value, or the amount the Foundation expects to collect. Amounts due in more than one year are reported at the net present value of their estimated future cash flows. The Foundation provides for probable losses on receivables using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Foundation has used reasonable collection efforts are written off. There was no allowance for doubtful accounts established as of December 31, 2021 and 2020.

Refundable Advances - Refundable advances consist of special events sponsorships received in advance of the period in which they are to be earned. Such amounts are accounted for as contributions, the revenue from which is conditioned on the event being held. Therefore, such amounts are recognized as contribution revenue once the events have taken place.

Net Assets - Net assets are reported in two distinct classes as follows:

Net assets without donor restrictions - These net assets are available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services. All goods and services are transferred at a point in time. Payments are generally required in advance and are reported as deferred revenue until the related revenue is recognized.

Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

Special Events - Special events revenue is comprised of an exchange element based on the fair value of direct benefits provided to donors, and a contribution element for the difference. The exchange element is recognized when the special event takes place. The contribution element is recognized immediately, unless there is a right of return if the special event does not take place, in which case the contribution element is recognized when the special event takes place.

Contributions - Contributions received are reported as increases in net assets without donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods. All donor-restricted contributions are reported as an increase in net assets with donor 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.

In-kind Contributions - The Foundation receives in-kind contributions, primarily in the form of partner costs related to membership development and fundraising activities. The Foundation's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions have been recognized as revenue and related expense at estimated fair value.

Functional Allocation of Expenses - The costs of providing the various programs and supporting activities of the Foundation have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies. Other common costs such as occupancy, depreciation and related infrastructure costs are also allocated based on employee time and effort studies.

NOTE 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

The following table represents the Foundation's financial assets available to meet cash needs for general expenditures within one year of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Total assets at end of year | \$ 1,211,405 | \$ 657,656 |
| Less: non-financial assets | | |
| Prepaid expenses | <u>(129)</u> | <u>(42,913)</u> |
| Total financial assets at end of year | 1,211,276 | 614,743 |
| Less amounts not available to meet general expenditures coming due within one year | | |
| Amounts with donor purpose restrictions | <u>(419,482)</u> | <u>(239,263)</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 791,794</u> | <u>\$ 375,480</u> |

NOTE 3. CONCENTRATIONS

Credit Risk - The Foundation maintains demand deposits and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Federal government. The uninsured portions of cash accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Foundation. The Foundation has not experienced any such losses in the past and does not believe it is exposed to any significant financial risk on these balances.

Market Value Risk - The Foundation also invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value. As a result, investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

NOTE 4. INVESTMENTS

Investments consist of amounts held in money market accounts, mutual funds, and exchange traded funds which are carried at fair value, generally as determined by published market prices.

In accordance with U.S. generally accepted accounting principles, the Foundation uses the following prioritized input levels to measure investments carried at fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;

Level 2 - Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data; and

Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments held as of December 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Money market funds | \$ (2,828) | \$ (15,946) |
| Mutual funds - fixed income | 117,851 | 119,341 |
| Mutual funds - equity | 73,903 | 71,165 |
| Mutual funds - alternate investments | 20,082 | 22,262 |
| Exchange-traded funds - fixed income | 49,481 | 51,972 |
| Exchange-traded funds - equity | 43,262 | 35,921 |
| Exchange-traded funds - alternate investments | 27,727 | 20,916 |
| Total investments | <u>\$ 329,478</u> | <u>\$ 305,631</u> |

NOTE 4. INVESTMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2021 and 2020 are valued as follows:

| | December 31, 2021 | | | |
|-----------------------|-------------------|-------------------|-------------|-------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Money market funds | \$ (2,828) | \$ (2,828) | \$ - | \$ - |
| Mutual funds | 211,836 | 211,836 | - | - |
| Exchange-traded funds | 120,470 | 120,470 | - | - |
| | <u>\$ 329,478</u> | <u>\$ 329,478</u> | <u>\$ -</u> | <u>\$ -</u> |

| | December 31, 2020 | | | |
|-----------------------|-------------------|-------------------|-------------|-------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Money market funds | \$ (15,946) | \$ (15,946) | \$ - | \$ - |
| Mutual funds | 212,768 | 212,768 | - | - |
| Exchange-traded funds | 108,809 | 108,809 | - | - |
| | <u>\$ 305,631</u> | <u>\$ 305,631</u> | <u>\$ -</u> | <u>\$ -</u> |

The Foundation's investments are pledged as collateral on DI's line of credit.

NOTE 5. PLEDGES AND CONTRIBUTIONS RECEIVABLE

Pledges receivable as of December 31, 2021 of \$45,000 are expected to be collected as follows: \$15,000 in 2022, 2023 and 2024. Pledges receivable as of December 31, 2020 and 2020 of \$29,500 were collected in 2021.

NOTE 6. RELATED PARTY TRANSACTIONS

Letter of Understanding - The Foundation and DI have a letter of understanding in place whereby DI provides administrative and management services to the Foundation. These services were provided in-kind by DI during 2021 but were fully reimbursed by the Foundation during 2020. The total in-kind contribution by DI to the Foundation in 2021 was \$171,242. The total expenses charged to and reimbursed by the Foundation in 2020 were \$565,432. The Foundation typically provides an annual grant to DI to support DI's education, research, EDI, and product development programs. The amount of the annual grants from the Foundation to DI is based on the Foundation's approval of proposals submitted by DI. The annual grants provided by the Foundation to DI to support DI's education, research, and product development programs totaled \$112,750 and \$0- during the years ended December 31, 2021 and 2020, respectively.

