

TOURISM CARES, INC.
FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Information for 2015)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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TOURISM CARES, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Information for 2015)

Mission

*Tourism Cares is the charitable arm
of the travel and tourism industry.*

*Our mission is to preserve and enrich the
travel experience for future generations.*

TOURISM CARES, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Information for 2015)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tourism Cares, Inc.
Canton, Massachusetts

We have audited the accompanying financial statements of Tourism Cares, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 Organization'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 Organization'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 Tourism Cares, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Tourism Cares, Inc.
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Report on Summarized Comparative Information

We have previously audited Tourism Cares, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
March 23, 2017

TOURISM CARES, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 293,176	\$ 157,964
Contributions Receivable	207,634	340,200
Prepaid Expenses	5,973	3,167
Donated Travel Vouchers	<u>63,008</u>	<u>53,149</u>
Total Current Assets	<u>569,791</u>	<u>554,480</u>
 <u>NET PROPERTY AND EQUIPMENT</u>	 <u>1,910</u>	 <u>2,559</u>
 <u>NON-CURRENT ASSETS:</u>		
Investments	1,311,388	1,856,635
Security Deposit	<u>5,101</u>	<u>5,101</u>
Total Non-Current Assets	<u>1,316,489</u>	<u>1,861,736</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 1,888,190</u>	 <u>\$ 2,418,775</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 27,819	\$ 48,406
Accrued Payroll and Related Costs	47,183	25,905
Grants and Scholarships Payable	<u>9,500</u>	<u>19,500</u>
Total Current Liabilities	<u>84,502</u>	<u>93,811</u>
 <u>NET ASSETS:</u>		
Unrestricted Net Assets	316,269	187,821
Temporarily Restricted Net Assets	671,879	1,086,980
Permanently Restricted Net Assets	<u>815,540</u>	<u>1,050,163</u>
Total Net Assets	<u>1,803,688</u>	<u>2,324,964</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 1,888,190</u>	 <u>\$ 2,418,775</u>

TOURISM CARES, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Totals for 2015)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>	
				<u>2016</u>	<u>2015</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>					
<i>Support and Revenues:</i>					
Membership Contributions	\$ 570,722	\$ 12,000	\$ -	\$ 582,722	\$ 621,045
Other Gifts, Grants and Contributions	116,816	33,350	15,000	165,166	240,376
Event Sponsorships and Fees	62,577	392,866	-	455,443	368,034
Auction Proceeds, Net	76,978	-	-	76,978	92,595
Good Travels Advisor Program	84,848	-	-	84,848	-
Donated Goods and Services	506,146	-	-	506,146	368,263
Total Support and Revenues	<u>1,418,087</u>	<u>438,216</u>	<u>15,000</u>	<u>1,871,303</u>	<u>1,690,313</u>
<i>Investment and Other Income:</i>					
Investment Return, Net	18,071	56,116	-	74,187	17,063
Other Income	71	-	-	71	11
Total Other Income	<u>18,142</u>	<u>56,116</u>	<u>-</u>	<u>74,258</u>	<u>17,074</u>
<i>Reclassifications of Net Assets:</i>					
Net Assets Released From Restriction	564,575	(564,575)	-	-	-
Change in Donor Intent (Note 11)	75,047	(50,424)	(24,623)	-	-
Total Reclassifications	<u>639,622</u>	<u>(614,999)</u>	<u>(24,623)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>2,075,851</u>	<u>(120,667)</u>	<u>(9,623)</u>	<u>1,945,561</u>	<u>1,707,387</u>
<u>FUNCTIONAL EXPENSES:</u>					
Program Services	1,558,564	-	-	1,558,564	1,370,876
Administrative	159,758	-	-	159,758	143,612
Fund Raising	229,081	-	-	229,081	178,458
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,947,403</u>	<u>-</u>	<u>-</u>	<u>1,947,403</u>	<u>1,692,946</u>
<u>CHANGE IN NET ASSETS BEFORE TRANSFERS</u>	<u>128,448</u>	<u>(120,667)</u>	<u>(9,623)</u>	<u>(1,842)</u>	<u>14,441</u>
<u>TRANSFER OF SCHOLARSHIP FUNDS</u> (Note 11)	<u>-</u>	<u>(294,434)</u>	<u>(225,000)</u>	<u>(519,434)</u>	<u>-</u>
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>128,448</u>	<u>(415,101)</u>	<u>(234,623)</u>	<u>(521,276)</u>	<u>14,441</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>187,821</u>	<u>1,086,980</u>	<u>1,050,163</u>	<u>2,324,964</u>	<u>2,310,523</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 316,269</u>	<u>\$ 671,879</u>	<u>\$ 815,540</u>	<u>\$ 1,803,688</u>	<u>\$ 2,324,964</u>

