National Restaurant Association Educational Foundation

Financial Report
December 31, 2020

Contents

RSM US LLP

Independent Auditor's Report

Board of Trustees
National Restaurant Association Educational Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of National Restaurant Association Educational Foundation (Foundation) which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditor's 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 auditor's 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 the Foundation as of December 31, 2020 and 2019, 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

RSM US LLP

Chicago, Illinois
June 14, 2021

National Restaurant Association Educational Foundation

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	**$ 4,848,736**	$ 2,048,777
Contributions receivable, net of allowance	**4,433,351**	4,264,494
Contract receivable	**222,262**	312,300
Accrued investment income	**15,866**	22,065
Due from National Restaurant Association	**703,841**	521,660
Prepaid expenses and other assets	**608,853**	293,879
	10,832,909	7,463,175
Contributions receivable, net of current portion and discount	**2,223,500**	2,048,100
Investments	**23,237,911**	20,693,827
Property and equipment, net	**2,598,657**	2,774,183
	$ 38,892,977	$ 32,979,285
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 377,977**	$ 349,934
Accrued expenses	**1,642,939**	1,142,721
Scholarships payable	**88,500**	209,500
Deferred revenue	**299,416**	272,340
	2,408,832	1,974,495
Loan payable	**594,985**	-
Total Liabilities	**3,003,817**	**1,974,495**
Net assets:		
Without donor restrictions	**10,701,163**	8,202,513
With donor restrictions	**25,187,997**	22,802,277
	35,889,160	31,004,790
	$ 38,892,977	$ 32,979,285

See notes to financial statements.

National Restaurant Association Educational Foundation

Statements of Activities
Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	Total	2019 Total*
Support and revenue:				
License fee revenue	$ 3,906,466	$ -	$ 3,906,466	$ 5,292,277
Contributions	3,772,935	4,711,515	8,484,450	7,634,891
Contributions - restaurant employee relief fund	21,623,000	-	21,623,000	-
Events	-	-	-	447,806
Department of Labor contracts	2,778,026		2,778,026	1,699,739
Contract revenue	160,098	-	160,098	71,667
Net assets released from restrictions	4,118,179	(4,118,179)	-	-
	36,358,704	593,336	36,952,040	15,146,380
Expenses:				
Program activities	9,593,338	-	9,593,338	10,491,565
Scholarships awarded	705,670	-	705,670	783,965
Restaurant employee relief fund grants awarded	21,623,000	-	21,623,000	-
Administrative	733,921	-	733,921	910,320
Fundraising activities	1,720,310	-	1,720,310	2,570,774
	34,376,239	-	34,376,239	14,756,624
Increase in net assets before other changes	1,982,465	593,336	2,575,801	389,756
Other changes:				
Investment return	576,784	1,915,221	2,492,005	3,311,570
Other	(60,599)	(122,837)	(183,436)	-
Increase in net assets	2,498,650	2,385,720	4,884,370	3,701,326
Net assets:				
Beginning of year	8,202,513	22,802,277	31,004,790	27,303,464
End of year	$ 10,701,163	$ 25,187,997	$ 35,889,160	$ 31,004,790

See notes to financial statements.

*2019 information is provided for informational purposes only.

National Restaurant Association Educational Foundation

Statements of Activities
Year Ended December 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
License fee revenue	$ 5,292,277	$ -	$ 5,292,277
Contributions	1,378,551	6,256,340	7,634,891
Events	447,806	-	447,806
Department of Labor Contract	1,699,739		1,699,739
Contract revenue	71,667	-	71,667
Net assets released from restrictions	3,912,177	(3,912,177)	-
	12,802,217	2,344,163	15,146,380
Expenses:			
Program activities	10,491,565	-	10,491,565
Scholarships awarded	783,965	-	783,965
Administrative	910,320	-	910,320
Fundraising activities	2,570,774	-	2,570,774
	14,756,624	-	14,756,624
(Decrease) increase in net assets before other changes	(1,954,407)	2,344,163	389,756
Other changes:			
Investment return	857,810	2,453,760	3,311,570
(Decrease) increase in net assets	(1,096,597)	4,797,923	3,701,326
Net assets:			
Beginning of year	9,299,110	18,004,354	27,303,464
End of year	$ 8,202,513	$ 22,802,277	$ 31,004,790

See notes to financial statements.

