

# **National Restaurant Association Educational Foundation**

Financial Report  
December 31, 2021

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## Independent Auditor's Report

Board of Trustees  
National Restaurant Association Educational Foundation

### Opinion

We have audited the accompanying financial statements of National Restaurant Association Educational Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 accompanying financial statements 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 (GAAS). 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 issued or 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 GAAS 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 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 GAAS, 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.

*RSM US LLP*

Chicago, Illinois  
June 22, 2022

**National Restaurant Association Educational Foundation**

**Statements of Financial Position  
December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 7,027,906	\$ 4,848,736
Contributions receivable	7,829,987	6,656,851
Contract receivables	614,793	222,262
Accrued investment income	13,930	15,866
Due from National Restaurant Association	531,076	703,841
Prepaid expenses and other assets	334,878	608,853
Investments	25,286,900	23,237,911
Property and equipment, net	2,437,882	2,598,657
	<u>\$ 44,077,352</u>	<u>\$ 38,892,977</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 1,427,835	\$ 377,977
Accrued expenses	1,789,179	1,642,939
Scholarships payable	52,250	88,500
Deferred revenue	104,500	299,416
Loan payable	-	594,985
	<u>3,373,764</u>	<u>3,003,817</u>
Net assets:		
Without donor restrictions	13,009,046	10,701,163
With donor restrictions	27,694,542	25,187,997
	<u>40,703,588</u>	<u>35,889,160</u>
	<u>\$ 44,077,352</u>	<u>\$ 38,892,977</u>

See notes to financial statements.

**National Restaurant Association Educational Foundation**

**Statements of Activities**

**Year Ended December 31, 2021 (With Comparative Totals for 2020)**

	2021			2020 Total*
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
License fee revenue	\$ 5,230,302	\$ -	\$ 5,230,302	\$ 3,906,466
Contributions	3,033,942	6,061,346	9,095,288	8,484,450
Contributions—restaurant employee relief fund	-	-	-	21,623,000
Events	402,551	-	402,551	-
Department of Labor contracts	4,062,922	-	4,062,922	2,778,026
Contract revenue	-	-	-	160,098
Net assets released from restrictions	5,129,872	(5,129,872)	-	-
	<u>17,859,589</u>	<u>931,474</u>	<u>18,791,063</u>	<u>36,952,040</u>
Expenses:				
Program activities	12,082,521	-	12,082,521	9,593,338
Scholarships awarded	1,119,334	-	1,119,334	705,670
Restaurant employee relief fund grants awarded	-	-	-	21,623,000
Administrative	862,149	-	862,149	733,921
Fundraising activities	2,515,554	-	2,515,554	1,720,310
	<u>16,579,558</u>	<u>-</u>	<u>16,579,558</u>	<u>34,376,239</u>
<b>Increase in net assets before other changes</b>	<b>1,280,031</b>	<b>931,474</b>	<b>2,211,505</b>	<b>2,575,801</b>
Other changes:				
Investment return	432,867	2,012,571	2,445,438	2,492,005
Gain on loan forgiveness	594,985	-	594,985	-
Other	-	(437,500)	(437,500)	(183,436)
<b>Increase in net assets</b>	<b>2,307,883</b>	<b>2,506,545</b>	<b>4,814,428</b>	<b>4,884,370</b>
Net assets:				
Beginning of year	<u>10,701,163</u>	<u>25,187,997</u>	<u>35,889,160</u>	<u>31,004,790</u>
End of year	<u>\$ 13,009,046</u>	<u>\$ 27,694,542</u>	<u>\$ 40,703,588</u>	<u>\$ 35,889,160</u>

See notes to financial statements.

\*2020 information is provided for informational purposes only.

Refer to page 5 for complete presentation of the 2020 statement of activities and net asset classifications.

**National Restaurant Association Educational Foundation**

**Statements of Activities  
Year Ended December 31, 2020**

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Support and revenue:			
License fee revenue	\$ 3,906,466	\$ -	\$ 3,906,466
Contributions	3,772,935	4,711,515	8,484,450
Contributions—restaurant employee relief fund	21,623,000	-	21,623,000
Events	-	-	-
Department of Labor contracts	2,778,026	-	2,778,026
Contract revenue	160,098	-	160,098
Net assets released from restrictions	4,118,179	(4,118,179)	-
	<u>36,358,704</u>	<u>593,336</u>	<u>36,952,040</u>
Expenses:			
Program activities	9,593,338	-	9,593,338
Scholarships awarded	705,670	-	705,670
Restaurant employee relief fund grants awarded	21,623,000	-	21,623,000
Administrative	733,921	-	733,921
Fundraising activities	1,720,310	-	1,720,310
	<u>34,376,239</u>	<u>-</u>	<u>34,376,239</u>
<b>Increase in net assets before other changes</b>	1,982,465	593,336	2,575,801
Other changes:			
Investment return	576,784	1,915,221	2,492,005
Other	(60,599)	(122,837)	(183,436)
<b>Increase in net assets</b>	<u>2,498,650</u>	<u>2,385,720</u>	<u>4,884,370</u>
Net assets:			
Beginning of year	<u>8,202,513</u>	<u>22,802,277</u>	<u>31,004,790</u>
End of year	<u>\$ 10,701,163</u>	<u>\$ 25,187,997</u>	<u>\$ 35,889,160</u>

See notes to financial statements.