Due to/from the Foundation - The Foundation owed DI \$59,881 as of December 31, 2021, and \$22,794 as of December 31, 2020, for expenses incurred on its behalf.

NOTE 7. NET ASSETS

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. The Foundation had no net assets without donor restrictions that were designated as of December 31, 2021 and 2020.

With donor restrictions: Net assets with temporary donor restrictions include those net assets whose use has been restricted by donors for specific purposes or time limitations. Net assets are released from restriction when the specified purposes have been fulfilled or when the time limitations expire. Net assets with perpetual donor restrictions include those net assets that have been received with donor-imposed restrictions stipulating that their original gift must be maintained in perpetuity. As more fully described in Note 8, investment earnings on the Foundation's net assets with perpetual donor restrictions are used to fulfill the specific purpose stipulated by the donor.

Net assets with temporary donor restrictions and related activity consisted of the following as of and for the years ended December 31 2021 and 2020:

| | January 1, 2021 | Additions or Change in Value | Released from Restriction | December 31, 2021 |
|--|--------------------|---------------------------------|------------------------------|----------------------|
| Contributions - scholarships | \$ 29,037 | \$ - | \$ - | \$ 29,037 |
| 30 Under 30 Scholars Fund | - | 77,901 | - | 77,901 |
| Investment earnings and appropriations | 114,721 | 17,318 | - | 132,039 |
| | <u>\$ 143,758</u> | <u>\$ 95,219</u> | <u>\$ -</u> | <u>\$ 238,977</u> |

| | January 1, 2020 | Additions or Change in Value | Released from Restriction | December 31, 2020 |
|--|--------------------|---------------------------------|------------------------------|----------------------|
| Contributions - scholarships | \$ 29,037 | \$ - | \$ - | \$ 29,037 |
| Investment earnings and appropriations | 98,748 | 15,973 | - | 114,721 |
| | <u>\$ 127,785</u> | <u>\$ 15,973</u> | <u>\$ -</u> | <u>\$ 143,758</u> |

NOTE 8. ENDOWMENTS

The Foundation's endowment fund is a donor-restricted endowment fund established for the purposes of providing income to assist Los Angeles area students pursuing careers in the fields of travel and hospitality. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.



NOTE 8. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Foundation has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (DCUPMIFA), which regulates the net asset classification of donor-restricted endowment funds, as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as endowment net assets (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure.

Return Objectives and Risk Parameters

The Foundation's endowment investment policy is focused on preservation of capital as well as providing income for operations.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places emphasis on mutual funds, exchange-traded funds, and cash equivalents to achieve its long-term return objectives.

Spending Policy and How Investment Objectives Relate to Spending Policy

The spending policy of the Foundation has not yet been determined. However, once implemented, the policy will be consistent with the Foundation's objective to maintain the original principal of the endowment assets and provide for growth through investment return.

NOTE 8. ENDOWMENTS (CONTINUED)

Endowment net assets and changes in endowment net assets consist of the following as of December 31, 2021 and 2020:

| | 2021 | | |
|---|------------------------------|------------------------------|-------------------|
| | Temporary Donor Restrictions | Perpetual Donor Restrictions | Total |
| Endowment net assets, January 1, 2021 | \$ 41,893 | \$ 95,505 | \$ 137,398 |
| Investment return | | | |
| Interest and dividends | 4,880 | - | 4,880 |
| Realized and unrealized gain on investments | 5,138 | - | 5,138 |
| Investment fees | (73) | - | (73) |
| | <u>9,945</u> | <u>-</u> | <u>9,945</u> |
| Contributions | <u>77,901</u> | <u>85,000</u> | <u>162,901</u> |
| Appropriations | <u>-</u> | <u>-</u> | <u>-</u> |
| Endowment net assets, December 31, 2021 | <u>\$ 129,739</u> | <u>\$ 180,505</u> | <u>\$ 310,244</u> |
| | | | |
| | 2020 | | |
| | Temporary Donor Restrictions | Perpetual Donor Restrictions | Total |
| Endowment net assets, January 1, 2020 | \$ 32,720 | \$ 95,505 | \$ 128,225 |
| Investment return | | | |
| Interest and dividends | 5,574 | - | 5,574 |
| Realized and unrealized gain on investments | 4,266 | - | 4,266 |
| Investment fees | (667) | - | (667) |
| | <u>9,173</u> | <u>-</u> | <u>9,173</u> |
| Appropriations | <u>-</u> | <u>-</u> | <u>-</u> |
| Endowment net assets, December 31, 2020 | <u>\$ 41,893</u> | <u>\$ 95,505</u> | <u>\$ 137,398</u> |

NOTE 9. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Foundation received a loan in the amount of \$77,033 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans and accrued interest are forgivable after a covered period (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, primarily payroll, benefits, rent and utilities. Any unforgiven portion of a PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Management of the Foundation believes it used the loan proceeds for purposes consistent with the PPP requirements and received full forgiveness in September 2021.



NOTE 10. ECONOMIC INJURY DISASTER LOAN

In June 2020, the Foundation received an Economic Injury Disaster Loan (EIDL) in the amount of \$150,000 from the Small Business Administration. The loan is repayable in monthly installments of \$641 and interest accrues at the annual rate of 2.75%. The loan is due in full 30 years from the date of the related promissory note. In November 2021, The Foundation repaid its EIDL loan in full. The Foundation also received a forgivable EIDL Advance in the amount of \$10,000 as provided for in the CARES Act. This amount was included with contributions revenue in the statements of activities.

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 9, 2022, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.