TOURISM CARES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Totals for 2015)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2016</u>	<u>2015</u>
Salaries	\$ 499,016	\$ 83,053	\$ 90,311	\$ 672,380	\$ 654,046
Payroll Taxes	39,701	6,608	7,185	53,494	64,393
Fringe Benefits	26,263	4,371	4,753	35,387	26,650
Grants Expense	74,712	-	-	74,712	62,666
Scholarships	107,429	-	-	107,429	56,711
Travel	96,489	16,059	17,462	130,010	130,463
Meetings and Event Costs	182,363	-	30,000	212,363	215,239
Special Program and Event Expenses	-	-	9,582	9,582	68,316
Mentoring Program Expenses	6,232	-	-	6,232	25,705
Professional Fees and Consultants	28,045	13,602	295	41,942	31,438
Marketing and Public Relations	61,111	-	6,790	67,901	20,412
Donated Marketing Services and Advertising	221,468	-	24,050	245,518	138,459
Donated Software and Technology	69,925	-	7,769	77,694	25,500
Video Production	21,150	-	-	21,150	635
Occupancy	90,723	15,099	16,419	122,241	106,211
Insurance	5,612	934	1,016	7,562	7,669
Printing and Postage	11,775	957	4,380	17,112	26,728
Dues, Subscriptions and Fees	11,491	3,210	8,227	22,928	22,289
Office Supplies and Equipment	3,548	590	642	4,780	2,639
Professional Development	-	90	-	90	744
Depreciation Expense	1,104	185	200	1,489	3,982
Recruiting Expense	407	-	-	407	747
Bad Debt Expense	-	15,000	-	15,000	-
Miscellaneous Expenses	-	-	-	-	1,304
Total Functional Expenses	<u>\$ 1,558,564</u>	<u>\$ 159,758</u>	<u>\$ 229,081</u>	<u>\$ 1,947,403</u>	<u>\$ 1,692,946</u>

TOURISM CARES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (521,276)	\$ 14,441
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Transfer of Scholarship Investments	519,434	-
Depreciation Expense	1,488	3,982
Investment Return, Net	(74,187)	(17,063)
Donated Travel Vouchers	(105,500)	(70,500)
Distributed or Utilized Travel Vouchers	95,641	56,815
Permanently Restricted Contributions	(15,000)	(15,000)
<i>(Increase) Decrease in Current Assets:</i>		
Contributions Receivable	132,566	(195,874)
Prepaid Expenses	(2,806)	1,944
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(20,587)	427
Accrued Payroll and Related Costs	21,278	2,478
Grants and Scholarships Payable	(10,000)	(267)
Net Adjustment	<u>542,327</u>	<u>(233,058)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>21,051</u>	<u>(218,617)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Equipment	(839)	-
Purchase of Investments	-	(15,000)
Proceeds from Securities Sold/Transfer to Operations	<u>100,000</u>	<u>153,770</u>
Net Cash Flows from Investing Activities	<u>99,161</u>	<u>138,770</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Permanently Restricted Contributions	<u>15,000</u>	<u>15,000</u>
Net Cash Flows from Financing Activities	<u>15,000</u>	<u>15,000</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	135,212	(64,847)
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>157,964</u>	<u>222,811</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 293,176</u>	<u>\$ 157,964</u>

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 1 ORGANIZATION

Tourism Cares, Inc. (“Tourism Cares” or the “Organization”) was incorporated in 2005, under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

Tourism Cares, Inc. was formed on January 1, 2005, and is located in Canton, Massachusetts. Tourism Cares was founded by the National Tour Association (NTA) and the United States Tour Operators Association (USTOA), with representation from the American Society of Travel Agents (ASTA), the International Airlines Travel Agent Network (IATAN), and many of the travel industry’s leading companies and associations.

Tourism Cares is primarily funded by contributions from its 160+ members and maximizes travel’s potential to be a global force for good. We unite the travel industry to make a greater impact on shared priorities and help each company fulfill its giving goals.