## National Restaurant Association Educational Foundation

### Statement of Functional Expenses Year Ended December 31, 2021

	2021				
	Program Activities	Scholarships Awarded	Administrative	Fundraising Activities	Total
Outsourced labor	\$ 3,880,652	\$ -	\$ 22,313	\$ 60,065	\$ 3,963,030
Salaries	2,157,323	-	93,739	773,848	3,024,910
Events	370,340	-	179,408	717,171	1,266,919
State implementation grants	2,092,633	-	-	-	2,092,633
Staff benefits	1,074,449	-	76,956	290,090	1,441,495
Shared services	1,334,890	-	140,622	562,488	2,038,000
Scholarships	-	1,119,334	-	-	1,119,334
Travel	68,190	-	13,131	30,021	111,342
Marketing	305,234	-	-	-	305,234
Depreciation	147,579	-	15,547	62,186	225,312
Charitable contributions	475,500	-	10,000	-	485,500
Printing	44,500	-	307	18	44,825
Legal and professional fees	-	-	101,887	-	101,887
Tax assessments	-	-	43,246	-	43,246
Condominium fees	-	-	36,453	-	36,453
Supplies	45,843	-	1,580	939	48,362
Dues and subscriptions	32,579	-	435	4,276	37,290
Service and maintenance contracts	1,726	-	37,372	3,431	42,529
Credit card fees	1,025	-	28,754	-	29,779
Staff training and development	32,141	-	4,675	6,029	42,845
Telephone and utilities	8,778	-	10,917	3,619	23,314
Pick-up and delivery	1,243	-	5,995	764	8,002
Bank fees	255	-	33,138	-	33,393
Business licenses	6,514	-	5,288	-	11,802
Bad debt expense	-	-	67	-	67
Small equipment and software	1,116	-	304	609	2,029
Postage	11	-	15	-	26
	<u>\$ 12,082,521</u>	<u>\$ 1,119,334</u>	<u>\$ 862,149</u>	<u>\$ 2,515,554</u>	<u>\$ 16,579,558</u>

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	\$ -	\$ -	\$ 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
Bad debt expense	-	-	-	-	-	-
Small equipment and software	7,308	-	-	-	-	7,308
Postage	106	-	-	20,977	5	21,088
	<u>\$ 9,593,338</u>	<u>\$ 705,670</u>	<u>\$ 21,623,000</u>	<u>\$ 733,921</u>	<u>\$ 1,720,310</u>	<u>\$ 34,376,239</u>

See notes to financial statements.

**National Restaurant Association Educational Foundation**

**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Increase in net assets	\$ 4,814,428	\$ 4,884,370
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	225,312	225,242
Realized and unrealized gains on investments	(1,850,620)	(2,110,750)
Contributions restricted for endowments	(560,850)	(200,000)
Gain on loan forgiveness	(594,985)	-
Changes in assets and liabilities:		
Contributions receivable	(1,173,136)	(344,257)
Contract receivable	(392,531)	90,038
Accrued investment income	1,936	6,199
Due to / from National Restaurant Association	172,765	(182,181)
Prepaid expenses and other assets	273,975	(314,974)
Accounts payable	1,049,858	28,043
Accrued expenses	146,240	500,218
Scholarships payable	(36,250)	(121,000)
Deferred revenue	(194,916)	27,076
<b>Net cash provided by operating activities</b>	<b>1,881,226</b>	<b>2,488,024</b>
Cash flows from investing activities:		
Purchases of property and equipment	(64,537)	(49,716)
Proceeds from sale of investments	7,122,139	5,010,750
Purchases of investments	(7,320,508)	(5,444,084)
<b>Net cash used in investing activities</b>	<b>(262,906)</b>	<b>(483,050)</b>
Cash flows from financing activities:		
Proceeds from loan payable	-	594,985
Contributions restricted for endowments	560,850	200,000
<b>Net cash provided by financing activities</b>	<b>560,850</b>	<b>794,985</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,179,170</b>	<b>2,799,959</b>
Cash and cash equivalents:		
Beginning of year	4,848,736	2,048,777
End of year	\$ 7,027,906	\$ 4,848,736

See notes to financial statements.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

The National Restaurant Association Educational Foundation (the Foundation), a nonprofit organization, was formed in 1987. The Foundation's mission is to serve as a philanthropic foundation of the National Restaurant Association (the 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). A majority of the Foundation's Board of Trustees is comprised of elected voting members of the Association's board of directors, as nominated by the Association. The Association has control and economic interest in the Foundation. 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 presentation:** 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:* 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. 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*<sup>™</sup>, sometimes referred to as the Codification or ASC.