National Restaurant Association Educational Foundation

Statement of Functional Expenses
Year Ended December 31, 2020

	2020					
	Program Activities	Scholarships Awarded	RERF Awarded	Administrative	Fundraising Activities	Total
Restaurant employee relief fund grants	$ -	$ -	$ 21,623,000	$ -	$ -	$ 21,623,000
Outsourced labor	2,874,483	-	-	2,600	62,572	2,939,655
Salaries	2,037,095	-	-	90,198	863,381	2,990,674
Events	362,819	-	-	77,825	1,315	441,959
State implementation grants	1,335,397	-	-	-	-	1,335,397
Staff benefits	946,721	-	-	68,304	311,398	1,326,423
Shared services	869,185	-	-	91,563	366,252	1,327,000
Scholarships	-	705,670	-	-	-	705,670
Travel	111,756	-	-	12,436	33,155	157,347
Marketing	333,061	-	-	22	706	333,789
Depreciation	147,533	-	-	15,542	62,167	225,242
Charitable contributions	452,900	-	-	-	45	452,945
Printing	7,310	-	-	939	1,043	9,292
Legal and professional fees	-	-	-	48,002	-	48,002
Tax assessments	-	-	-	47,694	-	47,694
Condominium fees	-	-	-	43,368	-	43,368
Supplies	15,362	-	-	24,623	5,822	45,807
Dues and subscriptions	70,306	-	-	6,704	1,564	78,574
Service and maintenance contracts	546	-	-	26,788	100	27,434
Credit card fees	4,524	-	-	76,322	-	80,846
Staff training and development	6,543	-	-	3,768	3,960	14,271
Telephone and utilities	7,185	-	-	7,710	3,441	18,336
Pick-up and delivery	748	-	-	7,445	1,594	9,787
Bank fees	15	-	-	56,077	-	56,092
Tradeshows	454	-	-	-	1,790	2,244
Business licenses	1,981	-	-	5,014	-	6,995
Small equipment and software	7,308	-	-	-	-	7,308
Postage	106	-	-	20,977	5	21,088
	$ 9,593,338	$ 705,670	$ 21,623,000	$ 733,921	$ 1,720,310	$ 34,376,239

See notes to financial statements.

National Restaurant Association Educational Foundation

Statement of Functional Expenses
Year Ended December 31, 2019

	2019				
	Program Activities	Scholarships Awarded	Administrative	Fundraising Activities	Total
Outsourced labor	$ 3,075,568	$ -	$ 17,609	$ 41,676	$ 3,134,853
Salaries	1,646,280	-	87,759	829,754	2,563,793
Events	1,597,534	-	334,452	673,074	2,605,060
State implementation grants	1,340,675	-	-	15,000	1,355,675
Staff benefits	806,574	-	85,701	306,388	1,198,663
Shared services	689,616	-	41,257	355,127	1,086,000
Scholarships	-	783,965	-	-	783,965
Travel	231,628	-	52,374	189,505	473,507
Marketing	300,912	-	546	3,005	304,463
Depreciation	156,538	-	9,368	80,611	246,517
Charitable contributions	501,650	-	1,409	15,020	518,079
Printing	39,096	-	4,267	13,091	56,454
Legal and professional fees	16,894	-	80,463	-	97,357
Tax assessments	-	-	38,287	-	38,287
Condominium fees	-	-	38,999	-	38,999
Supplies	15,930	-	5,065	7,656	28,651
Dues and subscriptions	31,855	-	4,052	9,764	45,671
Service and maintenance contracts	678	-	24,216	2,085	26,979
Credit card fees	-	-	37,634	-	37,634
Staff training and development	15,761	-	9,925	10,324	36,010
Telephone and utilities	4,441	-	11,547	4,606	20,594
Pick-up and delivery	4,051	-	6,719	6,968	17,738
Bank fees	-	-	12,746	-	12,746
Tradeshows	616	-	19	6,908	7,543
Business licenses	39	-	5,824	21	5,884
Bad debt expense	4,319	-	-	-	4,319
Small equipment and software	10,527	-	-	-	10,527
Postage	383	-	82	191	656
	$ 10,491,565	$ 783,965	$ 910,320	$ 2,570,774	$ 14,756,624

See notes to financial statements.