The Organization achieves its mission in four ways:

1. Tourism Cares channels the philanthropic passion and commitment of the travel industry to help destinations in need. Since 2003, volunteers have donated 46,000 hours, totaling \$1,000,000 in value to sites across the country.

In 2015/2016, Tourism Cares celebrated the National Park Service Centennial, bringing 775 travel industry volunteers to Grand Canyon National Park, Chattahoochee National Recreation Area, Atlanta; Cold Water Spring, Minneapolis, MN; Mt Rainier National Park near Seattle and parks in New York Harbor. *Tourism Cares for Our National Parks* donated \$117,000 in value of volunteer labor. In addition, Tourism Cares provides “private label” volunteer programs for companies and associations.

In 2017, *Tourism Cares for Our Cities* will bring industry volunteers to Oakland, Detroit, Providence and Toronto, celebrating the unique role cities play in tourism.

2. Our community invests in the future of our workforce, offering scholarships and mentoring programs to ensure that the best talent enters—and stays in—the travel industry. In 2016, Tourism Cares granted \$107,000 in scholarships to 64 recipients and 23 mentees who participated in mentoring programs.
3. Tourism Cares also supports global destinations in need, including launching the Nepal Recovery Fund in response to the devastating earthquakes in the Spring of 2015. The fund provides advocacy with the goal of revitalizing Nepal’s tourism product through marketing, targeted restoration, and physical investments in projects, as well as training and recovery funds for industry professionals.

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 2 *(Continued)*

4. Tourism Cares leads and improves corporate social responsibility (CSR) for its members. We enable those who want to get started in giving back as well as those who want to take their giving program to the next level through peer learning; awards and exemplars; public relations and communications; consulting services; research and advocacy.

In 2016 Tourism Cares welcomed Travel Agents into its member community with the Good Travels Advisor program, an online travel agent certification that provides knowledge and tools to support clients interested in giving and volunteering. Good Travels Advisors are trained in the basics of good travel and volunteering and become experts at finding and funding new causes, giving tips on how to find a volunteer project, help places that are hit by a disaster and engage kids and families for meaningful travel.

Tourism Cares believes that giving back is an area where we should all collaborate, not compete; that we give better together. We complement and leverage existing corporate foundations, giving campaigns and other philanthropic efforts. We help businesses get the most out of their giving for their causes and their companies.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when a liability has been incurred.

Fair Value of Financial Instruments:

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 *(Continued)*

The three levels of inputs used to measure fair value are defined as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements is the recurring measurement of investments. There have been no changes to this valuation methodology.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization may include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. As of December 31, 2016 and 2015, permanently restricted net assets consist of individual funds to support the scholarship program.

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 *(Continued)*

Contributions Receivable:

Contributions Receivable are classified as current if they are scheduled for receipt within one year, and non-current when the expected date of receipt exceeds one year. On a periodic basis, Management evaluates receivables and establishes an allowance for doubtful accounts, based on past collections and current credit conditions. Tourism Cares does not accrue interest on its receivables. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to the allowance for doubtful accounts. As of December 31, 2016 and for the year then ended, the provision for uncollectible receivables was \$15,000. There was no actual bad debt expense for the years presented.

Donated Travel Vouchers and Auction Proceeds:

Tourism Cares receives donations of travel vouchers and other travel related services. Donations of travel vouchers are recognized as contribution revenue, and inventoried for subsequent distribution through use by the Organization or re-sale through the Organization's online auction. The auction proceeds from the sale of travel vouchers are reported net of the inventoried face value of the vouchers. Other donated travel-related packages and services are auctioned through the online bidding process, and if sold, the gross proceeds are reported as auction revenue at the close of the bidding period.

Property and Equipment:

Tourism Cares records all property and equipment at cost, if purchased (exceeding \$1,000), or if donated, at fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments (exceeding \$1,000) are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, as expressed in terms of years.

Investments:

The Organization maintains an investment portfolio which consists of cash, equity securities, and corporate bonds. Investments are recorded at fair value. As required by *FASB Accounting Standards Codification*TM, the Organization reports the investments' net realized and unrealized gains and losses at each reporting date in the Organization's Statement of Activities. Purchases and sales of securities are recorded on the trade date. In determining the gains (losses) realized on the sales of securities, the cost of the securities sold has been determined on a specific identification basis. Cash held in brokerage accounts is reported as investments for purposes of these financial statements. Investments are classified as either short-term or long-term depending on the underlying intentions. For the years ended December 31, 2016 and 2015, *Investments* include permanently restricted and temporarily restricted scholarship funds, therefore all investments are considered long term.