**Cash and cash equivalents:** Cash and cash equivalents include money market accounts. 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.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### 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 \$4,000 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 utilizes the sales- or usage- based royalty exception, as provided under Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customer (Topic 606)*.

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 has elected the simultaneous release option for grants, which allows the Foundation to recognize restricted contributions directly in net assets without donor restriction when the condition is met, which is generally when qualifying expenditures have been 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 promised services to a customer, as those services are performed. Revenue received in advance from contract revenue is deferred and recorded as a liability. Amounts determined to be uncollectible are written off as a reduction of net assets.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### 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 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 considers the need for 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 \$12,056,684 and \$9,593,338 for the years ended December 31, 2021 and 2020, 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 2020 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.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### 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 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.

**Reclassifications:** Certain prior year amounts have been reclassified to conform to the current year presentation with no effect on previously reported net assets.

**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 will last and what the complete financial effect will be to the Foundation.

**Subsequent events:** The Foundation has evaluated subsequent events for potential recognition and/or disclosure through June 22, 2022, the date these financial statements were available for issuance.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 2. 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:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 7,027,906	\$ 4,848,736
Contributions receivable	7,829,987	6,656,851
Contract receivables	614,793	222,262
Investments	25,286,900	23,237,911
	<u>40,759,586</u>	<u>34,965,760</u>
Less amount unavailable for general expenditures within one year:		
Donor restricted program funds	(10,143,858)	(10,030,734)
Donor restricted endowment funds	(17,550,684)	(15,157,263)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,065,044</u>	<u>\$ 9,777,763</u>

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% of income from funds without donor restrictions can be used for operating expenses. Any requests exceeding 3% 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.

#### Note 3. 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 2.33%). The Foundation records an allowance for uncollectibility if determined necessary by management.

Contributions receivable at December 31, 2021 and 2020, are as follows:

	2021	2020
Gross amounts due in:		
One year	\$ 3,261,487	\$ 4,433,351
One to five years	4,803,500	2,296,500
	<u>8,064,987</u>	<u>6,729,851</u>
Less discount to present value	(235,000)	(73,000)
	<u>\$ 7,829,987</u>	<u>\$ 6,656,851</u>

Due to the impact the pandemic had on some donors' finances, the Foundation released certain donors from their contribution commitments totaling \$437,500 and \$179,439, resulting in a loss which is included in other changes in net assets for 2021 and 2020, respectively.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 4. Investments

Investments comprised the following at December 31, 2021 and 2020:

	2021	2020
Money market funds	\$ 1,425,449	\$ 1,225,780
U.S. Government securities	1,109,946	1,144,173
Corporate and other bonds	2,301,765	2,278,332
Common stocks	10,158,838	10,549,363
Mutual funds:		
U.S. corporate bond funds	1,562,677	2,012,079
Foreign bond funds	194,402	328,268
Equity funds	8,533,823	5,699,916
	<u>\$ 25,286,900</u>	<u>\$ 23,237,911</u>

Investment return consisted of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 707,170	\$ 474,232
Realized and unrealized gains (loss), net	1,850,620	2,110,750
Less investment management fees	(112,352)	(92,977)
	<u>\$ 2,445,438</u>	<u>\$ 2,492,005</u>

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 5. 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.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

#### Note 5. Fair Value of Financial Instruments (Continued)

The following tables summarize investments according to the fair value hierarchy as of December 31, 2021 and 2020:

	2021			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money market funds	\$ 1,425,449	\$ 1,425,449	\$ -	\$ -
U.S. Government securities	1,109,946	1,006,781	103,165	-
Corporate and other bonds	2,301,765	-	2,301,765	-
Common stocks	10,158,838	10,158,838	-	-
Mutual funds:				
U.S. corporate bond funds	1,562,677	1,562,677	-	-
Foreign bond funds	194,402	194,402	-	-
Equity funds	8,533,823	8,533,823	-	-
	<u>\$ 25,286,900</u>	<u>\$ 22,881,970</u>	<u>\$ 2,404,930</u>	<u>\$ -</u>
	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	-	-
	<u>\$ 23,237,911</u>	<u>\$ 20,854,874</u>	<u>\$ 2,383,037</u>	<u>\$ -</u>

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Building	\$ 2,859,216	\$ 2,859,216
Office furniture, equipment and software	1,196,426	1,131,889
	<u>4,055,642</u>	<u>3,991,105</u>
Less accumulated depreciation	(1,617,760)	(1,392,448)
	<u>\$ 2,437,882</u>	<u>\$ 2,598,657</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$225,312 and \$225,242, respectively.