National Restaurant Association Educational Foundation

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	**$ 4,884,370**	$ 3,701,326
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	**225,242**	246,517
Realized and unrealized gain on investments	**(2,110,750)**	(2,847,627)
Contributions restricted for investment in endowments	**(200,000)**	(397,758)
Changes in assets and liabilities:		
Contributions receivable	**(344,257)**	(550,292)
Contract receivable	**90,038**	(210,317)
Accrued investment income	**6,199**	1,926
Due from National Restaurant Association	**(182,181)**	(29,784)
Prepaid expenses and other assets	**(314,974)**	(134)
Accounts payable	**28,043**	(202,409)
Accrued expenses	**500,218**	65,216
Scholarships payable	**(121,000)**	(6,250)
Deferred revenue	**27,076**	51,340
Net cash provided by (used in) operating activities	**2,488,024**	(178,246)
Cash flows from investing activities:		
Purchases of property and equipment	**(49,716)**	(80,414)
Proceeds from the sale of investments	**5,010,750**	6,110,093
Purchase of investments	**(5,444,084)**	(5,926,507)
Net cash (used in) provided by investing activities	**(483,050)**	103,172
Cash flows from financing activities:		
Proceeds from loan payable	**594,985**	-
Contributions restricted for investment in endowments	**200,000**	397,758
Net cash provided by financing activities	**794,985**	397,758
Net increase in cash	**2,799,959**	322,684
Cash:		
Beginning of year	**2,048,777**	1,726,093
End of year	**$ 4,848,736**	$ 2,048,777

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

The National Restaurant Association Educational Foundation (Foundation), a nonprofit organization, was formed in 1987. The Foundation's mission is to serve as a philanthropic foundation of the National Restaurant Association (Association) to enhance the restaurant and foodservice industry's service to the public through education, community engagement and promotion of career opportunities.

The Foundation is closely affiliated with the Association (also a nonprofit organization). The Foundation's Board of Trustees consists of various members, a majority of which are members of the Association's Board of Directors. The Foundation's financial statements are therefore included in the Association's consolidated financial statements. License fees, a significant portion of the Foundation's revenue, are received from the Association. Also, the Association provides various administrative and support services for the Foundation, for which the Foundation reimburses the Association for costs incurred. The Foundation created the Restaurant Employee Relief Fund to provide direct assistance to restaurant industry employees during 2020.

The Foundation is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and applicable state law except for taxes pertaining to unrelated business income, if any.

The Foundation conducts its activities from its headquarters in Washington, DC.

The Foundation's significant accounting policies are described below:

Basis of accounting: The financial statements have been prepared in accordance with accounting principles applicable to nonprofit organizations. For financial reporting purposes, the Foundation classifies 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 are reported as net assets without donor restrictions. Contributions are considered to be without donor restrictions and available for general use unless specifically restricted by the donor.

Net assets with donor restrictions: The Foundation reports gifts of cash, investments and grants as net assets with donor restrictions if they are received with donor stipulations limiting the use of the donated assets. When a restriction is satisfied, net assets with donor restrictions are transferred to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Net assets subject to donor-imposed restrictions which require that they be maintained permanently (in perpetuity) by the Foundation are also reported as net assets with donor restrictions. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the related investments for general or specific purposes.

Accounting policies: The Foundation follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial position, results of activities, and cash flows. References to generally accepted accounting principles in these disclosures are to the *FASB Accounting Standards Codification™*, sometimes referred to as the Codification or ASC.

Cash: Cash balances in depository accounts may exceed federally insured limits from time to time. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investment income, realized gains (losses), and change in unrealized gains (losses), and investment fees are reflected in the statements of activities as investment return. Investments received as contributions are recorded at fair value at the date of receipt.

The Foundation's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur, and that such changes could materially affect the Foundation's financial statements.

Property and equipment: Property and equipment are stated at cost, minus accumulated depreciation, except for donated assets, which are recorded at fair value at time of receipt. Disbursements for additions and improvements to existing property in amounts greater than $1,000 are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or retired are removed from the property and equipment account and any gain or loss upon disposition is recognized at that time. The office condominium is depreciated over a 40-year estimated useful life. Provisions for depreciation of office furniture and equipment are computed using the straight-line method over a five-year estimated useful life. Leasehold improvements are amortized using the straight-line method over the lesser of the remaining term of the lease or the estimated useful life of the assets. Software is amortized over a three- or five-year estimated life. Depreciation begins when respective assets are placed in service.