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 *(Continued)*

Endowment Funds:

The Organization's endowment funds consist of individual donor-restricted endowed funds established to support the scholarship program. As required by *FASB Accounting Standards Codification*TM, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

As required by the Commonwealth of Massachusetts, the Organization follows the guidance of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA establishes law for the management of investment of donor-restricted endowment funds. The Board of Trustees' interpretation of state law is that the Organization, absent explicit donor stipulations to the contrary, may appropriate as much of the net appreciation as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

In accordance with UPMIFA, the Organization considers the following factors in making a determination of whether to invest or appropriate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Income and appreciation earned on endowment investments are classified as temporarily restricted until appropriated for expenditure by the Board of Directors based on the criteria above.

The Organization has adopted investment policies for endowment assets that attempt to provide a reasonably stable, predictable stream of earnings to support the operations of the Organization and to preserve and enhance over time, the real (inflation adjusted) value of the endowment asset. Given the relationship between risk and return, a fundamental step in determining the investment policy for endowment funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long term and capital market volatility, the Board of Directors believes a moderate risk strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long-term, with a reduced potential of negative returns in any given year.

To satisfy its long-term rate of return objective, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives with prudent risk constraints.

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 *(Continued)*

The Organization has a policy of appropriating for distribution each year five percent of its endowment fund's average fair value over the prior 12 quarters proceeding the fiscal year which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, securities, collection items or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Grants and Scholarships:

The Organization awards research and grants scholarships to deserving individuals and organizations who are involved in, or who are part of the tourism curriculum and industry. Additionally, for the years presented, the Organization awarded grants to qualifying programs through its Nepal recovery fund in response to the devastating earthquakes in 2015. The Organization recognizes an expense for *Grants Expense* and *Scholarships* at the time the awards are approved and all significant conditions have been met. As of December 31, 2016 and 2015, the amounts included in *Grants and Scholarships Payable* are expected to be paid in the following year. Conditional commitments are not recognized in the financial statements until the conditions upon which they depend are substantially met.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of the donated goods and services which create or enhance nonfinancial assets; require a specialized skill; and/or which would have otherwise been purchased by the Organization are recognized as revenue and expense on the Statement of Activities and as *Donated Travel Vouchers* on the Statements of Financial Position.

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 *(Continued)*

The Organization relies heavily upon the services of many individuals and organizations who provide assistance in the delivery of its programs. This volunteer group includes individuals and businesses as well as extensive efforts and contributions made by the Board of Directors. Although extensive, this volunteer effort does not meet the recognition criteria, and therefore, the related service contribution is not reflected in the accompanying financial statements.

Functional Expenses:

The Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using formulas derived from the nature of related time. Supporting services are those related to operating and managing the Organization and their programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Tourism Cares' internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

Advertising:

Tourism Cares uses print advertising and other media to promote its programs and events. Advertising costs are expensed as incurred. For the years ended December 31, 2016 and 2015, advertising costs were \$29,401 and \$20,411, respectively.

Reclassifications:

Certain amounts in the prior year information have been reclassified to conform to the current year presentation. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2016 and 2015:

<u>Asset Category</u>	<u>Est.</u>	<u>Cost</u>	<u>Accumulated</u>	<u>Net Book Value</u>	
	<u>Life</u>			<u>Depreciation</u>	<u>2016</u>
Software and Equipment	3 - 5	\$52,465	\$50,555	\$1,910	\$2,559
Leasehold Improvements	3	<u>5,456</u>	<u>5,456</u>	<u>-</u>	<u>-</u>
Total		<u>\$57,921</u>	<u>\$56,011</u>	<u>\$1,910</u>	<u>\$2,559</u>