#### Note 7. Loan Payable

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, introduced the Paycheck Protection Program (PPP) to provide funding to small businesses with the goal of preventing job loss and business failure 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 (SBA), 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 applied for and received a PPP loan dated April 14, 2020 through Chase Bank in the amount of \$594,985, reflected as a liability at December 31, 2020. The loan was forgiven on August 6, 2021 and is recorded as a gain on loan forgiveness in the 2021 statement of activities.

#### Note 8. 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 \$4,733,649 and \$4,317,097 for these salaries and staff benefits for the years ended December 31, 2021 and 2020, respectively, and are included on the statement of functional expense.

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, 2021 and 2020, were \$2,038,000 and \$1,327,000, respectively, and are reported on the statements of functional expenses.

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, 2021 and 2020, the amounts due from National Restaurant Association were \$531,076 and \$703,841, respectively.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 8. 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% of the net sales of these products. The agreement expires December 31, 2027. The Association paid the Foundation license fees of \$5,230,302 and \$3,906,466 in 2021 and 2020, respectively, recorded as revenue on the statements of activities.

#### Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose:		
Support of Foundation scholarship programs	\$ 1,993,698	\$ 2,558,977
Support of Foundation activities	5,749,660	5,048,982
Ted J. Balestreri Leadership Classic	1,025,500	1,544,875
Award programs	1,375,000	877,900
	<u>10,143,858</u>	<u>10,030,734</u>
Endowments:		
Subject to the Foundation's spending policy and appropriation:		
Scholarships	10,918,044	9,394,528
General use	6,632,640	5,762,735
	<u>17,550,684</u>	<u>15,157,263</u>
	<u>\$ 27,694,542</u>	<u>\$ 25,187,997</u>

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

	2021	2020
Satisfaction of purpose restrictions:		
Support of Foundation scholarship programs	\$ 744,100	\$ 999,250
Support of Foundation activities	2,593,172	2,467,429
Ted J. Balestreri Leadership Classic	1,049,700	401,500
Award programs	742,900	250,000
	<u>\$ 5,129,872</u>	<u>\$ 4,118,179</u>

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 10. 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, 2021 and 2020, 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.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

#### Note 10. Endowment Net Assets (Continued)

The Foundation's endowment composition is as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 11,277,945	\$ 10,717,095
Accumulated investment gains	6,272,739	4,440,168
Total donor-restricted endowment funds	<u>\$ 17,550,684</u>	<u>\$ 15,157,263</u>

Changes in endowment net assets for 2021 and 2020, were as follows:

	With Donor Restriction
Endowment net assets, January 1, 2020	\$ 13,323,042
Contributions	200,000
Investment return	1,915,221
Appropriation of endowment assets for expenditure	<u>(281,000)</u>
Endowment net assets, December 31, 2020	15,157,263
Contributions	560,850
Investment return	2,012,571
Appropriation of endowment assets for expenditure	<u>(180,000)</u>
Endowment net assets, December 31, 2021	<u>\$ 17,550,684</u>

Endowment net assets at December 31, 2020, as reflected above, do not include contributions receivable of \$100,000. This amount was received in cash and included above in contributions to endowment net assets in 2021.

#### *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, 2021 and 2020, 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% of the funds balance as long as spending does not exceed the accumulated earnings balance.

## National Restaurant Association Educational Foundation

### Notes to Financial Statements

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#### Note 11. 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 had the option of renewing the program annually, for up to five years, with potential contract amounts totaling up to \$9,700,000. The last draw on this contract was in September 2019, and the contract was officially closed out as of December 31, 2020. The cumulative amount awarded totaled \$6,786,775.

In September 2020, the Foundation secured a second contract with the DOL to extend this program. At that time, the DOL awarded the Foundation \$1,800,000 and has the option of renewing the program annually, for up to five years, with potential contract amounts totaling up to \$9,200,000. In September 2021, the DOL awarded the Foundation an additional \$1,800,000, bringing the total amount awarded to \$3,600,000. During the years ended December 31, 2021 and 2020, the Foundation recognized revenue of \$1,878,385 and \$1,658,545, 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, 2021 and 2020, the Foundation recognized revenue of \$1,117,351 and \$819,033, respectively, from this contract.

In July 2021, the Foundation, secured a \$4,000,000 contract with the DOL to expand its reintegration program for ex-offenders to find employment in the restaurant and hospitality industries. During the year ended December 31, 2021, the Foundation recognized revenue of \$131,509 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, 2021 and 2020, the Foundation recognized revenue of \$858,997 and \$281,415, respectively, 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, 2021 and 2020, the Foundation recognized revenue of \$52,842 and \$19,032, respectively, from this contract. The contract was canceled by the Foundation in October 2021.