Accrued expenses: Accrued expenses consist primarily of salaries and related payroll expenses incurred in the current year but not paid until after year-end.

Revenue recognition: License fee revenue is recognized during the contract term when the underlying sale or usage occurs, per monthly royalty reports which summarize sales of covered products and related royalty amounts. These reports are received subsequent to the period in which the licensee's underlying sales occurred. The Foundation utilities the sales- or usage- based royalty expectation, as provided under Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customer (Topic 606)*, effective January 1, 2019. As a result, adoption of the ASU had no impact on the Foundation's financial statements.

Department of Labor contract revenue is similar to grant revenue for accounting and financial reporting purpose. Grant revenue is recognized in the period when requirements have been met as qualifying expenses are incurred. The Foundation follows the guidance included in ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective January 1, 2019. This ASU clarifies the guidance presented in Topic 958, *Not-for-Profit Entities*, of the FASB's ASC for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The Foundation's adoption of the standard had no impact on the financial statements.

Contract revenue is recognized in an amount to which the Foundation expects to be entitled for the transfer of premised services to a customer, as those services are performed. Revenue received in advance from contract revenue is deferred. Amounts determined to be uncollectible are written off as a reduction of net assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Foundation reports contributions, including unconditional promises to give, as revenue in the period the contribution or promise is received. Contributions receivable represent amounts pledged by donors (unconditional promises to give), some of which is due in installments. Amounts due on dates which are more than one year in the future are classified as a non-current asset and are recorded net of a present value discount. Contributions of cash and other assets are reported as restricted support if received with donor stipulations that limit the use of the contribution. Depending on the nature of the restriction, such contributions are reported as an increase in net assets with donor restrictions. Conditional promises to give are not recognized until the conditions (as defined in ASU 2018-08) on which they depend are substantially met. When the donor restriction expires (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. The Foundation determines an allowance for uncollectible amounts by analyzing the length of time amount is past due, donors' ability to pay and previous loss history.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and are presented in greater detail on the statement of functional expenses. If an expense can be identified with a specific program, fundraising or administrative function, it will be charged directly to that category. In some circumstances, an expense will be allocated between program, fundraising or administrative function based on the project code. Project code allocations, which are allocations tied to a specific event, are an estimate made by management and are reviewed for reasonableness on a periodic basis. For personnel costs, an expense will be allocated based on the estimate of the employee's time spent in each respective role. The allocation for personnel costs is done on a monthly basis when the Foundation records its salary expense.

Program expenses: The program expenses on the statement of functional expenses relate to the activities taken to support the mission of the Foundation, to attract, empower and advance restaurant and foodservice leaders. This is done primarily through ProStart, a nationwide, two-year high school program, and the apprenticeship programs with the Department of Labor. The Foundation also provides educational opportunities to members of the United States Armed Forces, as well as hosting industry award programs. The costs to run these programs were $9,592,393 and $10,491,565 for the years ended December 31, 2020 and 2019, respectively.

In an effort to help employees experiencing extraordinary hardship in the wake of the pandemic, the Foundation created the Restaurant Employee Relief Fund (RERF) in March 2020. Through the RERF, direct assistance of a one-time $500 grant was made to restaurant industry employees who were financially impacted by COVID-19, limited to one per individual. The program resulted in contributions received and 43,246 grants made totaling $21,623,000, as reflected on the 2020 statement of activities.

Rentals and expenses: Base rentals due under leases, net of rental incentives received, are recognized as rental expense on a ratable or straight-line basis over the lease term.

Scholarship expenses: Scholarship awards are expensed when awarded to the recipient.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: The accounting standard on *Accounting for Uncertainty in Income Taxes* addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business income. There were no unrecognized tax benefits identified or recorded as liabilities during the reporting periods covered by these financial statements. The Foundation files Form 990 in the U.S. federal jurisdiction and a related return in the State of Illinois.

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 the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation’s 2022 financial statements.

The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

Significant events: COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economy. It is unknown how long the current conditions associated with the coronavirus will last and what the complete financial effect will be to the Foundation.

In addition, it is reasonably possible that the estimate made in the financial statements have been, or will be, materially impacted in the near term as a result of these conditions. Further, stock market fluctuations will continue to affect the value of the Foundation’s investments and those fluctuations at time may be material. The collectability of contributions receivable could also be affected.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through June 14, 2021, the date these financial statements were available for issuance.