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 5 INVESTMENTS

As of December 31, 2016 and 2015, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>December 31, 2016</u>					
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value Level 1</u>	<u>Fair Value Level 2</u>	<u>Total Fair Value</u>
Cash and Sweep Accounts	\$ 20,166	\$ -	\$ -	\$ 20,166	\$ -	\$ 20,166
Equity Securities	175,036	40,801	(1,703)	214,134	-	214,134
Mutual Funds	67,437	2,598	(4,389)	65,646	-	65,646
Corporate Bonds	<u>1,021,742</u>	<u>4,014</u>	<u>(14,314)</u>	<u>-</u>	<u>1,011,442</u>	<u>1,011,442</u>
Total	<u>\$1,284,381</u>	<u>\$47,413</u>	<u>\$(20,406)</u>	<u>\$299,946</u>	<u>\$1,011,442</u>	<u>\$1,311,388</u>

<u>Investment Type</u>	<u>December 31, 2015</u>					
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value Level 1</u>	<u>Fair Value Level 2</u>	<u>Total Fair Value</u>
Cash and Sweep Accounts	\$ 55,276	\$ -	\$ -	\$ 55,276	\$ -	\$ 55,276
Equity Securities	348,343	97,441	(5,351)	440,433	-	440,433
Mutual Funds	133,877	7,448	(8,590)	132,735	-	132,735
Corporate Bonds	<u>1,231,927</u>	<u>8,539</u>	<u>(12,275)</u>	<u>-</u>	<u>1,228,191</u>	<u>1,228,191</u>
Total	<u>\$1,769,423</u>	<u>\$113,428</u>	<u>\$(26,216)</u>	<u>\$628,444</u>	<u>\$1,228,191</u>	<u>\$1,856,635</u>

The Organization uses the following ways to determine the fair value of its investments:

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Mutual Funds: Determined by the published net asset value (“NAV”) per unit at the end of the last trading day of the year, which is the basis for transactions at that date. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares held by the Organization at year end.

Corporate Bonds: Determined by obtaining non-binding market prices from the Organization’s third-party portfolio managers as of the financial reporting date. These investments are less actively traded in the market, but quoted market prices exist for similar instruments that are actively traded.

Investments are classified as follows for the years presented:

<u>Investment Classification</u>	<u>2016</u>	<u>2015</u>
Endowment Investments	\$ 903,459	\$1,259,914
Long-Term Investments	<u>407,929</u>	<u>596,721</u>
Total Investments	<u>\$1,311,388</u>	<u>\$1,856,635</u>

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 5 (Continued)

<u>Components of Investment Return</u>	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 46,511	\$59,732
Investment Fees	(12,215)	(15,665)
Net Realized/Unrealized Gain (Loss) on Investments	<u>39,891</u>	<u>(27,004)</u>
Net Investment Return	<u>\$ 74,187</u>	<u>\$17,063</u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2016 and 2015:

<u>Nature of Restriction</u>	<u>2016</u>	<u>2015</u>
Scholarship Programs	\$353,515	\$ 660,823
Event Sponsorships	116,700	101,500
Global Outreach	60,771	66,932
Student Programs	4,005	4,005
Time Restricted	12,000	-
Other Restricted Funds	36,969	43,969
Unappropriated Endowment Earnings*	<u>87,919</u>	<u>209,751</u>
Total	<u>\$671,879</u>	<u>\$1,086,980</u>

* As of December 31, 2015, Unappropriated Endowment Earnings consisted of appreciation on eleven individual funds established to support the scholarship program. Following the transfer of scholarship funds as discussed in Note 11, the Endowment consisted of seven individual scholarship funds as of December 31, 2016.

Net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes, by the passage of time or by the occurrence of events specified by the donors were as follows for the year presented:

<u>Nature of Restriction</u>	<u>2016</u>	<u>2015</u>
Scholarship Programs	\$140,398	\$137,449
Event Sponsorships	377,666	246,985
Global Outreach	39,511	41,666
Student Programs	-	7,300
Research Funds	-	63,000
Other Restricted Funds	<u>7,000</u>	<u>-</u>
Total	<u>\$564,575</u>	<u>\$496,400</u>

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 7 ENDOWMENT NET ASSETS

The following schedule summarizes the change in endowment net assets for the years ended December 31, 2016 and 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment Net Assets, December 31, 2014	\$ 234,215	\$1,035,163	\$1,269,378
Contributions	-	15,000	15,000
Investment Return	27,961	-	27,961
Appropriation for Expenditure	<u>(52,425)</u>	<u>-</u>	<u>(52,425)</u>
Endowment Net Assets, December 31, 2015	209,751	1,050,163	1,259,914
Contributions	-	15,000	15,000
Investment Return	56,116	-	56,116
Appropriation for Expenditures	(72,991)	-	(72,991)
Transfers <i>(Note 11)</i>	(104,957)	(225,000)	(329,957)
Change in Donor Intentions	<u>-</u>	<u>(24,623)</u>	<u>(24,623)</u>
Endowment Net Assets, December 31, 2016	<u>\$ 87,919</u>	<u>\$ 815,540</u>	<u>\$ 903,459</u>

NOTE 8 DONATED GOODS AND SERVICES

For the years presented, the Organization recognized the following in-kind contributions in the accompanying financial statements:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Travel Vouchers	\$ 26,700	\$ 70,500
Advertising	246,533	138,459
Event Costs	145,955	133,804
Software and Technology	77,694	25,500
Pro Bono Legal	<u>9,264</u>	<u>-</u>
Total	<u>\$506,146</u>	<u>\$368,263</u>

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 9 LEASING ARRANGEMENTS

During the years presented, the Organization leased office space in Canton, Massachusetts under a six-year, non-cancelable operating lease agreement that originally expired in June 2016. At the conclusion of the lease term, the Organization extended the lease agreement for an additional year through June 2017. For the years ended December 31 2016 and 2015, monthly rental payments ranged from \$5,153 to \$5,428. In addition, the Organization also pays for its share of operating expenses. Rent expense for the years ended December 31, 2016 and 2015 was \$66,533 and \$65,955, respectively.

The Organization also leases office equipment under non-cancelable lease agreements with monthly payments ranging from \$222 through \$395 during the years presented. Equipment lease expense under these agreements for the years ended December 31, 2016 and 2015 was \$4,782 and \$2,639, respectively.

As of December 31, 2016, the aggregate amount of future lease payments under these agreements was \$32,568, due in 2017.

NOTE 10 CONCENTRATIONS

Financial instruments which potentially subject the Organization to concentrations of credit and market risk consist principally of the Organization's cash balances and investment portfolio.

Cash:

The Organization is subject to concentrations in credit risk relating to cash balances. For the years presented, the majority of the Organization's cash deposits were held in two financial institutions. Cash deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. Amounts above FDIC insured limits are insured by the Depositors Insurance Fund ("DIF"). The Organization has not experienced any losses on uninsured cash balances and Management considers risk on concentration in cash balances to be low.

Investments:

The Organization invests or holds a variety of investment vehicles, including money market funds, mutual funds and preferred stocks and bonds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Organization's investments; however, the Organization's investments do not represent significant concentrations of market risk considering the Organization's portfolio is widely diversified among issuers. The brokerage services are a member of the Securities Investor Protection Corporation ("SIPC") which protects securities customers of its members up to \$500,000, including \$250,000 for claims of cash.

TOURISM CARES, INC.

NOTES TO FINANCIAL STATEMENTS

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(With Summarized Comparative Information for 2015)

(Continued)

NOTE 11 OTHER CHANGES IN NET ASSETS

In December 2016, Tourism Cares transferred ten scholarship funds to another 501(c)(3) organization. At the time of the transfer, the total amount included in the Organization's permanently and temporarily restricted net assets was \$519,034, which has been reported as *Transfer of Scholarship Funds* on the accompanying Statement of Activities. In conjunction with the transfer of these assets, the custodian of two remaining scholarship funds lifted all restrictions related to these assets, which resulted in a transfer of \$75,047 to the Organization's unrestricted net assets for the year ended December 31, 2016. This reclassification of net assets has been presented as *Change in Donor Intent* in the accompanying Statement of Activities.

NOTE 12 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through March 23, 2017, the date which the financial statements were available for issue, and noted the following events which met the criteria:

Lease Agreement:

In February 2017, the Organization entered into a new, five-year lease agreement for 2,400 square feet of office space in Norwood, Massachusetts. The agreement is effective July 1, 2017, at which time the Organization will relocate from its current offices. The annual base rent for the initial year of the lease term is \$42,000, payable in monthly installments of \$3,500, and is subject to annual increases.

Net Assets Transfer:

In February 2017, Tourism Cares transferred an additional three scholarship funds to the same Organization as discussed in Note 11. At the time of the transfer, the total amount included in the Organization's permanently and temporarily restricted net assets was approximately \$75,000.