Note 2. Contributions Receivable

The Foundation records contributions in the appropriate net asset category based on the existence and nature of donor-imposed restrictions. Pledges are recorded as contributions receivable after being discounted to the net present value of the expected future cash flows (at rates up to 2.10 percent). The Foundation maintains an allowance for uncollectibility if determined necessary by management.

Contributions receivable at December 31, 2020 and 2019, are as follows:

	2020	2019
Gross amounts due in:		
One year	$ 4,433,351	$ 4,264,494
One to five years	2,296,500	2,097,000
More than five years	-	-
	6,729,851	6,361,494
Less:		
Discount to present value	(73,000)	(48,900)
	$ 6,656,851	$ 6,312,594

Due to the impact the pandemic had on some donors' finances, the Foundation released certain donors from their contribution commitments totaling $179,439, resulting in a loss which is included in other changes in net assets for 2020.

Note 3. Investments

Investments comprised the following at December 31, 2020 and 2019:

	2020	2019
Money market funds	$ 1,225,780	$ 861,272
U.S. Government securities	1,144,173	1,271,987
Corporate and other bonds	2,278,332	2,587,931
Common stocks	10,549,363	7,466,916
Mutual funds:		
U.S. corporate bond funds	2,012,079	1,952,540
Foreign bond funds	328,268	356,975
Equity funds	5,699,916	6,196,206
	$ 23,237,911	$ 20,693,827

Investment return consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividends	$ 474,232	$ 573,557
Realized and unrealized gains, net	2,110,750	2,847,627
Less investment management fees	(92,977)	(109,614)
	$ 2,492,005	$ 3,311,570

Note 4. Fair Value of Financial Instruments

The Foundation follows ASC Topic, *Fair Value Measurements and Disclosure*, which provides the framework for measuring fair value under generally accepted accounting principles. This Topic applies to all financial instruments that are being measured and reported on a fair value basis. As defined in the Topic, 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. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Based on the observability of the inputs used on the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1. Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Level 1 assets primarily include listed equities, money market funds, government securities, common stocks, and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. Level 2 assets primarily include corporate and other bonds.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Foundation assesses the levels of the investments at each measurement date. Transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer, in accordance with the Foundation's accounting policy.

Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Shares of mutual funds are valued at the net asset value of shares held by the Foundation at year-end, which is based on quoted market prices. Management determines the fair value of U.S. Government securities based on market prices provided by recognized broker-dealers or estimates provided by the Foundation's investment managers. These financial instruments are classified as Level 1 in the fair value hierarchy. Common stocks classified as Level 1 are recorded at fair value based on market prices from active markets. Certain money market funds are valued at the net asset value of shares held by the Foundation at year-end, which is based on quoted market prices and are classified as Level 1. Corporate bonds are generally classified in Level 2 on the fair value hierarchy, as prices are not always available from active markets.

Note 4. Fair Value of Financial Instruments (Continued)

The following tables summarize investments according to the fair value hierarchy as of December 31, 2020 and 2019:

	2020			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money market funds	$ 1,225,780	$ 1,225,780	$ -	$ -
U.S. Government securities	1,144,173	1,039,468	104,705	-
Corporate and other bonds	2,278,332	-	2,278,332	-
Common stocks	10,549,363	10,549,363	-	-
Mutual funds:				
U.S. corporate bond funds	2,012,079	2,012,079	-	-
Foreign bond funds	328,268	328,268	-	-
Equity funds	5,699,916	5,699,916	-	-
	$ 23,237,911	$ 20,854,874	$ 2,383,037	$ -

	2019			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money market funds	$ 861,272	$ 861,272	$ -	$ -
U.S. Government securities	1,271,987	1,119,648	152,339	-
Corporate and other bonds	2,587,931	-	2,587,931	-
Common stocks	7,466,916	7,466,916	-	-
Mutual funds:				
U.S. corporate bond funds	1,952,540	1,952,540	-	-
Foreign bond funds	356,975	356,975	-	-
Equity funds	6,196,206	6,196,206	-	-
	$ 20,693,827	$ 17,953,557	$ 2,740,270	$ -

Note 5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Building	$ 2,859,216	$ 2,859,216
Office furniture, equipment and software	1,131,889	1,082,175
	3,991,105	3,941,391
Less accumulated depreciation	(1,392,448)	(1,167,208)
	$ 2,598,657	$ 2,774,183

Depreciation expense for the years ended December 31, 2020 and 2019, was $225,242 and $246,517, respectively.

Note 6. Loan Payable

The Coronavirus Aid, Relief, and Economic Security Act in March 2020, introduced the Paycheck Protection Program (PPP) to provide funding to small businesses with the goal of preventing job loss and business failures due to losses caused by the COVID-19 pandemic. The PPP loan program was available for eligible small businesses, including nonprofits, to provide a forgivable loan to cover payroll and other costs. Through the Small Business Administration, the PPP loan is a 100% federally guaranteed unsecured loan requiring no collateral. A borrower of a PPP loan is eligible for loan forgiveness up to the full amount of the loan and any accrued interest for costs incurred and payments made during the 24-week period after the lender makes the first disbursement of the PPP loan to the borrower, subject to proper documentation.

The Foundation was eligible to apply for a PPP loan as a nonprofit organization that employed no more than 500 employees whose principal place of residence is in the United States and was in operation as of February 15, 2020. The Foundation applied for and received a PPP loan through JPMorgan Chase Bank, N.A. in the amount of $594,985. The date of the loan is April 14, 2020, and bears interest at a rate of 1% with a maturity date of two years from the date of the loan. The outstanding PPP loan balance was $594,985 at December 31, 2020. The Foundation expects to apply for and receive loan forgiveness for the full amount of the loan and accrued interest.

Note 7. Related-Party Transactions

The Association manages the payroll and benefits function of the Foundation, including participation in the savings and investment plan. The Foundation reimbursed the Association amounts totaling $4,317,097 and $3,762,456 for these salaries and staff benefits for the years ended December 31, 2020 and 2019, respectively.

The Association provides certain administrative support functions on behalf of the Foundation. These functions include executive, accounting and finance, information technology, human resources and office support services. Amounts paid by the Foundation to the Association for the years ended December 31, 2020 and 2019, were $1,327,000 and $1,086,000, respectively.

In addition, the Foundation may incur expenses on behalf of, or owe amounts to, the Association or other related parties. These amounts are unsecured, due on demand and typically include payroll and other operating expenses. At December 31, 2020 and 2019, the amounts due from related parties were $703,841 and $521,660, respectively.

Note 7. Related-Party Transactions (Continued)

A licensing agreement with the Foundation allows the Association to operate certain food safety certification and examination programs for a fee equal to 10 percent of the net sales of these products. The agreement expires December 31, 2027. The Association paid the Foundation license fees of $3,906,466 and $5,292,277 in 2020 and 2019, respectively.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Support of Foundation scholarship programs	$ 2,547,283	$ 2,709,083
Support of Foundation activities	9,500,844	7,118,644
Ted J. Balestreri Leadership Classic	1,544,875	1,329,555
Award programs	877,900	1,127,900
	14,470,902	12,285,182
Endowments:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		
Scholarships	6,802,422	6,602,422
General use	3,914,673	3,914,673
	10,717,095	10,517,095
	$ 25,187,997	$ 22,802,277

Net assets released from net assets with donor restrictions are as follows:

	2020	2019
Satisfaction of purpose restrictions:		
Support of Foundation scholarship programs	$ 999,250	$ 340,650
Support of Foundation activities	2,467,429	2,393,527
Ted J. Balestreri Leadership Classic	401,500	878,000
Award programs	250,000	300,000
	$ 4,118,179	$ 3,912,177

Note 9. Endowment Net Assets

Endowment net assets are included in net assets with donor restrictions and are endowment funds which are restricted in perpetuity. Net assets with donor restrictions associated with the Foundation's endowment funds are classified and reported based on the existence of donor-imposed restrictions. Donors have restricted the earnings of certain endowment funds for scholarship and mentoring programs.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) governs endowment funds in the State of Illinois. UPMIFA eliminates the historic dollar value rule with respect to endowment fund spending, updates the prudence standard for the management and investment of charitable funds, and amends the provisions governing the release and modification of restrictions on charitable funds.

The Foundation's management has interpreted the Illinois UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) the purposes of the Foundation and the donor-restricted endowment fund;
(3) general economic conditions;
(4) the possible effect of inflation and deflation;
(5) the expected total return from income and the appreciation of investments;
(6) other resources of the Foundation; and
(7) the investment policies of the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of December 31, 2020 and 2019, endowment assets only include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Foundation's Finance Committee meets regularly to ensure the objectives of the investment policy are being met and the strategies used to meet the objectives are in accordance with the investment policy.

Note 9. Endowment Net Assets (Continued)

The Foundation's endowment composition is as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 10,717,095	$ 10,517,095
Accumulated investment gains	4,440,168	2,805,947
Total donor-restricted endowment funds	$ 15,157,263	$ 13,323,042

Changes in endowment net assets for 2020 and 2019, were as follows:

	With Donor Restriction
Endowment net assets, January 1, 2019	$ 10,692,524
Contributions	397,758
Investment return	2,453,760
Appropriation of endowment assets for expenditure	(221,000)
Endowment net assets, December 31, 2019	13,323,042
Contributions	200,000
Investment return	1,915,221
Appropriation of endowment assets for expenditure	(281,000)
Endowment net assets, December 31, 2020	$ 15,157,263

Permanently restricted endowment net assets do not include endowment contributions receivable.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2020 and 2019, there were no fair value of assets associated with individual donor-restricted endowments funds that fell below the level that the donor or Illinois UPMIFA requires to retain for perpetual duration.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Foundation's annual spending guidelines provide for withdrawing an amount of up to 6 percent of the funds balance as long as spending does not exceed the accumulated earnings balance.

Note 10. Department of Labor Contracts

In November 2016, the Foundation, in partnership with the American Hotel & Lodging Association, secured a $1,800,000 contract with the U.S. Department of Labor (DOL) to create and implement a registered apprenticeship initiative for the restaurant and hospitality industries. The program provides a definitive pathway to equip individuals with the knowledge, skills and confidence to advance to management-level positions. The Foundation utilize outsourced consulting management companies for certain event and other activities associated with the contract. The Department of Labor contract revenue is recognized as qualifying expenses are incurred.

The DOL has the option of renewing the program annually, for up to five years, with potential contract amounts totaling up to $9,700,000. In September 2019, the DOL renewed year four of the contract for an additional $2,000,000, bringing the total amount awarded to $6,875,000. In June 2020, the DOL awarded the Foundation a $1,800,000, bringing the total amount awarded to $8,675,000. During the years ended December 31, 2020 and 2019, the Foundation recognized revenue of $1,658,545 and $1,558,654, respectively, from these contracts.

In July 2019, the Foundation, secured a $4,500,000 contract with the DOL to create and implement a reintegration program for ex-offenders to find employment in the restaurant and hospitality industries. During the years ended December 31, 2020 and 2019, the Foundation recognized revenue of $819,033 and $141,085, respectively, from this contract.

In June 2020, the Foundation, secured a $5,000,000 contract with the DOL to create and implement a youth registered apprenticeship initiative for the restaurant and hospitality industries. The program equips individuals ages 17-24 with the knowledge, skills and confidence to advance to management-level positions. During the year ended December 31, 2020, the Foundation recognized revenue of $281,415 from this contract.

In July 2020, the Foundation, secured a $500,000 contract with the Maryland Department of Labor to create and implement a registered apprenticeship initiative for the restaurant and hospitality industries of Maryland. During the year ended December 31, 2020, the Foundation recognized revenue of $19,032 from this contract.

Note 11. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or board restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020	2019
Current financial assets at year end:		
Cash	$ 4,848,736	$ 2,048,777
Contributions receivable, net of allowance	4,433,351	4,264,494
Contract receivable	222,262	312,300
Investments	23,237,911	20,693,827
	32,742,260	27,319,398
Less amount unavailable for general expenditures within one year, due to:		
Donor restricted program funds	(14,470,902)	(12,285,182)
Donor restricted endowment funds	(10,717,095)	(10,517,095)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,554,263	$ 4,517,121

Certain investments of the Foundation consist of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specific periods. Income from donor-restricted funds is restricted for scholarship and mentoring programs. Up to 3 percent of income from funds without donor restrictions can be used for operating expenses. Any requests exceeding 3 percent require Board approval.

As part of its liquidity management plan, the Foundation invests excess cash in short-term investments, including money market funds and short-term investments.